

Based in Pittsburgh, PNC provides a range of retail and commercial banking, residential mortgage lending, and asset management services. It has operations in Pennsylvania, Ohio, New Jersey, Michigan, Illinois, Maryland, Indiana, North Carolina, Florida, Kentucky, Washington, D.C., Delaware, Alabama, Virginia, Missouri, Georgia, Wisconsin and South Carolina.

## Analyst's Notes

Analysis by Stephen Biggar, April 16, 2025

**ARGUS RATING: BUY**

- Robust net interest income guide maintained for 2025
- On April 15, PNC reported 1Q25 EPS of \$3.51, up from \$3.36 a year earlier and above the \$3.39 consensus. Revenues were up 6%.
- Average loans were down 1%, but the net interest margin expanded by 21 basis points year over year, helping net interest income.
- Management maintained what we believe is robust guidance for 2025 calling for net interest income to rise 6%-7% and expenses to be up only 1%.
- Our target price is now \$183 (down from \$220), or 12-times our EPS estimate for 2025, reduced to reflect a lower multiple given an uncertain macro backdrop.

## INVESTMENT THESIS

We are maintaining our BUY rating on PNC Financial Services Group Inc. (NYSE: PNC) following first-quarter earnings. PNC saw a slight decline in average loans for the quarter, while the net interest margin expanded and revenue grew 6%. We expect these trends to continue, as the securities portfolio re-prices and the yield curve has steepened.

In June 2021, PNC acquired BBVA USA Bancshares, the Houston-based U.S. banking subsidiary of Banco Bilbao Vizcaya (BBVA), for \$11.6 billion in cash. The acquisition included about \$100 billion in assets, \$82 billion in deposits, and 637 branches in Texas, Alabama, Arizona, California, Florida, Colorado, and New Mexico. The company said that the purchase provided PNC with a presence in 29 of the 30 largest markets in the U.S. We like this deal for several reasons, including the expansion it provides in the faster-growing Sunbelt region of the U.S., as well as a more coast-to-coast branch presence.

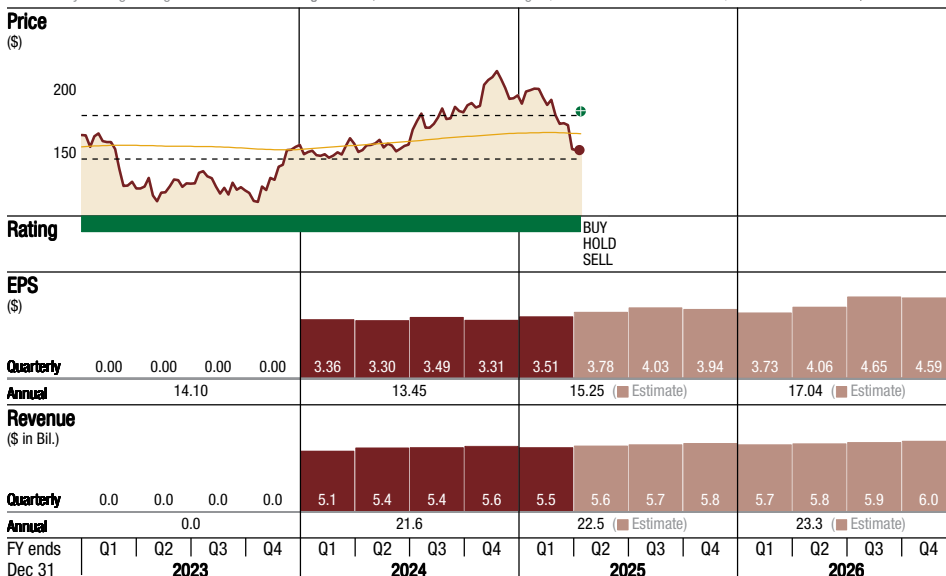
The acquisition also replaced the dividend income lost after PNC's May 2020 sale of its 22.5% stake in BlackRock (BLK), which resulted in net proceeds of about \$14 billion. PNC realized a considerable windfall from that sale (estimated at about 70-times its original purchase price), allowing it to acquire BBVA USA Bancshares for cash and paving the way for strong earnings accretion.

PNC trades at about 10-times our 2025 EPS estimate. We view the bank as well

## Market Data

Pricing reflects previous trading week's closing price.

— 200-Day Moving Average — Target Price: \$183.00 — 52 Week High: \$179.68 — 52 Week Low: \$145.12 — Closed at \$151.99 on 4/11



## Argus Recommendations

Twelve Month Rating	SELL	HOLD	BUY
Five Year Rating	SELL	HOLD	BUY
Sector Rating	Under Weight	Market Weight	Over Weight

Argus assigns a 12-month BUY, HOLD, or SELL rating to each stock under coverage.

- BUY-rated stocks are expected to outperform the market (the benchmark S&P 500 Index) on a risk-adjusted basis over the next year.
- HOLD-rated stocks are expected to perform in line with the market.
- SELL-rated stocks are expected to underperform the market on a risk-adjusted basis.

The distribution of ratings across Argus' entire company universe is: 74% Buy, 26% Hold, 0% Sell.

## Key Statistics

Key Statistics pricing data reflects previous trading day's closing price. Other applicable data are trailing 12-months unless otherwise specified

### Market Overview

Price	\$151.54
Target Price	\$183.00
52 Week Price Range	\$143.52 to \$216.26
Shares Outstanding	395.75 Million
Dividend	\$6.40

### Sector Overview

Sector	Financial
Sector Rating	OVER WEIGHT
Total % of S&P 500 Market Cap.	14.70%

### Financial Strength

Financial Strength Rating	MEDIUM-HIGH
Debt/Capital Ratio	53.8%
Return on Equity	12.2%
Net Margin	17.7%
Payout Ratio	0.43
Current Ratio	--
Revenue	\$34.17 Billion
After-Tax Income	\$6.04 Billion

### Valuation

Current FY P/E	9.94
Prior FY P/E	11.27
Price/Sales	1.76
Price/Book	1.18
Book Value/Share	\$127.98
Market Capitalization	\$59.97 Billion

### Forecasted Growth

1 Year EPS Growth Forecast	13.38%
5 Year EPS Growth Forecast	5.00%
1 Year Dividend Growth Forecast	3.17%

### Risk

Beta	1.05
Institutional Ownership	83.72%

## Analyst's Notes ...Continued

positioned, with good revenue growth opportunities, strong capital levels, and a robust allowance for credit losses. Our target price of \$183 implies 12-times our 2025 EPS estimate, a premium to regional bank peers that we believe is warranted by the company's better-than-peer ROE and revenue growth prospects.

### RECENT DEVELOPMENTS

PNC shares are up 1% over the past year, compared to a 4% increase for the broad market.

On April 15, PNC reported 1Q25 EPS of \$3.51, up from \$3.36 a year earlier and above the \$3.39 consensus. Revenues were up 6% to \$5.5 billion.

Net interest income was up 7%, with earning assets down 2% but the net interest margin widening to 2.78% from 2.57%.

Net charge-offs of \$205 million (0.26% of average loans) were down from \$243 million (0.30%) a year earlier. The company had a provision for credit losses of \$219 million, up from \$155 million in 1Q24.

The company noted that its commercial real estate (CRE) portfolio totaled \$32.3 at March 31 (down from \$33.6 billion at December 31), or 10.1% of its total loan portfolio. The office component of CRE was only \$6.3 billion, or 2.0% of loans, and had a net charge-off ratio of 3.8% in 4Q, down from 4.2% in 4Q24.

### EARNINGS & GROWTH ANALYSIS

On the 1Q earnings call, management reiterated guidance for

2025, calling for average loans to be stable, net interest income (NII) to be up 6%-7%, fee income to be up 5%, total revenue to be up 6%, core noninterest expenses to be up 1%, and an effective tax rate of about 19%. Net interest income troughed in 2Q24, with help from a re-pricing of the securities portfolio.

The company has a Continuous Improvement Plan (CIP) designed to reduce costs and improve efficiency. PNC generated \$350 million in cost savings from the CIP in 2017, \$250 million in 2018, \$300 million annually in 2019-2022, \$450 million in 2023, and \$425 million in 2024. On the 4Q24 earnings call, management said it planned for \$350 million in CIP savings in 2025.

Modeling slightly lighter revenue growth, we are lowering our 2025 EPS estimate to \$15.25 from \$15.55. Our 2026 forecast moves to \$17.04 from \$17.22.

### FINANCIAL STRENGTH & DIVIDEND

Our financial strength rating on PNC is Medium-High, the second-highest rank on our five-point scale.

Following the Federal Reserve's June 2024 stress test results, PNC maintained its stress capital buffer of 2.5%, effective October 1, 2024, and it increased its dividend to \$1.60 per share from \$1.55, for a current yield of about 4.1%. It paid \$6.30 in dividends in 2024. Our dividend estimates are \$6.50 for 2025 and \$6.80 for 2026.

Due to the uncertainty of new capital regulations, the company

## Growth & Valuation Analysis

### GROWTH ANALYSIS

(\$ in Millions, except per share data)

	2020	2021	2022	2023	2024
Revenue	16,901	19,211	21,114	21,509	20,809
COGS	—	—	—	—	—
Gross Profit	—	—	—	—	—
SG&A	5,909	7,460	7,599	7,778	7,664
R&D	—	—	—	—	—
Operating Income	—	—	—	—	—
Interest Expense	-9,946	-10,647	-13,014	-13,916	-13,499
Pretax Income	3,429	6,988	7,473	6,736	7,242
Income Taxes	426	1,263	1,360	1,089	1,289
Tax Rate (%)	12	18	18	16	18
Net Income	7,517	5,674	6,041	5,578	5,889
Diluted Shares Outstanding	427	426	412	401	400
EPS	16.96	12.70	13.85	12.79	13.74
Dividend	4.60	4.80	5.75	6.10	6.30

### GROWTH RATES (%)

Revenue	0.4	13.7	9.9	1.9	-3.3
Operating Income	—	—	—	—	—
Net Income	40.0	-24.5	6.5	-7.7	5.6
EPS	-33.5	99.7	9.1	-7.7	7.4
Dividend	9.5	4.3	19.8	6.1	3.3
Sustainable Growth Rate	2.4	6.5	6.3	7.0	4.2

### VALUATION ANALYSIS

Price: High	\$161.25	\$217.60	\$228.14	\$169.07	\$216.26
Price: Low	\$79.41	\$141.60	\$143.52	\$109.40	\$139.69
Price/Sales: High-Low	4.1 - 2.0	4.8 - 3.1	4.5 - 2.8	3.2 - 2.0	4.2 - 2.7
P/E: High-Low	9.5 - 4.7	17.1 - 11.1	16.5 - 10.4	13.2 - 8.6	15.7 - 10.2
Price/Cash Flow: High-Low	11.9 - 5.9	16.4 - 10.7	11.2 - 7.0	7.3 - 4.7	7.9 - 5.1

## Financial & Risk Analysis

### FINANCIAL STRENGTH

	2022	2023	2024
Cash (\$ in Millions)	34,363	50,725	46,251
Working Capital (\$ in Millions)	—	—	—
Current Ratio	—	—	—
LT Debt/Equity Ratio (%)	128.3	142.3	113.3
Total Debt/Equity Ratio (%)	128.3	142.3	113.3

### RATIOS (%)

Gross Profit Margin	—	—	—
Operating Margin	—	—	—
Net Margin	27.0	23.8	26.4
Return On Assets	1.0	0.9	1.0
Return On Equity	11.3	10.6	10.4

### RISK ANALYSIS

Cash Cycle (days)	—	—	—
Cash Flow/Cap Ex	—	—	—
Oper. Income/Int. Exp. (ratio)	—	—	—
Payout Ratio	35.9	41.5	42.0

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## Analyst's Notes ...Continued

had put share repurchase activity on hold, but bought back a modest \$200 million of shares in 1Q25.

PNC's Basel III common equity tier 1 capital ratio was 10.6% at March 31, 2025, up from 10.1% a year earlier.

### MANAGEMENT & RISKS

PNC is led by Chairman and CEO William S. Demchak. The company is transparent with its growth strategy and cost-savings initiatives, and provides guidance with respect to revenue growth, balance sheet metrics, near-term expenses, and net charge-offs.

The company is subject to a number of risks, including changes in interest rates, credit quality, loan demand, and capital markets liquidity. It also faces risks from financial services regulation.

### COMPANY DESCRIPTION

Based in Pittsburgh, PNC provides a range of retail and commercial banking, residential mortgage lending, and asset management services. It has operations in Pennsylvania, Ohio, New Jersey, Michigan, Illinois, Maryland, Indiana, North Carolina, Florida, Kentucky, Washington, D.C., Delaware, Alabama, Virginia, Missouri, Georgia, Wisconsin and South Carolina.

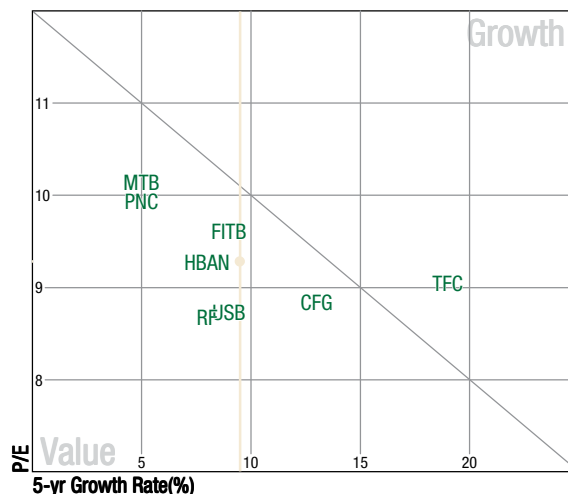
In May 2020, PNC disposed of its 22% stake in BlackRock Inc. (BLK) in a registered offering. Proceeds were subsequently used to acquire BBVA USA Bancshares, the Houston-based U.S. banking subsidiary of Banco Bilbao Vizcaya, in June 2021.

### VALUATION

## Peer & Industry Analysis

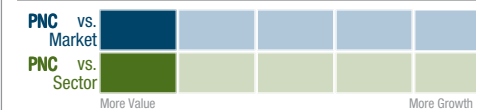
The graphics in this section are designed to allow investors to compare PNC versus its industry peers, the broader sector, and the market as a whole, as defined by the Argus Universe of Coverage.

- The scatterplot shows how PNC stacks up versus its peers on two key characteristics: long-term growth and value. In general, companies in the lower left-hand corner are more value-oriented, while those in the upper right-hand corner are more growth-oriented.
- The table builds on the scatterplot by displaying more financial information.
- The bar charts on the right take the analysis two steps further, by broadening the comparison groups into the sector level and the market as a whole. This tool is designed to help investors understand how PNC might fit into or modify a diversified portfolio.



Ticker	Company	Market Cap (\$ in Millions)	5-yr Growth Rate (%)	Current FY P/E	Net Margin (%)	1-yr EPS Growth (%)	Argus Rating
PNC	PNC Financial Services Group	59,972	5.0	9.9	17.7	11.7	BUY
USB	U.S. Bancorp.	58,924	9.0	8.7	15.7	8.1	BUY
TFC	Truist Financial Corporation	46,994	19.0	9.0	19.9	14.3	BUY
MTB	M & T Bank Corp	26,106	5.0	10.1	19.9	16.7	BUY
FITB	Fifth Third Bancorp	22,983	9.0	9.6	17.4	12.6	BUY
HBAN	Huntington Bancshares, Inc.	19,384	8.0	9.3	16.2	7.0	BUY
RF	Regions Financial Corp.	17,358	8.0	8.7	20.2	8.6	BUY
CFG	Citizens Financial Group Inc	15,501	13.0	8.8	12.8	10.0	BUY
<b>Peer Average</b>		<b>33,403</b>	<b>9.5</b>	<b>9.3</b>	<b>17.5</b>	<b>11.1</b>	

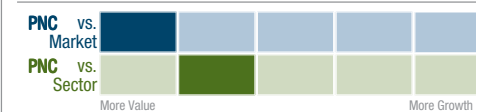
### P/E



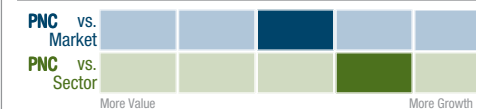
### Price/Sales



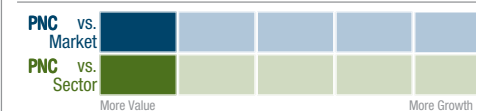
### Price/Book



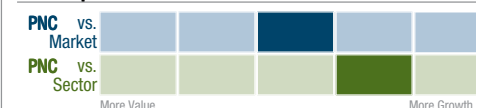
### PEG



### 5 Year Growth



### Debt/Capital



## About Argus

Argus Research, founded by Economist Harold Dorsey in 1934, has built a top-down, fundamental system that is used by Argus analysts. This six-point system includes Industry Analysis, Growth Analysis, Financial Strength Analysis, Management Assessment, Risk Analysis and Valuation Analysis.

Utilizing forecasts from Argus' Economist, the Industry Analysis identifies industries expected to perform well over the next one-to-two years.

The Growth Analysis generates proprietary estimates for companies under coverage.

In the Financial Strength Analysis, analysts study ratios to understand profitability, liquidity and capital structure.

During the Management Assessment, analysts meet with and familiarize themselves with the processes of corporate management teams.

Quantitative trends and qualitative threats are assessed under the Risk Analysis.

And finally, Argus' Valuation Analysis model integrates a historical ratio matrix, discounted cash flow modeling, and peer comparison.

### THE ARGUS RESEARCH RATING SYSTEM

Argus uses three ratings for stocks: BUY, HOLD, and SELL. Stocks are rated relative to a benchmark, the S&P 500.

- A BUY-rated stock is expected to outperform the S&P 500 on a risk-adjusted basis over a 12-month period. To make this determination, Argus Analysts set target prices, use beta as the measure of risk, and compare expected risk-adjusted stock returns to the S&P 500 forecasts set by the Argus Market Strategist.
- A HOLD-rated stock is expected to perform in line with the S&P 500.
- A SELL-rated stock is expected to underperform the S&P 500.

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