FINANCIAL REVIEW
THE PNC FINANCIAL SERVICES GROUP, INC.

This Financial Review, including the Consolidated Financial Highlights, should be read together with our unaudited Consolidated Financial Statements and unaudited Statistical Information included elsewhere in this Quarterly Report on Form 10-Q (the Report or Form 10-Q) and with Items 6, 7, 8 and 9A of our 2019 Annual Report on Form 10-K (2019 Form 10-K). For information regarding certain business, regulatory and legal risks, see the following: the Risk Management section of this Financial Review and of Item 7 in our 2019 Form 10-K; Item 1A Risk Factors included in this Report and our 2019 Form 10-K; and the Commitments and Legal Proceedings Notes of the Notes To Consolidated Financial Statements included in Item 1 of this Report and Item 8 of our 2019 Form 10-K. Also, see the Cautionary Statement Regarding Forward-Looking Information section in this Financial Review and the Critical Accounting Estimates And Judgments section in this Financial Review and in our 2019 Form 10-K for certain other factors that could cause actual results or future events to differ, perhaps materially, from historical performance and from those anticipated in the forward-looking statements included in this Report. See Note 14 Segment Reporting in the Notes To Consolidated Financial Statements included in this Report for a reconciliation of total business segment earnings to total PNC consolidated net income as reported on a generally accepted accounting principles (GAAP) basis. In this Report, "PNC", "we" or "us" refers to The PNC Financial Services Group, Inc. and its subsidiaries on a consolidated basis (except when referring to PNC as a public company, its common stock or other securities issued by PNC, which just refer to The PNC Financial Services Group, Inc.). References to The PNC Financial Services Group, Inc. or to any of its subsidiaries are specifically made where applicable.

Table 1: Consolidated Financial Highlights

Dollars in millions, except per share data Unaudited	Three months ended March 31 2020	2019
Financial Results (a)		
Revenue		
Net interest income	$ 2,511	$ 2,475
Noninterest income	2,006	1,811
Total revenue	4,517	4,286
Provision for credit losses	914	189
Noninterest expense	2,543	2,578
Income before income taxes and noncontrolling interests	$ 1,060	$ 1,519
Net income	$ 915	$ 1,271
Less:		
Net income attributable to noncontrolling interests	7	10
Preferred stock dividends	63	63
Preferred stock discount accretion and redemptions	1	1
Net income attributable to common shareholders	844	1,197
Less:		
Dividends and undistributed earnings allocated to participating securities	4	5
Impact of BlackRock earnings per share dilution	1	3
Net income attributable to diluted common shares	$ 839	$ 1,189
Diluted earnings per common share	$ 1.95	$ 2.61
Cash dividends declared per common share	$ 1.15	$ .95
Effective tax rate (b)	13.7%	16.3%
Performance Ratios		
Net interest margin (c)	2.84%	2.98%
Noninterest income to total revenue	44%	42%
Efficiency	56%	60%
Return on:		
Average common shareholders' equity	7.51%	11.13%
Average assets	.89%	1.34%

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

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

Unaudited	March 31 2020	December 31 2019	March 31 2019
Balance Sheet Data (dollars in millions, except per share data)			
Assets	$ 445,493	$ 410,295	$ 392,837
Loans	$ 264,643	$ 239,843	$ 232,293
Allowance for credit losses - loans and leases (b)	$ 3,944	$ 2,742	$ 2,692
Interest-earning deposits with banks (c)	$ 19,986	$ 23,413	$ 15,261
Investment securities (d)	$ 90,546	$ 86,824	$ 83,869
Loans held for sale	$ 1,693	$ 1,083	$ 686
Equity investments (e)	$ 13,205	$ 13,734	$ 12,567
Mortgage servicing rights	$ 1,082	$ 1,644	$ 1,812
Goodwill	$ 9,233	$ 9,233	$ 9,218
Other assets (d)	$ 41,556	$ 32,202	$ 34,761
Noninterest-bearing deposits	$ 81,614	$ 72,779	$ 71,606
Interest-bearing deposits	$ 223,590	$ 215,761	$ 199,615
Total deposits	$ 305,204	$ 288,540	$ 271,221
Borrowed funds	$ 73,399	$ 60,263	$ 59,860
Allowance for credit losses - unfunded lending related commitments (b)	$ 450	$ 318	$ 279
Total shareholders’ equity	$ 49,263	$ 49,314	$ 48,536
Common shareholders’ equity	$ 45,269	$ 45,321	$ 44,546
Accumulated other comprehensive income (loss)	$ 2,518	$ 799	$ (5)
Book value per common share	$ 106.70	$ 104.59	$ 98.47
Period-end common shares outstanding (in millions)	424	433	452
Loans to deposits	87 %	83 %	86 %
Common shareholders’ equity to total assets	10.2 %	11.0 %	11.3 %
Client Assets (in billions)			
Discretionary client assets under management	$ 136	$ 154	$ 158
Nondiscretionary client assets under administration	128	143	130
Total client assets under administration	264	297	288
Brokerage account client assets	49	54	51
Total client assets	$ 313	$ 351	$ 339
Basel III Capital Ratios (f) (g)			
Common equity Tier 1	9.4 %	9.5 %	9.8 %
Common equity Tier 1 fully implemented (h)	9.2 %	N/A	N/A
Tier 1 risk-based	10.5 %	10.7 %	10.9 %
Total capital risk-based (i)	12.6 %	12.7 %	13.0 %
Leverage	9.5 %	9.1 %	9.6 %
Supplementary leverage	7.9 %	7.6 %	8.0 %
Asset Quality			
Nonperforming loans to total loans	.62 %	.68 %	.71 %
Nonperforming assets to total loans, OREO and foreclosed assets	.66 %	.73 %	.77 %
Nonperforming assets to total assets	.39 %	.43 %	.45 %
Net charge-offs to average loans (for the three months ended) (annualized)	.35 %	.35 %	.24 %
Allowance for credit losses - loans and leases to total loans (j)	1.49 %	1.14 %	1.16 %
Allowance for credit losses to total loans (k)	1.66 %	1.28 %	1.28 %
Allowance for credit losses - loans and leases to nonperforming loans (j)	240 %	168 %	163 %
Accruing loans past due 90 days or more (in millions)	$ 534	$ 585	$ 590

(a) The Executive Summary and Consolidated Balance Sheet Review portions of this Financial Review provide information regarding items impacting the comparability of the periods presented.

(b) Amount at March 31, 2020 reflects the impact of adopting Accounting Standards Update 2016-13 - Financial Instruments - *Credit Losses*, which is commonly referred to as the Current Expected Credit Losses (CECL) standard and our transition from an incurred loss methodology for these reserves to an expected credit loss methodology. Prior period amounts represent Allowance for Loan and Lease Losses (ALLL) under the incurred loss methodology. See Note 1 Accounting Policies of this Report for additional information related to our adoption of this standard.

(c) Amounts include balances held with the Federal Reserve Bank of Cleveland (Federal Reserve Bank) of $ 19.6 billion, $ 23.2 billion and $ 15.0 billion as of March 31, 2020, December 31, 2019 and March 31, 2019, respectively.

(d) Amounts as of March 31, 2020 are net of the related Allowance for Credit Losses (ACL) recorded in accordance with the adoption of the CECL standard , which totaled $2 million and $19 million for Investment securities and Other assets, respectively. See Note 1 Accounting Policies of this Report for additional detail related to our adoption of this standard.

(e) Amounts include our equity interest in BlackRock, Inc.
(f) All ratios are calculated using the regulatory capital methodology applicable to PNC during each period presented and calculated based on the standardized approach. See Basel III Capital discussion in the Capital Management portion of the Risk Management section of this Financial Review and the capital discussion in the Banking Regulation and Supervision section of Item 1 Business and Item 1A Risk Factors in our 2019 Form 10-K.
(g) The March 31, 2020 ratios are calculated to reflect PNC's election to adopt the CECL optional five-year transition provision, unless noted differently.
(h) The March 31, 2020 ratio is calculated to reflect the full impact of CECL and excludes the benefits of phase-ins under the optional transition provision.
(i) The 2020 and 2019 Basel III Total risk-based capital ratios include nonqualifying trust preferred capital securities of $40 million and $60 million, respectively, that are subject to a phase-out period that runs through 2021.
(j) Prior period ratios are calculated with ALLL as the numerator under the incurred loss methodology prior to the adoption of the CECL standard.
(k) Calculated as the ACL for loans and leases and the ACL for unfunded lending related commitments divided by total loans.

Executive Summary

Headquartered in Pittsburgh, Pennsylvania, we are one of the largest diversified financial services companies in the United States (U.S.). We have businesses engaged in retail banking, including residential mortgage, corporate and institutional banking and asset management, providing many of our products and services nationally. Our retail branch network is located primarily in markets across the Mid-Atlantic, Midwest and Southeast. We also have strategic international offices in four countries outside the U.S.

Key Strategic Goals

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

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

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

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

Our capital priorities are to support customers and business investment, maintain appropriate capital in light of economic conditions, the Basel III framework, and other regulatory expectations, and return excess capital to shareholders. For more detail, see the Capital Highlights portion of this Executive Summary and the Liquidity and Capital Management portion of the Risk Management section of this Financial Review and the Supervision and Regulation section in Item 1 Business of our 2019 Form 10-K.

Economic Environment

The coronavirus (COVID-19) outbreak and public health response to contain it have resulted in recessionary economic and financial market conditions as of the end of the first quarter that did not exist at the beginning of the quarter. These conditions have worsened since the end of the first quarter. In response to these evolving conditions, the Federal Reserve reduced the federal funds rate 1.5 percentage points to 0.00% to 0.25% in March 2020. The recession that has started in the U.S. as a result of government-mandated closures and stay at home orders is significantly impacting the U.S. labor market, consumer spending, business investment and profitability. As a result, the U.S. government enacted the Coronavirus Aid, Relief and Economic Security Act (CARES Act), the largest economic stimulus package in the nation's history in an effort to lessen the impact of COVID-19 on consumers and businesses.

PNC is committed to putting our resources to work to support our customers and the broader financial system. We are working to provide relief and flexibility to our customers through a variety of solutions during these uncertain times, including fee waivers, loan modifications, payment deferrals, and Paycheck Protection Program (PPP) loans under the CARES Act. For commercial lending, we are offering emergency relief for small and medium-sized business loans, including those being provided for commercial mortgage clients pursuant to the federally enacted CARES Act. For example, we are granting short-term loan modifications to our commercial clients, primarily in the form of principal and/or interest deferrals. We are analyzing and making decisions on these modifications based on each individual borrower's situation. In addition, in April and May, we registered more than 70,500 customer applications with the SBA under the PPP, totaling $14 billion, and we will continue to submit completed applications for as long as the SBA is accepting them from banks such as PNC.

We are also granting short-term loan modifications for our consumer loan customers through extensions, deferrals and forbearance and providing relief from deposit-related fees. Through April 30, 2020, we have completed more than 156,000 consumer requests on loans totaling $9.3 billion; granted more than $2.6 million in emergency personal loans; and waived more than $8.1 million in deposit fees. In addition, we have halted involuntary auto repossessions and mortgage foreclosures and while we will continue to monitor the situation, we plan to continue this practice for the foreseeable future.

Our branch operations have been temporarily modified as we prioritize the safety and well-being of our customers and employees. A majority of our branch locations remain open, with equipped branches providing drive-up services only as well as other services through appointment only. Furthermore, non-teller digital, and call center channels have experienced elevated customer activity.

See the Recent Regulatory Developments section of this Report for additional detail on the CARES Act and other governmental responses to the COVID-19 outbreak and its economic and financial impacts. See also Risk Factors in Part II, Item 1A of this Report for a description of the risks associated with the current situation.

Income Statement Highlights

Net income of $915 million, or $1.95 per diluted common share for the first quarter of 2020 decreased $356 million, or 28%, compared to $1.3 billion, or $2.61 per diluted common share, for the first quarter of 2019.

- Total revenue increased $231 million, or 5%, to $4.5 billion.
  - Net interest income of $2.5 billion increased $36 million, or 1%.
  - Net interest margin decreased to 2.84% compared to 2.98% for the first quarter of 2019.
  - Noninterest income increased $195 million, or 11%, to $2.0 billion.
- Provision for credit losses of $914 million, which was calculated under the Current Expected Credit Losses (CECL) accounting standard effective January 1, 2020, increased $725 million compared to the first quarter of 2019 reflecting the change in methodology together with the significant economic impact of COVID-19 and loan growth.
- Noninterest expense decreased $35 million, or 1%, to $2.5 billion.
- Earnings per diluted common share decreased primarily due to lower net income partially offset by lower average common shares outstanding due to share repurchases.

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

Balance Sheet Highlights

Our balance sheet was strong and well positioned at March 31, 2020 and December 31, 2019. In comparison to December 31, 2019:

- Total assets increased $35.2 billion, or 9%, to $445.5 billion.
- Total loans increased $24.8 billion, or 10%, to $264.6 billion.
  - Total commercial lending grew $24.1 billion, or 15%, to $184.7 billion, reflecting higher utilization of loan commitments near quarter end driven by the economic impact of COVID-19.
  - Total consumer lending increased $.7 billion, or 1%, to $79.9 billion.
- Investment securities increased $3.7 billion, or 4%, to $90.5 billion.
- Interest-earning deposits with banks, primarily with the Federal Reserve Bank, decreased $3.4 billion to $20.0 billion.
- Total deposits increased $16.7 billion, or 6%, to $305.2 billion as higher commercial deposits near quarter end reflected liquidity maintained by customers due to the economic impact of COVID-19.
- Borrowed funds increased $13.1 billion, or 22%, to $73.4 billion in part related to enhanced liquidity to meet customer needs caused by the economic impact of COVID-19.

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

Credit Quality Highlights

Credit quality metrics remained strong in the first quarter of 2020 entering a challenging environment.

- At March 31, 2020 compared to December 31, 2019:
  - Nonperforming assets of $1.8 billion increased $3 million.
  - Overall loan delinquencies of $1.5 billion decreased $21 million, or 1%.
- Net charge-offs were $212 million, or .35% of average loans on annualized basis, in the first quarter of 2020 compared to $136 million, or .24%, for the first quarter of 2019.
- The allowance for credit losses of $4.4 billion to total loans was 1.66% at March 31, 2020, and reflects the January 1, 2020 transition adjustment of $.6 billion for the adoption of the CECL accounting standard.

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

Capital Highlights

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

- The Basel III common equity Tier 1 (CET1) capital ratio was 9.4% at March 31, 2020 and 9.5% at December 31, 2019.
    - The March 31, 2020 ratio reflects 2019 Tailoring Rules changes and our election of a five-year transition provision that delays CECL's estimated impact on CET1 capital, as defined by the rule. CECL's estimated impact on CET1 capital is the change in retained earnings at adoption plus or minus 25% of the change in CECL ACL at the balance sheet date compared to CECL ACL at transition. The estimated CECL impact is added to CET1 through December 31, 2021, then phased-out over the following three years.
- Common shareholders' equity was $45.3 billion at both March 31, 2020 and December 31, 2019.
- In the first quarter of 2020, we returned $1.9 billion of capital to shareholders through repurchases of 10.1 million common shares for $1.4 billion and dividends on common shares of $.5 billion.
- We announced on March 16, 2020 a temporary suspension of our common stock share repurchase program through June 30, 2020 in conjunction with the Federal Reserve's effort to support the U.S. economy during the COVID-19 outbreak.
- On April 2, 2020, the PNC board of directors declared a quarterly cash dividend on common stock of $1.15 per share effective with the May 5, 2020 dividend payment date.

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

PNC's ability to take certain capital actions, including returning capital to shareholders, is subject to review by the Federal Reserve Board as part of PNC's comprehensive capital plan for the applicable period in connection with the Federal Reserve Board's Comprehensive Capital Analysis and Review (CCAR) process. During the third quarter of 2020, the Federal Reserve's revised capital plan rule permits PNC to make capital distributions in an amount equal to the average quarterly amount that was approved by the Federal Reserve for the 2019 capital plan year (July 1, 2019 through June 30, 2020). Once the Federal Reserve's new stress capital buffer rules become effective on October 1, 2020, our ability to take certain capital actions, including returning capital to shareholders, will be subject to PNC meeting or exceeding a stress capital buffer established by the Federal Reserve Board as part of the annual CCAR process. For additional information, see the Recent Regulatory Developments section in this Report and the Supervision and Regulation section in Item 1 Business of our 2019 Form 10-K.

Business Outlook

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

- Our baseline economic forecast is for a severe but short recession in the first half of 2020. Restrictions on movement because of the COVID-19 pandemic have led to a substantial drop in consumer spending and a steep drop in output as many businesses are closed or operating at significantly reduced levels, and many workers are unable to get to their jobs. PNC expects a significant contraction in U.S. real GDP and steep job losses over the next few months and a large increase in the unemployment rate through mid-2020.
- In the baseline forecast, economic growth resumes in the third quarter as businesses re-open and consumers start to spend again. Fiscal stimulus and extremely low interest rates support the recovery. Real GDP surpasses its pre-recession peak in the second half of 2021, and growth is well above its long-term trend through 2022.
- The baseline forecast assumes that the Federal Open Market Committee keeps the federal funds rate in its current range of 0.00% to 0.25% into 2023.

Given the unprecedented circumstances and fluidity of the current environment, our forward-looking statements are subject to potentially substantial shifts in risk conditions, which accordingly, could alter our expected results materially. Past performance trends are not necessarily predictive of future performance in the current economic environment.

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

- Average loans to be up approximately 10% to 15%;
- Net interest income to be stable;
- Noninterest income to be down approximately 15% to 20%;
- Noninterest expense to be stable to down; and
- Net charge-offs to be between $250 million and $350 million.

Average commercial loans are expected to grow due to substantial PPP loans and the full quarter impact of ending loan balances at March 31, 2020, which resulted from higher utilization. Average consumer loans are expected to be stable with first quarter of 2020.

Noninterest income is expected to be down, reflecting the elevated residential mortgage servicing rights and security gains we generated in the first quarter in addition to some general softening in fee categories in the second quarter, reflective of the current economic environment. We expect to continue to waive certain consumer services fees during the second quarter, which will also contribute to the decline.

For the full year 2020, we expect total revenue and noninterest expense to each be down between 5% and 10%.

See the Cautionary Statement Regarding Forward-Looking Information section in this Financial Review and Item 1A Risk Factors in this Report and our 2019 Form 10-K for other factors that could cause future events to differ, perhaps materially, from those anticipated in these forward-looking statements.

Consolidated Income Statement Review

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

Net income for the first quarter of 2020 was $915 million, or $1.95 per diluted common share, a decrease of $356 million, or 28%, compared to $1.3 billion, or $2.61 per diluted common share, for the first quarter of 2019. The decrease was primarily driven by a $725 million increase in the provision for credit losses, which was calculated under the CECL accounting standard effective January 1, 2020 and reflects the change in methodology together with the significant economic impact of COVID-19 and loan growth, partially offset by an increase in revenue of $231 million, or 5% resulting from higher noninterest income and net interest income.

Net Interest Income

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

Three months ended March 31 Dollars in millions	2020 Average Balances	2020 Average Yields/ Rates	2020 Interest Income/ Expense	2019 Average Balances	2019 Average Yields/ Rates	2019 Interest Income/ Expense
Assets						
Interest-earning assets						
Investment securities	$ 84,422	2.78%	$ 588	$ 82,318	3.05%	$ 627
Loans	243,572	4.08%	2,496	228,545	4.61%	2,622
Interest-earning deposits with banks	17,569	1.27%	56	15,017	2.43%	91
Other	9,468	3.51%	82	11,068	4.14%	115
Total interest-earning assets/interest income	$ 355,031	3.62%	3,222	$ 336,948	4.11%	3,455
Liabilities						
Interest-bearing liabilities						
Interest-bearing deposits	$ 215,336	.70%	375	$ 195,816	.98%	472
Borrowed funds	57,188	2.18%	314	59,783	3.21%	481
Total interest-bearing liabilities/interest expense	$ 272,524	1.00%	689	$ 255,599	1.50%	953
Net interest margin/income (Non-GAAP)		2.84%	2,533		2.98%	2,502
Taxable-equivalent adjustments			(22)			(27)
Net interest income (GAAP)			$ 2,511			$ 2,475

(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 $36 million, or 1%, for the first quarter of 2020 compared with the first quarter of 2019. The increase was driven by lower rates on borrowings and deposits, higher loan and securities balances and one additional day in the first quarter of 2020 substantially offset by lower asset yields due to the decrease in interest rates. Net interest margin decreased 14 basis points reflecting the impact of lower interest rates.

Average investment securities increased $2.1 billion, or 3%. The increase was due to net purchase activity of agency residential mortgage-backed securities of $5.0 billion and commercial mortgage-backed securities of $.8 billion, partially offset by decreases of

$2.3 billion of U.S. Treasury and government agency securities, $.9 billion of other securities, and $.5 billion of both nonagency residential mortgage-backed and asset-backed securities.

Average investment securities represented 24% of average interest-earning assets for both periods in the comparison.

Average loans grew $15.0 billion, or 7%, driven by an increase in both commercial and consumer lending. Average commercial lending increased by $9.3 billion, or 6%, to $164.0 billion reflecting loan growth and higher utilization of loan commitments at the end of the first quarter of 2020 driven by the economic impact of COVID-19 on customer liquidity needs.

Average consumer lending increased $5.7 billion, or 8%. Growth in residential mortgage, auto, credit card, and unsecured installment loans was partially offset by declines in home equity and education loans due to runoff of brokered home equity and government guaranteed education loans. Average loans represented 69% of average interest-earning assets for the first quarter of 2020 compared to 68% for the first quarter of 2019.

Average interest-earning deposits with banks increased $2.6 billion, reflecting higher average balances held with the Federal Reserve Bank.

Average interest-bearing deposits grew $19.5 billion, or 10%, reflecting overall deposit and customer growth. The increase includes a shift from money market deposits to relationship-based savings products as well as growth in both consumer and commercial deposits. In total, average interest-bearing deposits increased to 79% of average interest-bearing liabilities compared to 77% for the first quarter of 2019.

Average borrowed funds decreased by $2.6 billion, or 4%, primarily due to a decline in Federal Home Loan Bank (FHLB) borrowings of $8.0 billion, partially offset by an increase in bank notes and senior debt of $4.6 billion and an increase in other borrowed funds of $.8 billion driven by federal funds purchased and repurchase agreements.

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 March 31			
			Change	
Dollars in millions	2020	2019	$	%
Noninterest income				
Asset management	$ 382	$ 437	$ (55)	(13)%
Consumer services	377	371	6	2 %
Corporate services	526	462	64	14 %
Residential mortgage	210	65	145	223 %
Service charges on deposits	168	168	—	—
Other	343	308	35	11 %
Total noninterest income	$ 2,006	$ 1,811	$ 195	11 %

Noninterest income as a percentage of total revenue was 44% for the first quarter of 2020 compared to 42% for the same period in 2019.

Asset management revenue declined due to lower earnings from our equity investment in BlackRock, including the impact of BlackRock's charitable contribution in the first quarter of 2020, and the impact on fees of PNC's divestiture activity in 2019. PNC's discretionary client assets under management decreased to $136 billion at March 31, 2020 compared to $158 billion at March 31, 2019 as a result of declines in the equity markets and our fourth quarter 2019 sale of PNC's proprietary mutual funds.

Growth in consumer service revenue resulted from increases in debit card and brokerage fees, partially offset by increased credit card rewards.

Corporate services revenue increased primarily due to higher treasury management product revenue, a higher benefit from commercial mortgage servicing rights valuation, net of economic hedge, and higher merger and acquisition advisory fees.

Residential mortgage revenue increased due to higher results from residential mortgage servicing rights valuation, net of economic hedge, and higher loan sales revenue, partially offset by lower servicing fees.

The increase in other noninterest income was primarily attributable to higher net securities gains partially offset by negative private equity valuation adjustments related to the economic impact of COVID-19.

Provision For Credit Losses

The provision for credit losses increased $725 million to $914 million in the first quarter of 2020 compared to $189 million in the first quarter of 2019. The provision for the first quarter of 2020 was calculated under the CECL accounting standard effective January 1, 2020 and the increase compared to the first quarter 2019 was due to the change in methodology together with the significant economic impact of COVID-19 and loan growth.

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

Noninterest Expense

Table 4: Noninterest Expense

	Three months ended March 31			
			Change	
Dollars in millions	2020	2019	$	%
Noninterest expense				
Personnel	$ 1,369	$ 1,414	$ (45)	(3)%
Occupancy	207	215	(8)	(4)%
Equipment	287	273	14	5 %
Marketing	58	65	(7)	(11)%
Other	622	611	11	2 %
Total noninterest expense	$ 2,543	$ 2,578	$ (35)	(1)%

Noninterest expense decreased primarily due to lower personnel expense reflecting lower incentive compensation partially offset by business growth.

Effective Income Tax Rate

The effective income tax rate decreased to13.7% in the first quarter of 2020 compared to 16.3% in the first quarter of 2019 primarily due to the benefit from resolution of certain tax matters and the impact of lower pretax earnings in the first quarter 2020.

Consolidated Balance Sheet Review

Table 5: Summarized Balance Sheet Data

Dollars in millions	March 31 2020	December 31 2019	Change $	Change %
Assets				
Interest-earning deposits with banks	$ 19,986	$ 23,413	$ (3,427)	(15)%
Loans held for sale	1,693	1,083	610	56 %
Investment securities (a)	90,546	86,824	3,722	4 %
Loans	264,643	239,843	24,800	10 %
Allowance for credit losses - loans and leases (b)	(3,944)	(2,742)	(1,202)	(44)%
Mortgage servicing rights	1,082	1,644	(562)	(34)%
Goodwill	9,233	9,233	—	—
Other (a)	62,254	50,997	11,257	22 %
Total assets	$ 445,493	$ 410,295	$ 35,198	9 %
Liabilities				
Deposits	$ 305,204	$ 288,540	$ 16,664	6 %
Borrowed funds	73,399	60,263	13,136	22 %
Allowance for credit losses - unfunded lending related commitments (b)	450	318	132	42 %
Other	17,150	11,831	5,319	45 %
Total liabilities	396,203	360,952	35,251	10 %
Equity				
Total shareholders' equity	49,263	49,314	(51)	—
Noncontrolling interests	27	29	(2)	(7)%
Total equity	49,290	49,343	(53)	—
Total liabilities and equity	$ 445,493	$ 410,295	$ 35,198	9 %

(a) Amount as of March 31, 2020 is net of the related Allowance for Credit Losses recorded in accordance with the adoption of the CECL accounting standard. Refer to Note 1 Accounting Policies in this Report for additional detail on the adoption of this standard.

(b) Amounts as of March 31, 2020 reflect the impact of adopting the CECL accounting standard and our transition from an incurred loss methodology for these reserves to an expected credit loss methodology. Prior period amounts represent Allowance for Loan and Lease losses (ALLL) under the incurred loss methodology. Refer to Note 1 Accounting Policies in this Report for additional detail on the adoption of this standard.

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

Our balance sheet was strong and well positioned at bothMarch 31, 2020 and December 31, 2019.

- Total assets increased driven by loan growth, higher other assets due to timing of unsettled securities sales at quarter end and an increase in derivative values, and higher investment securities;
- Total liabilities increased due to deposit growth and higher borrowed funds, and higher other liabilities due to timing of unsettled securities purchases at quarter end and higher derivative values;
- Total equity decreased due to higher accumulated other comprehensive income (AOCI) and net income more than offset by share repurchases and dividends and the day-one effect of adopting the CECL accounting standard.

The allowance for credit losses totaled $4.4 billion at March 31, 2020, an increase of $1.3 billion since December 31, 2019. The increase was attributable to the $.6 billion day-one CECL transition adjustment and the $.9 billion provision for credit losses partially offset by net charge-offs of $.2 billion. The provision for credit losses reflects the change in methodology together with the significant economic impact of COVID-19 and loan growth.

The following discussion provides additional information about the major components of our balance sheet. Information regarding our capital and regulatory compliance is included in the Liquidity and Capital Management portion of the Risk Management section in this Financial Review and in Note 18 Regulatory Matters in the Notes To Consolidated Financial Statements included in our 2019 Form 10-K.

Loans

Table 6: Loans

Dollars in millions	March 31 2020	December 31 2019	Change $	Change %
Commercial lending				
Commercial	$ 149,131	$ 125,337	$ 23,794	19 %
Commercial real estate	28,544	28,110	434	2 %
Equipment lease financing	7,061	7,155	(94)	(1)%
Total commercial lending	184,736	160,602	24,134	15 %
Consumer lending				
Home equity	25,081	25,085	(4)	—
Residential real estate	22,250	21,821	429	2 %
Automobile	17,194	16,754	440	3 %
Credit card	7,132	7,308	(176)	(2)%
Education	3,247	3,336	(89)	(3)%
Other consumer	5,003	4,937	66	1 %
Total consumer lending	79,907	79,241	666	1 %
Total loans	$ 264,643	$ 239,843	$ 24,800	10 %

Commercial lending increased reflecting broad-based growth across our Corporate & Institutional Banking segment, including higher utilization of loan commitments, primarily driven by the economic impact of COVID-19.

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

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

The growth in auto loans reflected higher indirect auto loans from continued new loan originations and expansion into franchised dealers in new markets. Residential real estate loans increased primarily from originations of nonconforming loans, which are loans that do not meet agency standards as a result of exceeding agency conforming loan limits.

Credit card balances declined due to lower consumer spending, both seasonally and due to the economic impact of COVID-19. Education loans declined primarily due to continued runoff of the government guaranteed education loan portfolio.

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

For additional information regarding our loan portfolio see Note 1 Accounting Policies and Note3 Loans in the Notes To Consolidated Financial Statements included in this Report.

Investment Securities

Investment securities of $90.5 billion at March 31, 2020 increased $3.7 billion, or 4%, compared to December 31, 2019, driven primarily by an increase in the fair value of U.S. Treasury and agency residential mortgage-backed securities due to a decline in market interest rates and net purchases of agency residential mortgage-backed securities, non-agency commercial mortgage-backed securities, asset-backed securities, and other debt securities.

The level and composition of the investment securities portfolio fluctuates over time based on many factors including market conditions, loan and deposit growth, and balance sheet management activities. We manage our investment securities portfolio to optimize returns, while providing a reliable source of liquidity for our banking and other activities, considering the Liquidity Coverage Ratio (LCR) and other internal and external guidelines and constraints. Effective January 1, 2020, upon the adoption of ASU 2019-04, $16.2 billion of debt securities were transferred from held to maturity to available for sale. See further discussion in Note 1 Accounting Policies in the Notes To Consolidated Financial Statements in Item 1 of this Report.

Table 7: Investment Securities

Dollars in millions	March 31, 2020 Amortized Cost (b)	March 31, 2020 Fair Value	December 31, 2019 Amortized Cost	December 31, 2019 Fair Value	Ratings (a) as of March 31, 2020 AAA/AA	A	BBB	BB and Lower	No Rating
U.S. Treasury and government agencies	$ 16,883	$ 17,905	$ 16,926	$ 17,348	100%				
Agency residential mortgage-backed	50,828	52,628	50,266	50,984	100%				
Non-agency residential mortgage-backed	1,563	1,643	1,648	1,954	13%	1%	2%	47%	37%
Agency commercial mortgage-backed	3,181	3,289	3,153	3,178	100%				
Non-agency commercial mortgage-backed (c)	4,249	4,082	3,782	3,806	81%	1%	4%	2%	12%
Asset-backed (d)	5,389	5,327	5,096	5,166	91%	2%		6%	1%
Other (e)	5,600	5,824	4,580	4,771	68%	22%	8%		2%
Total investment securities (f)	$ 87,693	$ 90,698	$ 85,451	$ 87,207	95%	2%	1%	1%	1%

(a) Ratings percentages allocated based on amortized cost.
(b) Amortized cost is presented net of applicable ACL of $2 million at March 31, 2020 in accordance with the adoption of the CECL accounting standard. See the Recently Adopted Accounting Standards portion of Note 1 Accounting Policies for additional detail on the adoption of this ASU.
(c) Collateralized primarily by retail properties, office buildings, lodging properties and multifamily housing.
(d) Collateralized primarily by corporate debt, government guaranteed education loans and other consumer credit products.
(e) Includes state and municipal securities.
(f) Includes available for sale and held to maturity securities, which are recorded on our balance sheet at fair value and amortized cost, respectively.

Table 7 presents the distribution of our total investment securities portfolio by amortized cost and fair value, as well as by credit rating. We have included credit ratings information because we believe that the information is an indicator of the degree of credit risk to which we are exposed. 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 an ACL at an appropriate level to absorb expected credit losses on our investment securities portfolio for the remaining contractual term of the securities adjusted for expected prepayments. See Note 1 Accounting Policies and Note 2 Investment Securities in the Notes To Consolidated Financial Statements for additional details regarding the methodology for determining the ACL and the amount of the ACL for investment securities.

The duration of investment securities was 2.2 years at March 31, 2020. We estimate that at March 31, 2020 the effective duration of investment securities was 2.3 years for an immediate 50 basis points parallel increase in interest rates and 2.1 years for an immediate 50 basis points parallel decrease in interest rates.

Based on expected prepayment speeds, the weighted-average expected maturity of the investment securities portfolio was 3.5 years at March 31, 2020 compared to 4.1 years at December 31, 2019.

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

March 31, 2020	Years
Agency residential mortgage-backed	3.0
Non-agency residential mortgage-backed	6.2
Agency commercial mortgage-backed	3.6
Non-agency commercial mortgage-backed	2.9
Asset-backed	1.9

Additional information regarding our investment securities is included in Note 2 Investment Securities and Note 11 Fair Value in the Notes To Consolidated Financial Statements included in this Report.

Funding Sources

Table 9: Details of Funding Sources

Dollars in millions	March 31 2020	December 31 2019	Change $	Change %
Deposits				
Noninterest-bearing	$ 81,614	$ 72,779	$ 8,835	12 %
Interest-bearing				
Money market	54,039	54,115	(76)	—
Demand	74,457	71,692	2,765	4 %
Savings	72,654	68,291	4,363	6 %
Time deposits	22,440	21,663	777	4 %
Total interest-bearing deposits	223,590	215,761	7,829	4 %
Total deposits	305,204	288,540	16,664	6 %
Borrowed funds				
FHLB borrowings	23,491	16,341	7,150	44 %
Bank notes and senior debt	31,438	29,010	2,428	8 %
Subordinated debt	6,475	6,134	341	6 %
Other	11,995	8,778	3,217	37 %
Total borrowed funds	73,399	60,263	13,136	22 %
Total funding sources	$ 378,603	$ 348,803	$ 29,800	9 %

Total deposits increased with growth in both noninterest-bearing and interest-bearing. Commercial deposits increased near the end of the first quarter reflecting liquidity maintained by customers due to the economic impact of COVID-19.

Borrowed funds increased primarily due to higher FHLB borrowings, bank notes and senior debt, and repurchase agreements included in other borrowed funds, in part related to enhanced liquidity to meet customer needs caused by the economic impact of COVID-19. The level and composition of borrowed funds fluctuates over time based on many factors including market conditions, loan, investment securities and deposit growth, and capital considerations. We manage our borrowed funds to provide a reliable source of liquidity for our banking and other activities, considering our LCR requirements and other internal and external guidelines and constraints.

See the Liquidity and Capital Management portion of the Risk Management section of this Financial Review for additional information regarding our 2020 liquidity and capital activities. See Note 7 Borrowed Funds in the Notes to Consolidated Financial Statements in Item 1 of this Report for additional information related to our borrowings.

Shareholders' Equity

Total shareholders' equity of $49.3 billion at both March 31, 2020 and December 31, 2019 decreased $51 million. The slight decline resulted from common share repurchases of $1.4 billion, common and preferred dividends of $.6 billion, and a transition adjustment of $.7 billion for the adoption of the CECL accounting standard, substantially offset by higher AOCI of $1.7 billion and net income of $915 million.

Common shares outstanding declined to 424 million at March 31, 2020 from 433 million at December 31, 2019 as repurchases of 10.1 million shares during the period were partially offset by stock-based compensation activity. On March 16, 2020, PNC announced a temporary suspension of its common stock repurchase program through June 30, 2020 in conjunction with the Federal Reserve's effort to support the U.S. economy during the COVID-19 outbreak.

Business Segments Review

We have four reportable business segments:

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

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

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

Total business segment financial results differ from total consolidated net income. The impact of these differences is reflected in the "Other" category as shown in Table 77 in Note 14 Segment Reporting in Item 1 of this Report. "Other" includes residual activities that do not meet the criteria for disclosure as a separate reportable business, such as asset and liability management activities including net securities gains or losses, 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, gains or losses related to BlackRock transactions, exited businesses, and differences between business segment performance reporting and financial statement reporting (GAAP), including the presentation of net income attributable to noncontrolling interests as the segments' results exclude their portion of net income attributable to noncontrolling interests.

See the Executive Summary of this Financial Review for our discussion of the impact of COVID-19 related developments on our business and operations, including loan modifications and COVID-19 relief efforts for our customers.

Retail Banking

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

Table 10: Retail Banking Table

(Unaudited) Three months ended March 31 Dollars in millions, except as noted	2020	2019	Change $	Change %
Income Statement				
Net interest income	$ 1,456	$ 1,349	$ 107	8 %
Noninterest income	788	595	193	32 %
Total revenue	2,244	1,944	300	15 %
Provision for credit losses	445	128	317	248 %
Noninterest expense	1,536	1,468	68	5 %
Pretax earnings	263	348	(85)	(24)%
Income taxes	62	84	(22)	(26)%
Earnings	$ 201	$ 264	$ (63)	(24)%
Average Balance Sheet				
Loans held for sale	$ 779	$ 441	$ 338	77 %
Loans				
Consumer lending				
Home equity	$ 22,736	$ 22,990	$ (254)	(1)%
Residential real estate	17,964	15,034	2,930	19 %
Automobile	17,096	14,608	2,488	17 %
Credit cards	7,207	6,204	1,003	16 %
Education	3,343	3,816	(473)	(12)%
Other	2,533	2,068	465	22 %
Total consumer lending	70,879	64,720	6,159	10 %
Commercial and commercial real estate	10,524	10,461	63	1 %
Total loans	$ 81,403	$ 75,181	$ 6,222	8 %
Total assets	$ 97,062	$ 91,255	$ 5,807	6 %
Deposits				
Noninterest-bearing demand	$ 32,225	$ 30,389	$ 1,836	6 %
Interest-bearing demand	42,865	42,477	388	1 %
Money market	22,866	26,773	(3,907)	(15)%
Savings	62,781	53,100	9,681	18 %
Certificates of deposit	12,233	12,381	(148)	(1)%
Total deposits	$ 172,970	$ 165,120	$ 7,850	5 %
Performance Ratios				
Return on average assets	.84%	1.17%		
Noninterest income to total revenue	35%	31%		
Efficiency	68%	76%		

Three months ended March 31 Dollars in millions, except as noted		2020		2019	Change $		Change %
Supplemental Noninterest Income Information							
Consumer services	$	372	$	366	$	6	2 %
Residential mortgage	$	210	$	65	$	145	223 %
Service charges on deposits	$	166	$	162	$	4	2 %
Residential Mortgage Information							
Residential mortgage servicing statistics (in billions, except as noted) (a)							
Serviced portfolio balance (b)	$	118	$	123	$	(5)	(4)%
Serviced portfolio acquisitions	$	2	$	1	$	1	100 %
MSR asset value (b)	$	0.6	$	1.1	$	(.5)	(45)%
MSR capitalization value (in basis points) (b)		51		92		(41)	(45)%
Servicing income: (in millions)							
Servicing fees, net (c)	$	44	$	53	$	(9)	(17)%
Mortgage servicing rights valuation, net of economic hedge	$	101	$	(9)	$	110	*
Residential mortgage loan statistics							
Loan origination volume (in billions)	$	3.2	$	1.7	$	1.5	88 %
Loan sale margin percentage		3.16%		2.35%			
Percentage of originations represented by:							
Purchase volume (d)		36%		56%			
Refinance volume		64%		44%			
Other Information (b)							
Customer-related statistics (average)							
Non-teller deposit transactions (e)		59%		57%			
Digital consumer customers (f)		71%		68%			
Credit-related statistics							
Nonperforming assets (g)	$	1,011	$	1,109	$	(98)	(9)%
Net charge-offs - loans and leases	$	166	$	132	$	34	26 %
Other statistics							
ATMs		9,048		9,112		(64)	(1)%
Branches (h)		2,277		2,347		(70)	(3)%
Brokerage account client assets (in billions) (i)	$	49	$	51	$	(2)	(4)%

* - Not Meaningful
(a) Represents mortgage loan servicing balances for third parties and the related income.
(b) Presented as of March 31, except for customer-related statistics, which are averages for the three months ended, and net charge-offs, which are for the three months ended.
(c) Servicing fees net of impact of decrease in MSR value due to passage of time, including the impact from both regularly scheduled loan payments, prepayments, and loans that were paid down or paid off during the period.
(d) Mortgages with borrowers as part of residential real estate purchase transactions.
(e) Percentage of total consumer and business banking deposit transactions processed at an ATM or through our mobile banking application.
(f) Represents consumer checking relationships that process the majority of their transactions through non-teller channels.
(g) Primarily nonperforming loans of $ 1.0 billion for both March 31, 2020 and March 31, 2019.
(h) Excludes stand-alone mortgage offices and satellite offices (*e.g.*, drive-ups, electronic branches and retirement centers) that provide limited products and/or services.
(i) Includes cash and money market balances.

Retail Banking earned $201 million in the first three months of 2020 compared with $264 million for the same period in 2019. The decrease in earnings was attributable to higher provision for credit losses and increased noninterest expense partially offset by higher noninterest income and net interest income.

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

Noninterest income increased largely due to growth in residential mortgage revenue attributable to higher results from residential mortgage servicing rights valuation, net of economic hedge, and increased loan sales revenue from higher origination volumes. Also contributing to the increase in noninterest income was the impact of slightly positive derivative fair value adjustments related to Visa Class B common shares for the first quarter of 2020 compared with the negative adjustments of $31 million for the same period in 2019.

Provision for credit losses increased in the first three months of 2020 compared to the same period of 2019 due to the adoption of the CECL accounting standard and the significant economic impact of COVID-19 and loan growth.

Higher noninterest expense primarily resulted from higher customer-related transaction costs, personnel, equipment, and ATM expense resulting from enhanced checking product benefits.

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 quarter of 2020, average total deposits increased compared to the same period in 2019 primarily driven by savings deposits which increased due, in part, to a shift from money market deposits to relationship-based savings products as well as growth in consumer deposits, including from our national expansion.

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

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

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

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

- Approximately 71% of consumer customers used non-teller channels for the majority of their transactions in the first three months of 2020 compared with 68% for the same period in 2019.
- Deposit transactions via ATM and mobile channels increased to 59% of total deposit transactions in the first three months of 2020 from 57% for the same period in 2019.

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

Corporate & Institutional Banking

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

Table 11: Corporate & Institutional Banking Table

(Unaudited) Three months ended March 31 Dollars in millions	2020	2019	Change $	Change %
Income Statement				
Net interest income	$ 966	$ 898	$ 68	8 %
Noninterest income	694	576	118	20 %
Total revenue	1,660	1,474	186	13 %
Provision for credit losses	458	71	387	545 %
Noninterest expense	722	686	36	5 %
Pretax earnings	480	717	(237)	(33)%
Income taxes	110	165	(55)	(33)%
Earnings	$ 370	$ 552	$ (182)	(33)%
Average Balance Sheet				
Loans held for sale	$ 395	$ 347	$ 48	14 %
Loans				
Commercial lending				
Commercial	$ 117,288	$ 108,641	$ 8,647	8 %
Commercial real estate	26,589	25,971	618	2 %
Equipment lease financing	7,066	7,264	(198)	(3)%
Total commercial lending	150,943	141,876	9,067	6 %
Consumer	9	20	(11)	(55)%
Total loans	$ 150,952	$ 141,896	$ 9,056	6 %
Total assets	$ 172,502	$ 157,169	$ 15,333	10 %
Deposits				
Noninterest-bearing demand	$ 40,651	$ 39,551	$ 1,100	3 %
Interest-bearing demand	21,101	17,827	$ 3,274	18 %
Money market	28,468	25,630	2,838	11 %
Other	7,868	5,547	2,321	42 %
Total deposits	$ 98,088	$ 88,555	$ 9,533	11 %
Performance Ratios				
Return on average assets	.87%	1.42%		
Noninterest income to total revenue	42%	39%		
Efficiency	43%	45%		
Other Information				
Consolidated revenue from: (a)				
Treasury Management (b)	$ 491	$ 445	$ 46	10 %
Capital Markets (b)	$ 344	$ 246	$ 98	40 %
Commercial mortgage banking activities:				
Commercial mortgage loans held for sale (c)	$ 29	$ 15	$ 14	93 %
Commercial mortgage loan servicing income (d)	69	54	15	28 %
Commercial mortgage servicing rights valuation, net of economic hedge (e)	20	5	15	300 %
Total	$ 118	$ 74	$ 44	59 %
Commercial mortgage servicing rights asset value (f)	$ 477	$ 681	$ (204)	(30)%
Average Loans by C&IB business				
Corporate Banking	$ 78,057	$ 71,089	$ 6,968	10 %
Real Estate	37,368	36,357	1,011	3 %
Business Credit	23,251	21,728	1,523	7 %
Commercial Banking	7,784	8,118	(334)	(4)%
Other	4,492	4,604	(112)	(2)%
Total average loans	$ 150,952	$ 141,896	$ 9,056	6 %
Credit-related statistics				
Nonperforming assets (f) (g)	$ 508	$ 388	$ 120	31 %
Net charge-offs - loans and leases	$ 50	$ 5	$ 45	900 %

(a) See the additional revenue discussion regarding treasury management, capital markets-related products and services, and commercial mortgage banking activities in the Product Revenue section of this Corporate & Institutional Banking section.

(b) Amounts are reported in net interest income and noninterest income.

(c) Represents other noninterest income for valuations on commercial mortgage loans held for sale and related commitments, derivative valuations, originations fees, gains on sale of loans held for sale and net interest income on loans held for sale.

(d) Represents net interest income and noninterest income (primarily in corporate service fees) from loan servicing net of reduction in commercial mortgage servicing rights due to amortization expense and payoffs. Commercial mortgage servicing rights valuation, net of economic hedge is shown separately.

(e) Amounts are reported in corporate service fees.

(f) As of March 31.

(g) Primarily nonperforming loans of $ .5 billion and $.4 billion at March 31, 2020 and March 31, 2019, respectively.

Corporate & Institutional Banking earned $370 million in the first quarter of 2020 compared to $552 million for the same period in 2019. Higher provision for credit losses and higher noninterest expense were partially offset by higher revenue.

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

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

Provision for credit losses in the first quarter of 2020 reflected the adoption of the CECL accounting standard, the significant economic impact of COVID-19 and portfolio growth, including new loans and increased utilization. First quarter 2020 experienced an increase in nonperforming assets and net loan and lease charge-offs compared to the same period in 2019.

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

Average loans increased compared to the first quarter of 2019 driven by strong growth in Corporate Banking, Business Credit and PNC Real Estate due in part to increased utilization in March as the need for liquidity in the current economic environment increased:

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

The deposit strategy of Corporate & Institutional Banking is to remain disciplined on pricing and focused on growing and retaining relationship-based balances over time, executing on customer and segment-specific deposit growth strategies and continuing to provide funding and liquidity to PNC. Average total deposits increased in the comparison driven by growth in interest-bearing deposits. Additionally, due to recent economic uncertainties and interest rate changes, first quarter 2020 experienced an increase in noninterest-bearing deposits compared to the same period in 2019. We continue to actively monitor the interest rate environment and make adjustments in response to evolving market conditions, bank funding needs and client relationship dynamics.

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

Product Revenue

In addition to credit and deposit products for commercial customers, Corporate & Institutional Banking offers other services, including treasury management, capital markets-related products and services, and commercial mortgage banking activities, for customers of all business segments. On a consolidated basis, the revenue from these other services is included in net interest income, corporate service fees and other noninterest income. From a business perspective, the majority of the revenue and expense related to these services is reflected in the Corporate & Institutional Banking segment results and the remainder is reflected in the results of other businesses. The Other Information section in Table 11 includes the consolidated revenue to PNC for these services. A discussion of the consolidated revenue from these services follows.

The Treasury Management business provides payables, receivables, deposit and account services, liquidity and investments, and online and mobile banking products and services to our clients. Treasury management revenue is reported in noninterest income and net interest income. Noninterest income includes treasury management product revenue less earnings credits provided to customers on compensating deposit balances used to pay for products and services. Net interest income primarily includes revenue from all treasury management customer deposit balances. Compared with the first quarter of 2019, treasury management revenue increased primarily due to higher deposit balances and product revenue.

Capital markets-related products and services include foreign exchange, derivatives, securities underwriting, loan syndications, mergers and acquisitions advisory and equity capital markets advisory related services. The increase in capital markets-related revenue in the comparison was broad-based across most products and services and included higher revenue from credit valuations and fees on customer-related derivatives activities and higher underwriting fees.

Commercial mortgage banking activities include revenue derived from commercial mortgage servicing (both net interest income and noninterest income) and revenue derived from commercial mortgage loans held for sale and related hedges. Total revenue from commercial mortgage banking activities increased in the comparison due to higher revenue across all activities.

Asset Management Group

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

Table 12: Asset Management Group Table

(Unaudited) Three months ended March 31 Dollars in millions, except as noted	2020	2019	Change $	Change %
Income Statement				
Net interest income	$ 88	$ 70	$ 18	26 %
Noninterest income	204	217	(13)	(6)%
Total revenue	292	287	5	2 %
Provision for credit losses	3	(1)	4	*
Noninterest expense	219	230	(11)	(5)%
Pretax earnings	70	58	12	21 %
Income taxes	16	13	3	23 %
Earnings	$ 54	$ 45	$ 9	20 %
Average Balance Sheet				
Loans				
Consumer lending				
Residential real estate	$ 2,385	$ 1,723	662	38 %
Other	4,052	4,362	(310)	(7)%
Total consumer lending	6,437	6,085	352	6 %
Commercial and commercial real estate	856	752	104	14 %
Total loans	$ 7,293	$ 6,837	$ 456	7 %
Total assets	$ 7,801	$ 7,259	$ 542	7 %
Deposits				
Noninterest-bearing demand	$ 1,468	$ 1,388	$ 80	6 %
Interest-bearing demand	6,850	3,076	3,774	123 %
Money market	1,709	2,036	(327)	(16)%
Savings	7,197	5,723	1,474	26 %
Other	847	697	150	22 %
Total deposits	$ 18,071	$ 12,920	$ 5,151	40 %
Performance Ratios				
Return on average assets	2.81%	2.51%		
Noninterest income to total revenue	70%	76%		
Efficiency	75%	80%		
Supplemental Noninterest Income Information				
Asset management fees	$ 201	$ 212	$ (11)	(5)%
Other Information				
Nonperforming assets (a) (b)	$ 34	$ 48	$ (14)	(29)%
Net charge-offs - loans and leases	$ (1)	$ 1	$ (2)	(200)%
Client Assets Under Administration (in billions) (a) (c)				
Discretionary client assets under management	$ 136	$ 158	$ (22)	(14)%
Nondiscretionary client assets under administration	128	130	(2)	(2)%
Total	$ 264	$ 288	$ (24)	(8)%
Discretionary client assets under management				
Personal	$ 84	$ 95	$ (11)	(12)%
Institutional	52	63	(11)	(17)%
Total	$ 136	$ 158	$ (22)	(14)%

* - Not meaningful
(a) As of March 31.
(b) Primarily nonperforming loans of $ 34 million at March 31, 2020 and $47 million at March 31, 2019.
(c) Excludes brokerage account client assets.

Asset Management Group earned $54 million in the first three months of 2020 compared to $45 million for the same period in 2019. Earnings increased due to higher revenue and lower noninterest expense.

Growth in revenue was driven by higher net interest income due to higher average deposit balances. This increase was partially offset by lower asset management fees related to the 2019 sale of the retirement recordkeeping and the sale of components of the PNC Capital Advisors investment management business, including its PNC family of proprietary mutual funds businesses.

Noninterest expense decreased primarily attributable to the impact of the 2019 divestitures.

Asset Management Group's discretionary client assets under management decreased primarily attributable to lower equity markets as of March 31, 2020 and the sale of components of the PNC Capital Advisors investment management business.

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

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

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

BlackRock

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

Table 13: BlackRock Table

(Unaudited) Three months ended March 31 Dollars in millions	2020	2019
Business segment earnings (a)	$ 157	$ 197
PNC's economic interest in BlackRock (b)	22%	22%

(a) Represents our share of BlackRock's reported GAAP earnings net of income taxes on those earnings incurred by us.
(b) At March 31.

In billions	March 31, 2020	December 31, 2019
Carrying value of our investment in BlackRock (c)	$ 8.7	$ 8.7
Market value of our investment in BlackRock (d)	$ 15.3	$ 17.5

(c) We account for our investment in BlackRock under the equity method of accounting, exclusive of a related deferred tax liability of $ 1.8 billion for both March 31, 2020 and December 31, 2019, respectively. Our voting interest in BlackRock common stock was approximately 22% at March 31, 2020.
(d) Does not include liquidity discount.

Our 2019 Form 10-K includes additional information about our investment in BlackRock.

Risk Management

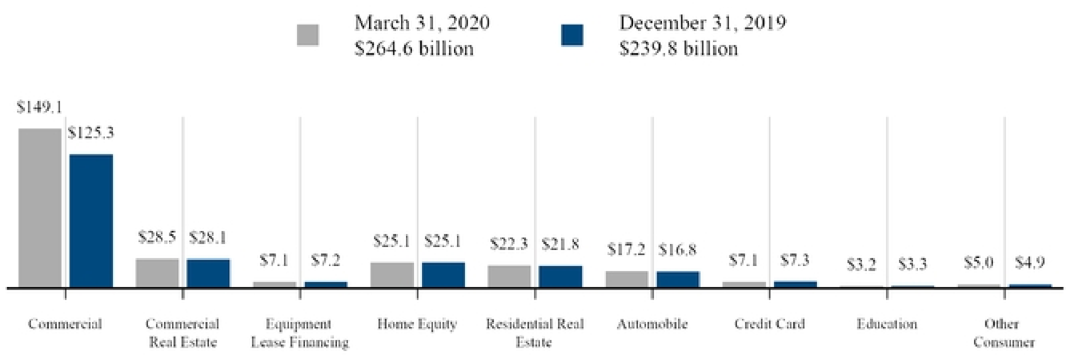
The Risk Management section included in Item 7 of our 2019 Form 10-K describes our enterprise risk management framework including risk culture, enterprise strategy, risk governance and framework, risk identification, risk assessment, risk controls and monitoring, and risk aggregation and reporting. Additionally, our 2019 Form 10-K provides an analysis of our key areas of risk, which include but are not limited to credit, liquidity and capital, market, operational, compliance and information security.

Credit Risk Management

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

Loan Portfolio Characteristics and Analysis

Table 14: Details of Loans
In billions



We use several asset quality indicators, as further detailed in Note3 Loans in the Notes To Consolidated Financial Statements in this Report, to monitor and measure our exposure to credit risk within our loan portfolio. The following provides additional information about our significant loan classes.

Commercial Lending

Commercial
Commercial loans comprised 56% and 52% of our total loan portfolio atMarch 31, 2020 and December 31, 2019, respectively. The majority of our commercial loans are secured by collateral that provides a secondary source of repayment for the loan should the borrower experience cash generation difficulties. Examples of this collateral include short-term assets, such as accounts receivable, inventory and securities, and long-lived assets, such as equipment, real estate and other business assets.

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

Table 15: Commercial Loans by Industry

Dollars in millions	March 31, 2020 Amount	March 31, 2020 % of Total	December 31, 2019 Amount	December 31, 2019 % of Total
Commercial				
Manufacturing	$ 27,225	18%	$ 21,540	17%
Retail/wholesale trade	24,408	16	21,565	17
Service providers	19,411	13	16,112	13
Real estate related (a)	14,843	10	12,346	10
Financial services	13,473	9	11,318	9
Health care	9,238	6	8,035	6
Transportation and warehousing	8,160	5	7,474	6
Other industries	32,373	23	26,947	22
Total commercial loans	$ 149,131	100%	$ 125,337	100%

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

Commercial loan increases at March 31, 2020 were driven by loan growth, including higher utilization of loan commitments near the end of the first quarter, primarily due to the economic impact of COVID-19. See the Commercial Lending High Impact Industries discussion within Credit Risk Management for additional discussion of the impact of COVID-19 on loans and how we are evaluating and monitoring the portfolio for elevated levels of credit risk.

Commercial Real Estate

Commercial real estate loans comprised $17.4 billion related to commercial mortgages, $5.8 billion of real estate project loans and $5.3 billion of intermediate term financing loans as of March 31, 2020. Comparable amounts were $17.0 billion, $5.6 billion and $5.5 billion, respectively, as of December 31, 2019.

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

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

Dollars in millions	March 31, 2020 Amount	March 31, 2020 % of Total	December 31, 2019 Amount	December 31, 2019 % of Total
Geography				
California	$ 4,406	15%	$ 4,393	16%
Florida	2,651	9	2,557	9
Texas	1,844	6	1,717	6
Maryland	1,743	6	1,889	7
Virginia	1,509	5	1,547	6
Pennsylvania	1,341	5	1,310	4
Ohio	1,265	4	1,307	4
New Jersey	1,159	4	1,106	4
Illinois	1,028	4	1,001	4
North Carolina	997	4	1,015	4
Other	10,601	38	10,268	36
Total commercial real estate loans	$ 28,544	100%	$ 28,110	100%
Property Type				
Multifamily	$ 9,123	32%	$ 9,003	32%
Office	7,794	27	7,641	27
Retail	3,599	13	3,702	13
Industrial/Warehouse	2,169	8	2,003	7
Hotel/Motel	1,892	7	1,813	7
Senior Housing	1,238	4	1,123	4
Mixed Use	871	3	943	3
Other	1,858	6	1,882	7
Total commercial real estate loans	$ 28,544	100%	$ 28,110	100%

Commercial Lending High Impact Industries

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

- Non-real estate related
  - Leisure recreation: restaurants, casinos, hotels, convention centers
  - Non-essential retail: retail excluding auto, gas, staples
  - Healthcare facilities: elective, private practices
  - Leisure travel: cruise, airlines, other travel/transportation
  - Consumer services: religious organizations, childcare
  - Other impacted areas: shipping, senior living, specialty education
- Real estate related
  - Non-essential retail and restaurants: malls, lifestyle centers, outlets, restaurants
  - Hotel: full service, limited service, extended stay
  - Senior housing: assisted living, independent living

As of March 31, 2020, our outstanding loan balances in these industries totaled $19.3 billion, with additional exposures totaling $7.0 billion, and we are carefully monitoring and managing these loans and exposures.

At this time we are most closely monitoring our non-real estate related loans to non-essential retail, restaurants and certain parts of leisure travel. At March 31, 2020:

- Non-essential retail loans outstanding totaled $2.5 billion, 60% of which were asset-based loans;
- Restaurant loan outstanding balances were $1.5 billion; and
- Cruise line and commercial airline loan outstanding balances were less than $600 million.

Within the commercial real estate related category, we have $8.7 billion in outstanding loans to borrowers that we assess as likely to be most impacted by COVID-19. This includes real estate projects of $5.1 billion, 40% of which are under construction and have a portfolio loan-to-value ratio (LTV) of 55%. The remaining $3.6 billion of loans outstanding are to real estate investment trusts (REITs), approximately two-thirds of which are investment grade.

Oil and Gas Loan Portfolio
We are also monitoring our oil and gas portfolio closely for elevated levels of credit risk given the continued pressures on the energy industry. As of March 31, 2020, our outstanding loans in the oil and gas sector totaled $4.6 billion or 2% of total loans, with additional exposures totaling $7.0 billion. This portfolio comprised approximately $2.2 billion in the midstream and downstream sectors, $1.2 billion of oil services companies and $1.2 billion related to exploration and production companies. Of the oil services category, approximately $.3 billion is not asset-based or investment grade. Nonperforming loans in the oil and gas sector as of March 31, 2020 totaled $106 million, or 6% of total nonperforming loans.

Consumer Lending
Given the uncertainty of the current economic environment, we recently tightened underwriting requirements across our consumer lending portfolio. See the discussion that follows for analysis of credit risk in our significant consumer loan classes as of March 31, 2020.

Home Equity
Home equity loans comprised $13.7 billion of primarily variable-rate home equity lines of credit and $11.4 billion of closed-end home equity installment loans at March 31, 2020. Comparable amounts were $13.9 billion and $11.2 billion, respectively, as of December 31, 2019.

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

The credit quality of newly originated loans over the last twelve months was strong overall with a weighted-average LTV on originations of 68% and a weighted-average FICO score of 768.

The credit performance of the majority of the home equity portfolio where we hold the first lien position is superior to the portion of the portfolio where we hold the second lien position, but do not hold the first lien. Lien position information is generally determined at the time of origination and monitored on an ongoing basis for risk management purposes. We use an industry-leading third-party service provider to obtain updated loan information, including lien and collateral data that is aggregated from public and private sources.

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

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

	March 31, 2020		December 31, 2019	
Dollars in millions	Amount	% of Total	Amount	% of Total
Geography				
Pennsylvania	$ 5,778	23%	$ 5,812	23%
New Jersey	3,729	15	3,728	15
Ohio	2,893	12	2,899	12
Illinois	1,541	6	1,544	6
Florida	1,431	6	1,340	5
Maryland	1,429	6	1,420	6
Michigan	1,404	6	1,371	5
North Carolina	1,098	4	1,092	4
Kentucky	985	4	990	4
Virginia	835	3	810	3
Other	3,958	15	4,079	17
Total home equity loans	$ 25,081	100%	$ 25,085	100%
Lien type				
1st lien		60%		59%
2nd lien		40		41
Total		100%		100%

Residential Real Estate
Residential real estate loans primarily consisted of residential mortgage loans at both March 31, 2020 and December 31, 2019.

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

The credit quality of newly originated loans that we retained on our balance sheet over the last twelve months was strong overall as evidenced by a weighted-average LTV on originations of 69% and a weighted-average FICO score of 770.

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

Table 18: Residential Real Estate Loans by Geography

	March 31, 2020		December 31, 2019	
Dollars in millions	Amount	% of Total	Amount	% of Total
Geography				
California	$ 7,343	33%	$ 6,800	31%
New Jersey	1,786	8	1,779	8
Florida	1,550	7	1,580	7
Pennsylvania	1,110	5	1,113	5
Illinois	1,076	5	1,118	5
New York	993	4	1,008	5
Maryland	898	4	923	4
Virginia	887	4	868	4
North Carolina	863	4	877	4
Washington	782	4	646	3
Other	4,962	22	5,109	24
Total residential real estate loans	$ 22,250	100%	$ 21,821	100%

We originate residential mortgage loans nationwide through our national mortgage business as well as within our branch network. Residential mortgage loans underwritten to agency standards, including conforming loan amount limits, are typically sold with servicing retained by us. We also originate nonconforming residential mortgage loans that do not meet agency standards, which we retain on our balance sheet. The originated nonconforming residential mortgage portfolio had strong credit quality at March 31, 2020 with an average original LTV of 70% and an average original FICO score of 773. Our portfolio of originated nonconforming residential mortgage loans totaled $16.8 billion at March 31, 2020 with 39% located in California.

Automobile
Within auto loans, $15.5 billion resided in the indirect auto portfolio while $1.7 billion were in the direct auto portfolio as of March 31, 2020. Comparable amounts as of December 31, 2019 were $15.1 billion and $1.7 billion, respectively. The indirect auto portfolio pertains to loans originated through franchised dealers, including from expansion into new markets. This business is strategically aligned with our core retail banking business.

We continue to focus on borrowers with strong credit profiles as evidenced by a weighted-average loan origination FICO score over the last twelve months of 765 for indirect auto loans and 769 for direct auto loans. The weighted-average term of loan originations over the last twelve months was 73 months for indirect auto loans and 63 months for direct auto loans. We offer both new and used auto financing to customers through our various channels. At March 31, 2020, the portfolio was composed of 56% new vehicle loans and 44% used vehicle loans. Comparable amounts at December 31, 2019 were 55% and 45%, respectively.

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

Nonperforming Assets and Loan Delinquencies

Nonperforming Assets

Nonperforming assets include nonperforming loans and leases for which ultimate collectability of the full amount of contractual principal and interest is not probable and include nonperforming troubled debt restructurings (TDRs), other real estate owned (OREO) and foreclosed assets. Loans held for sale, certain government insured or guaranteed loans and loans accounted for under the fair value option are excluded from nonperforming loans. Amounts as of December 31, 2019 also excluded purchased impaired loans. In connection with the adoption of the CECL standard, nonperforming loans as of March 31, 2020 include purchased credit deteriorated loans which meet the criteria to be classified as nonperforming. See Note 1 Accounting Policies and Note 3 Loans in the Notes To Consolidated Financial Statements in this Report for additional information regarding our nonperforming loans and nonaccrual policies and further detail of nonperforming asset categories.

The following table presents a summary of nonperforming assets by major category, Table 20 provides details on the change in nonperforming assets during the three months ended March 31, 2020 and 2019.

Table 19: Nonperforming Assets by Type

Dollars in millions	March 31, 2020	December 31, 2019	Change $	Change %
Nonperforming loans				
Commercial lending	$ 566	$ 501	$ 65	13 %
Consumer lending (a)	1,078	1,134	(56)	(5)%
Total nonperforming loans	1,644	1,635	9	1 %
OREO and foreclosed assets	111	117	(6)	(5)%
Total nonperforming assets	$ 1,755	$ 1,752	$ 3	—
TDRs included in nonperforming loans	$ 767	$ 843	$ (76)	(9)%
Percentage of total nonperforming loans	47 %	52 %		
Nonperforming loans to total loans	.62 %	.68 %		
Nonperforming assets to total loans, OREO and foreclosed assets	.66 %	.73 %		
Nonperforming assets to total assets	.39 %	.43 %		
Allowance for credit losses - loans and leases to total nonperforming loans (b)	240 %	168 %		

(a) Excludes most unsecured consumer loans and lines of credit, which are charged off after 120 to 180 days past due and are not placed on nonperforming status.
(b) Ratio at March 31, 2020 reflects the transition impact on our allowance for loans and leases from the adoption of the CECL standard along with the increases in reserves during the first quarter of 2020 due to the significant economic impact of COVID-19 and loan growth.

Table 20: Change in Nonperforming Assets

In millions	2020	2019
January 1	$ 1,752	$ 1,808
New nonperforming assets	391	287
Charge-offs and valuation adjustments	(145)	(164)
Principal activity, including paydowns and payoffs	(158)	(92)
Asset sales and transfers to loans held for sale	(20)	(13)
Returned to performing status	(65)	(41)
March 31	$ 1,755	$ 1,785

As of March 31, 2020, approximately 83% of total nonperforming loans were secured by collateral which lessened reserve requirements and is expected to reduce credit losses. As of March 31, 2020, commercial lending nonperforming loans were carried at approximately74% of their unpaid principal balance, due to charge-offs recorded to date, before consideration of the ACL.

Within consumer lending nonperforming loans, residential real estate TDRs comprised76% and 79% of total residential real estate nonperforming loans atMarch 31, 2020 and December 31, 2019, respectively, while home equity TDRs comprised46% and 49% of home equity nonperforming loans atMarch 31, 2020 and December 31, 2019, respectively. TDRs generally remain in nonperforming status until a borrower has made at least six consecutive months of both principal and interest payments under the modified terms or ultimate resolution occurs. Loans where borrowers have been discharged from personal liability through Chapter 7 bankruptcy and have not formally reaffirmed their loan obligations to us and loans to borrowers not currently obligated to make both principal and interest payments under the restructured terms are not returned to accrual status. Loans that have been restructured for COVID-19 related hardships and meet certain criteria under the CARES Act are not identified as TDRs. See the Recent Regulatory Developments section of this Report for more information on the treatment of loan modifications under the CARES Act.

At March 31, 2020, our largest nonperforming asset was $41 million in the Mining, Quarrying, and Oil and Gas Extraction industry and the ten largest individual nonperforming assets represented 13% of total nonperforming assets.

Loan Delinquencies

We regularly monitor the level of loan delinquencies and believe these levels may be a key indicator of loan portfolio asset quality. Measurement of delinquency status is based on the contractual terms of each loan. Loans that are 30 days or more past due in terms of payment are considered delinquent. Loan delinquencies include government insured or guaranteed loans, loans accounted for under the fair value option and at March 31, 2020 also include purchased credit deteriorated loans. Amounts exclude loans held for sale, while amounts as of December 31, 2019 also excluded purchased impaired loans.

Table 21: Accruing Loans Past Due (a)

	Amount				Percentage of Total Loans Outstanding	
			Change			
Dollars in millions	March 31 2020	December 31 2019	$	%	March 31 2020	December 31 2019
Early stage loan delinquencies						
Accruing loans past due 30 to 59 days	$ 688	$ 661	$ 27	4 %	.26%	.28%
Accruing loans past due 60 to 89 days	261	258	3	1 %	.10%	.11%
Total	949	919	30	3 %	.36%	.38%
Late stage loan delinquencies						
Accruing loans past due 90 days or more	534	585	(51)	(9)%	.20%	.24%
Total	$ 1,483	$ 1,504	$ (21)	(1)%	.56%	.63%

(a) Past due loan amounts include government insured or guaranteed loans of $.5 billion at March 31, 2020 and $.6 billion at December 31, 2019. Additionally, in connection with the adoption of the CECL standard, past due loan amounts at March 31, 2020 include purchased credit deteriorated loans totaling $.1 billion.

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 and meet certain criteria under the CARES Act are not categorized as TDRs. See the Recent Regulatory Developments section of this Report for additional information on the updated agency guidance on TDRs under the CARES Act.

Table 22: Summary of Troubled Debt Restructurings (a)

			Change	
Dollars in millions	March 31 2020	December 31 2019	$	%
Total commercial lending	$ 349	$ 361	$ (12)	(3)%
Total consumer lending	1,191	1,303	(112)	(9)%
Total TDRs	$ 1,540	$ 1,664	$ (124)	(7)%
Nonperforming	$ 767	$ 843	$ (76)	(9)%
Accruing (b)	773	821	(48)	(6)%
Total TDRs	$ 1,540	$ 1,664	$ (124)	(7)%

(a) Amounts in table do not include associated valuation allowances.
(b) Accruing loans include consumer credit card loans and loans that have demonstrated a period of at least six months of performance under the restructured terms and are excluded from nonperforming loans.

Excluded from TDRs are $.9 billion of consumer loans held for sale, loans accounted for under the fair value option, certain government insured or guaranteed loans, and purchased credit deteriorated loans that did not meet the criteria to be classified as TDRs at March 31, 2020. Excluded from TDRs at December 31, 2019 are $1.0 billion of consumer loans held for sale, loans accounted for under the fair value option and pooled purchased impaired loans, as well as certain government insured or guaranteed loans. Nonperforming TDRs represented approximately 47% and 52% of total nonperforming loans at March 31, 2020 and December 31, 2019, respectively, and 50% and 51% of total TDRs at March 31, 2020 and December 31, 2019, respectively. The remaining portion of TDRs represents TDRs that have been returned to accrual status after performing under the restructured terms for at least six consecutive months.

See Note 3 Loans in the Notes to Consolidated Financial Statements in this Report for additional information on TDRs.

Loan Modifications

See the Executive Summary of this Financial Review for information on short-term loan modifications being made for both commercial and consumer customers in light of the current economic circumstances related to COVID-19. For additional information related to loan modifications, see the Credit Risk Management portion of the Risk Management section in our 2019 Form 10-K.

Allowances for Credit Losses

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

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

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

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

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

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

Allowance for Credit Losses - Loans and Leases

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

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

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

While our reserve methodologies strive to reflect all relevant credit risk factors, there continues to be uncertainty associated with, but not limited to, potential imprecision in the estimation process due to the inherent time lag of obtaining information and normal variations between expected and actual outcomes. We may hold additional reserves that are designed to provide coverage for losses attributable to such risks. A portion of the ACL is related to qualitative measurement factors. These factors may include, but are not limited to, the following:

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

Allowance for Credit Losses - Unfunded Lending Related Commitments

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

Table 23: Allowance for Credit Losses by Loan Class(a)

	March 31, 2020			December 31, 2019		
Dollars in millions	Allowance Amount	Total Loans	% of Total Loans	Allowance Amount (b)	Total Loans	% of Total Loans
Allowance for credit losses - loans and leases						
Commercial Lending						
Commercial	$ 1,596	$ 149,131	1.07%	$ 1,489	$ 125,337	1.19%
Commercial real estate	269	28,544	.94%	278	28,110	.99%
Equipment lease financing	114	7,061	1.61%	45	7,155	.63%
Total commercial lending	1,979	184,736	1.07%	1,812	160,602	1.13%
Consumer Lending						
Home equity	332	25,081	1.32%	87	25,085	.35%
Residential real estate	18	22,250	.08%	258	21,821	1.18%
Automobile	377	17,194	2.19%	160	16,754	.95%
Credit card	746	7,132	10.46%	288	7,308	3.94%
Education	123	3,247	3.79%	17	3,336	.51%
Other consumer	369	5,003	7.38%	120	4,937	2.43%
Total consumer lending	1,965	79,907	2.46%	930	79,241	1.17%
Total	3,944	$ 264,643	1.49%	2,742	$ 239,843	1.14%
Allowance for credit losses - unfunded lending related commitments	450			318		
Allowance for credit losses	$ 4,394			$ 3,060		
Allowance for credit losses to total loans (c)	1.66%			1.28%		
Commercial lending	1.26%			1.33%		
Consumer lending	2.59%			1.18%		

(a) Excludes allowances for investment securities and other financial assets.
(b) Prior period reserve amounts represent the ALLL and allowance for unfunded loan commitments and letters of credit, respectively.
(c) Calculated as the ACL for loans and leases and the ACL for unfunded lending related commitments divided by total loans.

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

Table 24: Loan Charge-Offs and Recoveries

Three months ended March 31 Dollars in millions	Gross Charge-offs	Recoveries	Net Charge-offs / (Recoveries)	Percent of Average Loans (Annualized)
2020				
Commercial Lending				
Commercial	$ 78	$ 18	$ 60	.19 %
Commercial real estate	—	4	(4)	(.06)%
Equipment lease financing	5	2	3	.17 %
Total commercial lending	83	24	59	.14 %
Consumer Lending				
Home equity	11	14	(3)	(.05)%
Residential real estate	2	4	(2)	(.04)%
Automobile	84	35	49	1.15 %
Credit card	78	8	70	3.90 %
Education	6	2	4	.48 %
Other consumer	40	5	35	2.83 %
Total consumer lending	221	68	153	.77 %
Total	$ 304	$ 92	$ 212	.35 %
2019				
Commercial Lending				
Commercial	$ 25	$ 14	$ 11	.04 %
Commercial real estate	3	3	—	—
Equipment lease financing	3	2	1	.06 %
Total commercial lending	31	19	12	.03 %
Consumer Lending				
Home equity	23	18	5	.08 %
Residential real estate	2	3	(1)	(.02)%
Automobile	58	26	32	.89 %
Credit card	67	7	60	3.91 %
Education	6	2	4	.43 %
Other consumer	28	4	24	2.13 %
Total consumer lending	184	60	124	.68 %
Total	$ 215	$ 79	$ 136	.24 %

Total net charge-offs increased $76 million, or 56%, for the first three months of 2020 compared to the same period in 2019. The increase in commercial net charge-offs reflected the impact of certain individual credits, while the increases in automobile, credit card and other consumer loan net charge-offs were due in part to loan portfolio growth.

See Note 1 Accounting Policies and Note 3 Loans in the Notes To Consolidated Financial Statements in this report for additional information.

Liquidity and Capital Management

Liquidity risk, including our liquidity monitoring measures and tools, is described in further detail in the Liquidity and Capital Management section of our 2019 Form 10-K.

One of the ways we monitor our liquidity is by reference to the Liquidity Coverage Ratio (LCR), a regulatory minimum liquidity requirement designed to ensure that covered banking organizations maintain an adequate level of liquidity to meet net liquidity needs over the course of a hypothetical 30-day stress scenario. The LCR is calculated by dividing the amount of an institution's high quality, unencumbered liquid assets (HQLA), as defined and calculated in accordance with the LCR rules, by its estimated, weighted net cash outflows, with net cash outflows determined by applying the assumed outflow factors in the LCR rules. The resulting quotient is expressed as a percentage. Effective January 1, 2020, PNC and PNC Bank, as Category III institutions under the Tailoring Rules, were subject to a reduced LCR requirement, with each company's net outflows reduced by 15%, thereby reducing the amount of HQLA each institution must hold to meet the LCR minimum requirement. The minimum LCR that PNC and PNC Bank are required to maintain continues to be 100%. PNC and PNC Bank calculate the LCR daily, and as of March 31, 2020, the LCR for PNC and PNC Bank exceeded the requirement of 100%.

We provide additional information regarding regulatory liquidity requirements and their potential impact on us in the Supervision and Regulation section of Item 1 Business and Item 1A Risk Factors of our 2019 Form 10-K.

Sources of Liquidity
Our largest source of liquidity on a consolidated basis is the customer deposit base generated by our banking businesses. These deposits provide relatively stable and low-cost funding. Total deposits increased to $305.2 billion at March 31, 2020 from $288.5 billion at December 31, 2019 driven by growth in both interest-bearing and noninterest-bearing deposits. See the Funding Sources portion of the Consolidated Balance Sheet Review section of this Financial Review for additional information related to our deposits. Additionally, certain assets determined by us to be liquid as well as unused borrowing capacity from a number of sources are also available to manage our liquidity position.

At March 31, 2020, our liquid assets consisted of cash and due from banks and short-term investments (federal funds sold, resale agreements, trading securities and interest-earning deposits with banks) totaling $33.0 billion and securities available for sale totaling $89.1 billion. The level of liquid assets fluctuates over time based on many factors, including market conditions, loan and deposit growth and balance sheet management activities. Our liquid assets included $24.4 billion of securities available for sale and trading securities pledged as collateral to secure public and trust deposits, repurchase agreements and for other purposes. In addition, $1.3 billion of securities held to maturity were also pledged as collateral for these purposes.

We also obtain liquidity through various forms of funding, including long-term debt (senior notes, subordinated debt and FHLB borrowings) and short-term borrowings (securities sold under repurchase agreements, commercial paper and other short-term borrowings). See Note 7 Borrowed Funds in the Notes To Consolidated Financial Statements and the Funding Sources section of the Consolidated Balance Sheet Review in this Report, and Note 10 Borrowed Funds in Item 8 of our 2019 Form 10-K for additional information related to our borrowings.

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

Table 25: Senior and Subordinated Debt

In billions	2020
January 1	$ 35.1
Issuances	3.5
Calls and maturities	(2.1)
Other	1.4
March 31	$ 37.9

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 March 31, 2020, PNC Bank had $25.4 billion of notes outstanding under this program of which $20.4 billion were senior bank notes and $5.0 billion were subordinated bank notes. The following table details issuances for the three months ended March 31, 2020.

Table 26: PNC Bank Notes Issued

Issuance Date	Amount	Description of Issuance
February 25, 2020	$1.0 billion	$1.0 billion of senior floating rate notes with a maturity date of February 24, 2023. Interest is payable quarterly at the 3-month LIBOR rate, reset quarterly, plus 32.5 basis points, on February 24, May 24, August 24, and November 24, commencing on May 24, 2020.
February 25, 2020	$500 million	$500 million of senior fixed-to-floating rate notes with a maturity date of February 24, 2023. Interest is payable semi-annually at a fixed rate of 1.743% per annum, on February 24 and August 24 of each year, beginning on August 24, 2020. Beginning on February 24, 2022, interest is payable quarterly at the floating rate equal to the 3-month LIBOR rate, reset quarterly, plus 32.3 basis points, on February 24, May 24, August 24, and November 24, commencing on May 24, 2022.

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 March 31, 2020, our unused secured borrowing capacity at the FHLB-Pittsburgh and the Federal Reserve Bank totaled $51.4 billion, including $20.2 billion through the

Federal Reserve Bank discount window. The Federal Reserve also has established certain special liquidity facilities under its emergency lending authority in Section 13(3) of the Federal Reserve Act in response to the economic impact of COVID-19. For additional information on these special liquidity facilities see the Recent Regulatory Developments section of this Report.

PNC Bank has the ability to offer up to $10.0 billion of its commercial paper to provide additional liquidity. As of March 31, 2020, there were no issuances outstanding under this program.

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

As of March 31, 2020, available parent company liquidity totaled $6.5 billion. Parent company liquidity is primarily held in intercompany short-term investments, the terms of which provide for the availability of cash in 31 days or less. Investments with longer durations may also be acquired, but if so, the related maturities are aligned with scheduled cash needs, such as the maturity of parent company debt obligations.

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

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

There are statutory and regulatory limitations on the ability of a national bank to pay dividends or make other capital distributions or to extend credit to the parent company or its non-bank subsidiaries. The amount available for dividend payments by PNC Bank to the parent company without prior regulatory approval was approximately $2.5 billion at March 31, 2020. See Note 18 Regulatory Matters in the Notes To Consolidated Financial Statements in our 2019 Form 10-K for a further discussion of these limitations.

In addition to dividends from PNC Bank, other sources of parent company liquidity include cash and investments, as well as dividends and loan repayments from other subsidiaries and dividends or distributions from equity investments. We can also generate liquidity for the parent company and PNC's non-bank subsidiaries through the issuance of debt and equity securities, including certain capital instruments, in public or private markets and commercial paper. The parent company has the ability to offer up to $5.0 billion of commercial paper to provide additional liquidity. As of March 31, 2020, there were no commercial paper issuances outstanding.

The parent company has an effective shelf registration statement pursuant to which we can issue additional debt, equity and other capital instruments. On January 22, 2020, the parent company issued $2.0 billion of senior notes with a maturity date of January 22, 2030, redeemable, in whole or in part, on or after October 24, 2029. Interest is payable semi-annually at a fixed rate of 2.550% per annum, on January 22 and July 22 of each year, commencing on July 22, 2020.

Parent company senior and subordinated debt outstanding totaled $11.5 billion and $9.8 billion at March 31, 2020 and December 31, 2019, respectively.

Contractual Obligations and Commitments
We have contractual obligations representing required future payments on borrowed funds, time deposits, leases, pension and postretirement benefits and purchase obligations. See the Liquidity and Capital Management portion of the Risk Management section in our 2019 Form 10-K for more information on these future cash outflows. Additionally, in the normal course of business we have various commitments outstanding, certain of which are not included on our Consolidated Balance Sheet. We provide information on our commitments in Note 8 Commitments in the Notes To Consolidated Financial Statements of this Report.

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

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

Table 27: Credit Ratings for PNC and PNC Bank

	March 31, 2020		
	Moody's	Standard & Poor's	Fitch
PNC			
Senior debt	A3	A-	A+
Subordinated debt	A3	BBB+	A
Preferred stock	Baa2	BBB-	BBB-
PNC Bank			
Senior debt	A2	A	A+
Subordinated debt	A3	A-	A
Long-term deposits	Aa2	A	AA-
Short-term deposits	P-1	A-1	F1+
Short-term notes	P-1	A-1	F1

Capital Management

Detailed information on our capital management processes and activities, including additional information on our previous CCAR submissions and capital plans, is included in the Capital Management portion of the Risk Management section in our 2019 Form 10-K.

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

In connection with the capital plan accepted by the Federal Reserve as part of our 2019 CCAR submission, we repurchased 10.1 million common shares for $1.4 billion in the first quarter of 2020. As of March 31, 2020, PNC has repurchased a total of 24.0 million shares for $3.4 billion under current share repurchase programs that will end June 30, 2020.

PNC announced on March 16, 2020, a temporary suspension of our common stock repurchase program through June 30, 2020, in conjunction with the Federal Reserve's effort to support the U.S. economy during the COVID-19 outbreak.

We paid dividends on common stock of $.5 billion, or $1.15 per common share, during the first quarter of 2020. On April 2, 2020, the PNC Board of Directors declared a quarterly common stock cash dividend of $1.15 per share, with a payment date of May 5, 2020. On April 6, 2020, PNC submitted its capital plan and stress test results to the Federal Reserve and OCC as part of the 2020 annual Comprehensive Capital Analysis and Review (CCAR) and Dodd-Frank Act stress testing (DFAST) process.

Table 28: Basel III Capital

Dollars in millions	Basel III March 31, 2020 (a)	March 31, 2020 (Fully Implemented) (estimated) (b)
Common equity Tier 1 capital		
Common stock plus related surplus, net of treasury stock	$ 866	$ 866
Retained earnings	42,730	41,885
Goodwill, net of associated deferred tax liabilities	(9,027)	(9,027)
Other disallowed intangibles, net of deferred tax liabilities	(210)	(210)
Other adjustments/(deductions)	(220)	(224)
Total common equity Tier 1 capital before threshold deductions	34,139	33,290
Total threshold deductions (c)	—	—
Common equity Tier 1 capital	$ 34,139	$ 33,290
Additional Tier 1 capital		
Preferred stock plus related surplus	3,994	3,994
Other adjustments/(deductions)	—	—
Tier 1 capital	$ 38,133	$ 37,284
Additional Tier 2 capital		
Qualifying subordinated debt	4,249	4,249
Trust preferred capital securities	40	
Eligible credit reserves includable in Tier 2 capital	3,511	4,346
Total Basel III capital	$ 45,933	$ 45,879
Risk-weighted assets		
Basel III standardized approach risk-weighted assets (d)	$ 363,631	$ 363,651
Average quarterly adjusted total assets	$ 402,018	$ 401,169
Supplementary leverage exposure	$ 481,144	$ 481,140
Basel III risk-based capital and leverage ratios (a)(e)		
Common equity Tier 1	9.4 %	9.2 %
Tier 1	10.5 %	10.3 %
Total (f)	12.6 %	12.6 %
Leverage (g)	9.5 %	9.3 %
Supplementary leverage ratio (h)	7.9 %	7.7 %

(a) The ratios are calculated to reflect PNC's election to adopt the CECL optional five-year transition provision.
(b) The ratios are calculated to reflect the full impact of CECL and excludes the benefits of phase-ins under the optional transition provision.
(c) Based on the Tailoring Rules, effective January 1, 2020 for PNC, the quantitative threshold limits increased, resulting in no deduction as of March 31, 2020.
(d) Basel III standardized approach weighted-assets are based on the Basel III standardized approach rules and include credit and market risk-weighted assets.
(e) All ratios are calculated using the regulatory capital methodology applicable to PNC and calculated based on the standardized approach.
(f) The Basel III Total risk-based capital ratios include nonqualifying trust preferred capital securities of $40 million that are subject to a phase-out period that runs through 2021.
(g) Leverage ratio is calculated based on Tier 1 capital divided by Average quarterly adjusted total assets.
(h) Supplementary leverage ratio is calculated based on Tier 1 capital divided by Supplementary leverage exposure. PNC and PNC Bank are subject to a 3% minimum supplementary leverage ratio.

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

PNC’s regulatory risk-based capital ratios in 2020 are calculated using the standardized approach for determining risk-weighted assets. Under the standardized approach for determining credit risk-weighted assets, exposures are generally assigned a pre-defined risk weight. Exposures to high volatility commercial real estate, past due exposures and equity exposures are generally subject to higher risk weights than other types of exposures.

On March 27, 2020, the regulatory agencies issued an interim final rule delaying the estimated impact on regulatory capital stemming from implementing CECL. CECL’s estimated impact on CET1 capital, as defined by the rule, is the change in retained earnings at adoption plus or minus 25% of the change in CECL ACL at the balance sheet date compared to the CECL ACL at transition. The estimated CECL impact is added to CET1 through December 31, 2021, then phased-out over the following three years. PNC elected to adopt this optional transition provision effective March 31, 2020. See additional discussion of this interim final rule in Recent Regulatory Developments in this Financial Review.

Federal banking regulators have stated that they expect the largest U.S. bank holding companies (BHCs), including PNC, to have a level of regulatory capital well in excess of the regulatory minimum and have required the largest U.S. BHCs, including PNC, to have a capital buffer sufficient to withstand losses and allow them to meet the credit needs of their customers through estimated stress scenarios. We seek to manage our capital consistent with these regulatory principles, and believe that our March 31, 2020 capital levels were aligned with them.

At March 31, 2020, PNC and PNC Bank, our sole bank subsidiary, were both considered “well capitalized,” based on applicable U.S. regulatory capital ratio requirements. To qualify as “well capitalized”, PNC must have Basel III capital ratios of at least 6% for Tier 1 risk-based capital and 10% for Total risk-based capital, and PNC Bank must have Basel III capital ratios of at least 6.5% for Common equity Tier 1 risk-based capital, 8% for Tier 1 risk-based capital, 10% for Total risk-based capital and a Leverage ratio of at least 5%.

See the Recent Regulatory Developments section of this Report for recent developments that could have a potential impact on our Basel III capital ratios. We provide additional information regarding regulatory capital requirements and some of their potential impacts on us in the Supervision and Regulation section of Item 1 Business, Item 1A Risk Factors and Note 18 Regulatory Matters in our 2019 Form 10-K.

Market Risk Management

See the Market Risk Management portion of the Risk Management Section in our 2019 Form 10-K for additional discussion regarding market risk.

Market Risk Management – Interest Rate Risk

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

Our Asset and Liability Management group centrally manages interest rate risk as prescribed in our risk management policies, which are approved by management’s Asset and Liability Committee and the Risk Committee of the Board of Directors.

Sensitivity results and market interest rate benchmarks for the first quarters of 2020 and 2019 follow.

Table 29: Interest Sensitivity Analysis

	First Quarter 2020	First Quarter 2019
Net Interest Income Sensitivity Simulation (a)		
Effect on net interest income in first year from gradual interest rate change over the following 12 months of:		
100 basis point increase	1.4 %	1.5 %
Effect on net interest income in second year from gradual interest rate change over the preceding 12 months of:		
100 basis point increase	6.1 %	4.0 %
Duration of Equity Model (a)		
Base case duration of equity (in years)	(7.3)	(3.7)
Key Period-End Interest Rates		
One-month LIBOR	.99 %	2.49 %
Three-month LIBOR	1.45 %	2.60 %
Three-year swap	.46 %	2.31 %

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

In addition to measuring the effect on net interest income assuming parallel changes in current interest rates, we routinely simulate the effects of a number of nonparallel interest rate environments. Table 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 50 basis point yield curve slope flattening between one-month and ten-year rates superimposed on current base rates) scenario.

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

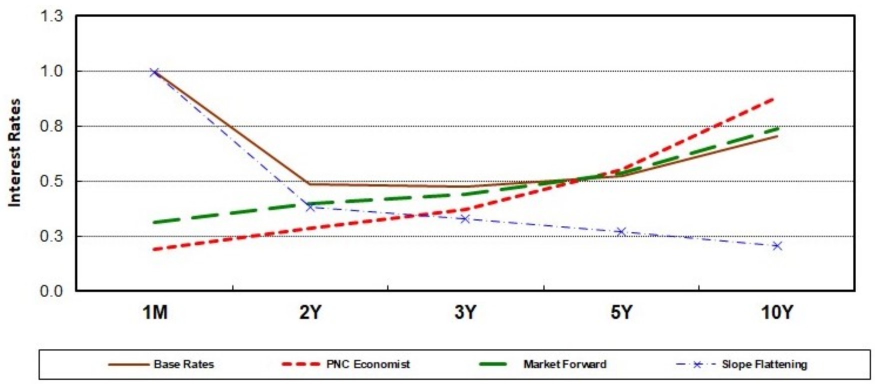
Table 30: Net Interest Income Sensitivity to Alternative Rate Scenarios

	March 31, 2020		
	PNC Economist	Market Forward	Slope Flattening
First year sensitivity	(5.3)%	(3.6)%	(.6)%
Second year sensitivity	(7.4)%	(7.0)%	(2.6)%

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

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

Table 31: Alternate Interest Rate Scenarios: One Year Forward



The first quarter 2020 interest sensitivity analyses indicate that our Consolidated Balance Sheet is positioned to benefit from an increase in interest rates and an upward sloping interest rate yield curve. We believe that we have the deposit funding base and balance sheet flexibility to adjust, where appropriate and permissible, to changing interest rates and market conditions.

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

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

We also continue to focus our transition efforts on:

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

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

Market Risk Management – Customer-Related Trading Risk

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

We use value-at-risk (VaR) as the primary means to measure and monitor market risk in customer-related trading activities. VaR is used to estimate the probability of portfolio losses based on the statistical analysis of historical market risk factors. A diversified VaR reflects empirical correlations across different asset classes. We calculate a diversified VaR at a 95% confidence interval and the results for the first three months of 2020 and 2019 were within our acceptable limits.

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

Customer related trading revenue was $71 million for the three months ended March 31, 2020 compared to $48 million for the same period in2019. The increase was primarily due to higher derivative clients sales revenue partially offset by client-related trading losses due to market volatility resulting from COVID-19.

Market Risk Management – Equity And Other Investment Risk

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

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

A summary of our equity investments follows:

Table 32: Equity Investments Summary

Dollars in millions	March 31 2020	December 31 2019	Change $	Change %
BlackRock	$ 8,511	$ 8,558	$ (47)	(1)%
Tax credit investments	2,134	2,218	(84)	(4)%
Private equity and other	2,560	2,958	(398)	(13)%
Total	$ 13,205	$ 13,734	$ (529)	(4)%

BlackRock

We owned approximately 35 million common stock equivalent shares of BlackRock equity atMarch 31, 2020, accounted for under the equity method. The Business Segments Review section of this Financial Review includes additional information about BlackRock.

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 $.9 billion and $1.0 billion at March 31, 2020 and December 31, 2019, respectively. These unfunded commitments are included in Other liabilities on our Consolidated Balance Sheet.

Note 2 Loan Sale and Servicing Activities and Variable Interest Entities in the Notes To Consolidated Financial Statements in our2019 Form 10-K has further information on Tax Credit Investments.

Private Equity and Other

The majority of our other equity investments consists of our private equity portfolio. The private equity portfolio is an illiquid portfolio consisting of mezzanine and equity investments that vary by industry, stage and type of investment. Private equity investments carried at estimated fair value totaled $1.4 billion and $1.5 billion at March 31, 2020 and December 31, 2019, respectively. As ofMarch 31, 2020, $1.2 billion was invested directly in a variety of companies and $.2 billion was invested indirectly through various private equity funds. See the Supervision and Regulation section in Item 1 of our 2019 Form 10-K for discussion of the potential impacts of the Volcker Rule provisions of Dodd-Frank on our interests in and other relationships with private funds covered by the Volcker Rule.

Included in our other equity investments are Visa Class B common shares, which are recorded at cost. Visa Class B common shares that we own are transferable only under limited circumstances until they can be converted into shares of the publicly-traded Class A common shares, which cannot happen until the resolution of the pending interchange litigation. Based upon the March 31, 2020 per share closing price of $161.12 for a Visa Class A common share, the estimated value of our total investment in the Class B common shares was approximately $919 million at the current conversion rate of Visa B shares to Visa A shares, while our cost basis was not significant. See Note 6 Fair Value and Note 19 Legal Proceedings in the Notes To Consolidated Financial Statements in Item 8 of our 2019 10-K for additional information regarding our Visa agreements. The estimated value does not represent fair value of the Visa B common shares given the share's limited transferability and the lack of observable transactions in the marketplace.

We also have certain other equity investments, the majority of which represent investments in affiliated and non-affiliated funds with both traditional and alternative investment strategies. Net gains related to these investments were not significant at March 31, 2020 and March 31, 2019.

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

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

Further information on our financial derivatives is presented in Note 1 Accounting Policies and Note6 Fair Value in our Notes To Consolidated Financial Statements in our 2019 Form 10-K and in Note11 Fair Value and Note 12 Financial Derivatives in the Notes To Consolidated Financial Statements in this Report.

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

Recent Regulatory Developments

The outbreak of COVID–19 resulted in legislative, regulatory and supervisory actions. See Part II, Item 1A Risk Factors for a description of the risks presented by COVID–19.

<u>Coronavirus Aid, Relief and Economic Security Act</u>
In March 2020, the U.S. Congress passed, and President Trump signed into law, the Coronavirus Aid, Relief and Economic Security Act (CARES Act), which includes a variety of provisions designed to aid business and consumers financially impacted by the COVID-19 pandemic and associated public health directives. The provisions of the CARES Act applicable to individuals and businesses generally include, among other things:

- Refundable tax credits for eligible taxpayers of $1,200 ($2,400 for married taxpayers filing jointly), plus $500 per child, subject to income limitations;
- Funding for an additional 13 weeks of unemployment benefits, an additional $600 a week (for up to four months) of unemployment payments, and payments during the first week of an individual's unemployment on a temporary basis;
- Delays in the payment of the employer portion of Social Security taxes otherwise payable through January 1, 2021, with 50% of delayed amounts due by each of December 31, 2021 and December 31, 2022;
- An expansion of the ability of corporate taxpayers to take advantage of net operating losses; and
- Refundable tax credits for eligible employers against their portion of Social Security taxes equal to 50% of eligible wages paid between March 13, 2020 and December 31, 2020 (up to a maximum of $10,000 per employee) if the employer's operations were fully or partially suspended by governmental authorities due to the COVID-19 crisis or the employer experienced a significant decline in gross receipts (as measured in the manner specified in the CARES Act).

The CARES Act, as subsequently amended by the Paycheck Protection Program and Health Care Enhancement Act, also authorizes the Small Business Administration (SBA) and the Treasury Department to expend up to $659 billion to support the issuance by SBA approved lenders of loans of up to $10 million to small and medium-sized businesses that meet certain size and other eligibility requirements under a new Paycheck Protection Program (PPP). Of the authorized amount, the SBA is required to reserve at least $60 billion in funding for PPP loans made by lenders with $50 billion or less in total assets. Borrowers may use the proceeds of a PPP loan only for specified purposes (such as meeting payroll) and borrowers can have the loan partially or fully forgiven (and repaid by the SBA) to the extent the borrower expends funds during the eight weeks following receipt of the loan proceeds for payroll costs or other specified expenses. Borrowers and lenders are required to provide certain certifications and documentation, and conduct certain reviews, in connection with PPP loan applications as specified in the PPP rules and associated guidance, which are subject to change upon further clarification by the SBA and Treasury. PNC Bank is participating in the PPP. However, in light of the exceptionally strong demand for PPP loans, both among customers of PNC Bank and small businesses generally, it is possible that not all eligible applicants for PPP loans will be processed and receive SBA approval before the currently available funding runs out.

The CARES Act also permits residential and multifamily mortgage borrowers with federally backed mortgages to request payment forbearance for up to six months or 30 days, respectively, under a streamlined process if the borrower is experiencing a financial hardship due to the COVID-19 national emergency. The borrower may request an extension of these forbearance periods, for up to an additional six months for residential borrowers and 60 days for multifamily borrowers. Residential mortgage borrowers with federally backed mortgages, and tenants of multifamily borrowers that receive forbearance under these provisions, also benefit from certain foreclosure and eviction protections. For these purposes, federally backed mortgages include those guaranteed by the Federal National Mortgage Association (FNMA), Federal Home Loan Mortgage Corporation (FHLMC), the Federal Housing Administration or the Veterans Administration. Under revised Federal Housing Finance Agency policies, servicers of FNMA and FHLMC-guaranteed residential mortgages, such as PNC Bank, will no longer have an obligation to advance scheduled payments on a mortgage loan that is in a mortgage-backed security once the servicer has advanced four months of missed payments on the loan. Various states and municipalities also have imposed new foreclosure and eviction limitations of varying scope and degree in response to the COVID-19 pandemic. The CARES Act also provides consumers certain temporary protections against the reporting of negative credit information to a credit reporting agency as a result of loan accommodations provided during the COVID-19 national emergency.

The CARES Act permits financial institutions to temporarily suspend the requirements under GAAP to categorize loan modifications related to the COVID-19 pandemic as a TDR, and the determination of such a loan modification as being a TDR. The federal banking agencies, along with the Consumer Financial Protection Bureau (CFPB) and the National Credit Union Administration, in April 2020, released an interagency statement that, among other things, clarifies the agencies' views on TDRs, including the interaction between agency guidance on TDRs and the CARES Act. We are following the provisions within the CARES Act and interagency statement when evaluating our COVID-19 related loan modification requests.

Federal Reserve Liquidity Facilities

To help promote the flow of credit and the orderly functioning of financial markets, the Federal Reserve has announced the establishment of a number of new lending or liquidity facilities using its emergency lending authority under section 13(3) of the Federal Reserve Act. Many of these facilities are supported by funding provided by the Treasury Department, either from the Emergency Stabilization Fund or under the CARES Act. These emergency facilities include:

- Main Street Lending Facility, which will purchase up to $600 billion of participations in eligible loans made by U.S. banking organizations to eligible small- and medium-sized U.S. businesses;
- Commercial Paper Funding Facility, which will purchase highly rated unsecured and asset-backed commercial paper issued by eligible U.S. issuers;
- Primary Market Corporate Credit Facility, which will purchase up to $750 billion (in combination with the Secondary Market Corporate Facility) in corporate bonds and loans issued by eligible, investment grade U.S. issuers;
- Secondary Market Corporate Credit Facility, which will purchase up to $750 billion (in combination with the Primary Market Corporate Facility) in investment grade corporate debt issued by eligible U.S issuers or shares of exchange traded funds that primarily invest in investment grade debt of U.S. issuers;
- Municipal Liquidity Facility, which will purchase up to $500 billion of certain types of debt obligations issued by states and eligible cities and counties;
- Term Asset-Backed Securities Loan Facility, which will purchase up to $100 billion in highly rated asset-backed securities that are backed by specified types of consumer, small business or commercial loans;
- Paycheck Protection Program Lending Facility, which will provide lenders funding secured by SBA-guaranteed loans made under the PPP described above;
- Primary Dealer Credit Facility, which will provide secured funding to broker-dealers that are registered as primary dealers with the Federal Reserve in exchange for a broad range of collateral; and
- Money Market Mutual Fund Liquidity Facility, which is intended to provide liquidity to money market mutual funds by lending to U.S. banking entities in exchange for highly-rated collateral acquired from money market mutual funds.

These facilities generally will stop making loans or asset purchases no later than September 30, 2020, unless the Federal Reserve and the Secretary of the Treasury approve an extension.

In addition, in March 2020, the Federal Reserve announced changes to its discount window lending for insured depository institutions, such as PNC Bank. These changes permit insured depository institutions to borrow from the discount window, on a fully collateralized basis, for periods of up to 90 days, with such loans being prepayable and renewable by the borrowing institution on a daily basis. These changes, which will remain in effect until the Federal Reserve announces otherwise, provide insured depository institutions additional tools for managing their liquidity profile, including for purposes of the Liquidity Coverage Ratio (for institutions, like PNC and PNC Bank, subject to that regulatory metric).

The Federal Reserve must publicly disclose the details (including the name of the borrower or counterparty) of discount window transactions and transactions conducted by facilities established by the Federal Reserve under section 13(3) of the Federal Reserve Act on a delayed basis.

Capital, Capital Planning and Liquidity
In March 2020, the Federal banking agencies adopted an interim final rule that permits banking organizations that are subject to the Accounting Standards Board Accounting Standard Update No. 2016-13 (Measurement of Credit Losses on Financial Instruments) (commonly referred to as the Current Expected Credit Loss standard or "CECL") during 2020 to delay CECL's estimated impact on CET1 capital, as defined by the rule. CECL's estimated impact on CET1 capital is the change in retained earnings at adoption plus or minus 25% of the change in CECL ACL at the balance sheet date compared to CECL ACL at transition. The estimated CECL impact is added to CET1 through December 31, 2021, then phased-out over the following three years. PNC and PNC Bank have elected the five-year transition period effective March 31, 2020 impacting regulatory capital ratios disclosed in this Report. Comments on the interim final rule are due by May 15, 2020. Separately, PNC and PNC Bank have not elected, and do not expect to elect in the future, to defer implementation of the CECL standard for financial reporting purposes, as otherwise permitted by the CARES Act.

In March 2020, the Federal Reserve issued a final rule to integrate its capital plan rule and stress testing process with its Basel III regulatory capital rules. Among other things, the rules introduce a new common equity tier 1 (CET1) stress capital buffer (SCB) that will replace the Basel III capital conservation buffer for covered bank holding companies (BHCs). The SCB is calculated based on the start-to-trough change (as projected by the Federal Reserve) in the organization's CET1 ratio in the Supervisory Severely Adverse scenario during the Comprehensive Capital Analysis and Review (CCAR) process, plus four quarters of the organization's planned common stock dividends (expressed as a percentage of risk-weighted assets), subject to a floor of 2.5%. Under the rules, once the SCB rules become effective, PNC would be subject to automatic restrictions on capital distributions and certain discretionary incentive compensation payments if its CET1 ratio fell below (i) 4.5%, plus (ii) its applicable stress capital buffer, plus (iii) any countercyclical capital buffer (which is currently set at zero in the United States). Similar SCB-based buffers apply to Tier 1 and Total Risk-Based capital. The SCB becomes effective on October 1, 2020, and the Federal Reserve has indicated that it will provide covered BHCs their preliminary and final SCB amounts by June 30 and August 31, respectively, each year. Once the SCB becomes effective, covered BHCs, such as PNC, may increase their capital distributions without seeking prior Federal Reserve approval, provided the BHC otherwise complies with its SCB and any other applicable buffer requirement. In connection with these changes, the Federal Reserve announced that covered BHCs (including PNC) would no longer be subject to a capital plan objection from the Federal Reserve during the CCAR process for quantitative reasons.

In March 2020, the Federal Reserve, OCC and FDIC also adopted an interim final rule that revises the definition of "eligible retained income" for purposes of the SCB and other Basel III capital buffers. This revision is designed to phase in the potential application of these buffers more gradually, especially in periods when banking organizations are distributing all or a substantial majority of their net income. Under the interim final rule, eligible retained income is the greater of (i) the banking organization's net income for the four preceding calendar quarters, net of any distributions and associated tax effects not already reflected in net income, and (ii) the average of the banking organization's net income over the preceding four quarters. Comments on the interim final rule are due by May 4, 2020.

In April 2020, the Federal Reserve adopted an interim final rule that permits BHCs that are subject to the supplementary leverage ratio requirement, including PNC, to exclude, through March 31, 2021, treasury securities and balances held at Federal Reserve Banks from the organization's total leverage exposure for purposes of calculating its supplementary leverage ratio. This rule became effective on April 14, 2020, and comments on the rule are due by May 29, 2020.

During March and April 2020, the Federal banking agencies released two interim final rules to encourage banking organizations to use the Money Market Mutual Fund Liquidity Facility and Paycheck Protection Program Liquidity Facility. Under the interim final rules, banking organizations may exclude from leverage and risk-based capital requirements any eligible assets sold or pledged to the Federal Reserve on a non-recourse basis as part of these programs. The banking agencies also clarified that, consistent with the CARES Act, covered loans originated by a banking organization under the PPP will receive a zero percent risk weight for regulatory capital purposes, even if not pledged to the Federal Reserve. Comments on these interim final rules are due by May 7 and May 13, 2020, respectively.

Other COVID-19 Related Financial Agency Developments
The Federal banking agencies, SEC, and Commodity Futures Trading Commission (CFTC) have issued other rules, guidance, statements, orders or other actions to, among other things, facilitate the continued provision of financial services, encourage financial institutions to work with customers affected by the pandemic, and reduce operational or regulatory challenges resulting from the pandemic and the private-sector and governmental actions designed to mitigate its effects, including directives for personnel to work from home to the fullest extent possible. These actions and statements, among others, have outlined temporary changes to supervisory and enforcement practices, clarified when appraisals or evaluations are required for real estate-secured transactions and allowed required appraisals and evaluations to be deferred in certain circumstances, encouraged banking organizations to use their capital and

liquidity buffers to continue to provide credit to customers and support the smooth functioning of markets, and encouraged financial institutions to make available small-dollar loans to consumers and small businesses affected by COVID-19.

In March 2020, the CFTC extended the schedule for registered swap dealers to post and collect initial margin with certain swap dealer counterparties, including PNC Bank, that have small uncleared swap portfolios. Under the extension, swap dealers will not have to collect initial margin on trades with PNC Bank until September 1, 2021, an extension of one year from the prior schedule.

Also in March 2020, the Federal Reserve delayed, until September 30, 2020, the effective date of its new framework for determining when a company is presumed to "control" another company for purposes of the Bank Holding Company Act. The FDIC extended, until June 9, 2020, the public comment period on its proposed rules which define when a deposit is considered "brokered" for purposes of the Federal Deposit Insurance Act. PNC Bank also received approval from the OCC, with the concurrence of the Federal Reserve, permitting it, for a limited period of time and subject to certain conditions, to purchase municipal variable-rate demand notes (VRDNs) from PNC Capital Markets LLC, a nonbank affiliate, in order to promote liquidity in the market for VRDNs without such transactions counting towards the quantitative limits on affiliate transactions in section 23A of the Federal Reserve Act and the Federal Reserve's Regulation W. As of March 31, 2020, PNC Bank had not acquired any VRDNs from PNC Capital Markets LLC in reliance on this approval.

Finally, in March 2020, the OCC requested public comment on proposed amendments to its licensing policies and procedures that govern when and how national banks, such as PNC Bank, may engage in a host of corporate transactions or activities such as business combinations, branching, operating subsidiaries, and dividend payments. The proposed rules would, among other things, permit national banks to elect to follow state procedures for certain business combinations, expand the scope of operating subsidiary activities that qualify for an after-the-fact notice procedure (rather than an application), modify the standards for when a national bank is considered "well managed" for certain procedures and requirements, and relax the restrictions applicable to permissible non-controlling investments. Comments on the proposed rules are due by May 4, 2020.

Critical Accounting Estimates and Judgments

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

Certain policies require us to make estimates or economic assumptions that may vary under different assumptions or conditions and such variations may significantly affect our reported results and financial position for the period or in future periods.

The following critical accounting policies and judgments are described in more detail in Critical Accounting Estimates and Judgments in Item 7 of our2019 Form 10-K:
- Fair Value Measurements
- Residential and Commercial Mortgage Servicing Rights

Allowance for Credit Losses

We maintain the ACL at levels that we believe to be appropriate as of the balance sheet date to absorb expected credit losses on our existing investment securities, loans, finance leases (including residual values), trade receivables and other financial assets and unfunded lending related commitments, for the remaining contractual term of the assets taking into consideration expected prepayments. Our determination of the ACL is based on historical loss experience, borrower characteristics, current economic conditions, reasonable and supportable forecasts of future conditions and other relevant factors. We use methods sensitive to changes in economic conditions, to interpret these factors to estimate expected credit losses. We evaluate and, when appropriate, enhance the quality of our data and models and other methods used to estimate ACL on an ongoing basis. We apply qualitative factors to reflect in the ACL our best estimate of amounts that we do not expect to collect because of, among other things, idiosyncratic risk factors, changes in economic conditions that may not be reflected in forecasted results, or other potential methodology weaknesses. The ACL estimates are therefore susceptible to various factors, including, but not limited to, the following major factors:
- Current economic conditions and borrower quality: Our forecast of expected losses depends on conditions and portfolio quality as of the estimation date. As current conditions evolve, forecasted losses could be materially affected.
- Scenario weights and design: Our loss estimates are sensitive to the shape and severity of macroeconomic forecasts and thus vary significantly between upside and downside scenarios. Change to probability weights assigned to these scenarios and timing of peak business cycles reflected by the scenarios could materially affect our loss estimates.
- Portfolio volume and mix: Changes to portfolio volume and mix could materially affect our estimates, as CECL reserves would be recognized at 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 the components are discussed in Note1 Accounting Policies in the Notes To Consolidated Financial Statements of this Report.

Reasonable and Supportable Economic Forecast

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

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

The scenarios used for the period ended March 31, 2020 were designed to address the emerging COVID-19 crisis, based on our best estimate as of March 31, 2020. We used a number of economic variables, a large driver being GDP. Using a weighted average of our four economic forecast scenarios, we estimated at March 31, 2020 that annualized GDP contracts 11.2% in the second quarter of 2020 and ends 2020 down 2.3%, with recovery to the pre-recession peak levels occurring by the fourth quarter of 2021. Since March 31, 2020, the macro-economic backdrop has worsened, suggesting additional deterioration in GDP, unemployment and other economic factors than what our forecasted scenarios contemplated. Should this macro-economic environment persist, we will adjust our scenarios accordingly, which would likely result in a material build to our allowance for credit losses during the second quarter of 2020.

Our RSFP credit loss estimates are sensitive to the shape and severity of the scenarios used and weights assigned to them. For example, as of March 31, 2020, our most severe forecasted scenario assumed a 30% annualized contraction in GDP in the second quarter of 2020 followed by another 20% annualized contraction in GDP in the third quarter of 2020, leading to a peak-to-trough decline of 14%. For our stress informational purposes, we considered our most severe forecast scenario in isolation to determine a hypothetical impact. A 100% weighting of this severe forecast scenario at March 31, 2020 would have resulted in full year 2020 provision for credit losses of approximately $9.4 billion. This scenario was not our expectation at March 31, 2020 and does not reflect our current expectation, nor does it capture all the potential unknown variables that would likely arise over 2020, but it provides an approximation of losses under our worst case scenario as of March 31, 2020. The CECL methodology inherently requires a high degree of judgment. As a result, it is possible that we may, at another point in time, reach different conclusions regarding our credit loss estimates.

See the following for additional details on the components of our ACL, as well as the methodologies and related assumptions:

- Allowance For Credit Losses in the Credit Risk Management section of this Financial Review, and
- Note 1 Accounting Policies, Note 2 Investment Securities and Note 3 Loans in the Notes To Consolidated Financial Statements included in this Report.

Off-Balance Sheet Arrangements And Variable Interest Entities

We engage in a variety of activities that involve entities that are not consolidated or otherwise reflected in our Consolidated Balance Sheet that are generally referred to as off-balance sheet arrangements. Additional information on these types of activities is included in our 2019 Form 10-K and in Note4 Loan Sale and Servicing Activities and Variable Interest Entities and Note 8 Commitments in the Notes To Consolidated Financial Statements included in this Report.

A summary and further description of variable interest entities (VIEs) is included in Note 1 Accounting Policies and Note 2Loan Sale and Servicing Activities and Variable Interest Entities in our 2019 Form 10-K.

Trust Preferred Securities

See Note 10 Borrowed Funds in the Notes To Consolidated Financial Statements in our2019 Form 10-K for additional information on trust preferred securities issued by PNC Capital Trust C including information on contractual limitations potentially imposed on payments (including dividends) with respect to PNC's equity securities.

Internal Controls And Disclosure Controls And Procedures

As of March 31, 2020, we performed an evaluation under the supervision of and with the participation of our management, including the Chairman, President and Chief Executive Officer and the Executive Vice President and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures and of changes in our internal control over financial reporting.

Based on that evaluation, our Chairman, President and Chief Executive Officer and our Executive Vice President and Chief Financial Officer concluded that our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934) were effective as of March 31, 2020, and that there has been no change in PNC's internal control over financial reporting that occurred during the first quarter of 2020 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Glossary of Terms

For a glossary of terms commonly used in our filings, please see the glossary of terms included in our 2019 Form 10-K. Below are terms that have been added or updated based upon our adoption of CECL and the 2019 Tailoring Rules on January 1, 2020.

Allowance for credit losses (ACL) – A valuation account that is deducted from or added to the amortized cost basis of the related financial assets to present the net carrying value at the amount expected to be collected on the financial asset.

Amortized cost basis – Amount at which a financial asset is originated or acquired, adjusted for applicable accretion or amortization of premiums, discounts and net deferred fees or costs, collection of cash, charge-offs, foreign exchange and fair value hedge accounting adjustments.

Basel III common equity Tier 1 capital (Tailoring Rules) - Common stock plus related surplus, net of treasury stock, plus retained earnings, less goodwill, net of associated deferred tax liabilities, less other disallowed intangibles, net of deferred tax liabilities and plus/less other adjustments. Investments in unconsolidated financial institutions, as well as mortgage servicing rights and deferred tax assets, must then be deducted to the extent such items individually exceed 25% of our adjusted Basel III common equity Tier 1 capital.

Collateral dependent loans – Loans expected to be repaid substantially through the operation or sale of the collateral when a borrower is experiencing financial difficulty, and for which the related ACL is determined by the loan collateral's fair value (less cost to sell, where appropriate).

Current Expected Credit Loss (CECL) – Methodology for estimating the allowance for credit losses on in-scope financial assets held at amortized cost and unfunded lending related commitments, which uses a combination of expected losses over a reasonable and supportable forecast period, a reversion period and long run average credit losses for their estimated contractual term.

Estimated contractual term - In the context of CECL, contractual term of the financial asset or credit exposure, adjusted for estimated draws and prepayments, certain embedded extension options and extensions granted under troubled debt restructurings.

Exposure at default (EAD) – The credit exposure estimated to be outstanding in the event of default of a credit obligor.

Long run average (LRA) – In the context of CECL, expected credit losses or credit risk parameters for the remaining estimated contractual maturity beyond the reasonable and supportable forecast and reversion periods. The long run average is generally derived from historical loss information and current portfolio characteristics, without considering current or forecasted conditions.

Loss given default (LGD) - Assuming a credit obligor enters default status, an estimate of loss, based on collateral type, collateral value, loan exposure and other factors. LGD is net of recovery, through any means, including but not limited to the liquidation of collateral or deficiency judgments rendered from foreclosure or bankruptcy proceedings.

Probability of default (PD) - An estimate of the likelihood that a credit obligor will enter default status.

Purchased credit deteriorated assets – Acquired loans or debt securities that, at acquisition, are determined to have experienced a more-than-insignificant deterioration in credit quality since origination or issuance.

Reasonable and supportable forecast period (RSFP) – In the context of CECL, the period for which forecasts and projections of macroeconomic variables have been determined to be reasonable and supportable, and are used as inputs for ACL measurement.

Reversion period – In the context of CECL, the period between the end of the reasonable and supportable forecast period and the point at which losses are expected to have reverted to their long run average, in order to reflect an overall reasonable estimate of expected credit losses.

Unfunded lending related commitments – Standby letters of credit, financial guarantees, commitments to extend credit and similar unfunded obligations that are not unilaterally, unconditionally, cancelable at PNC's option.

Cautionary Statement Regarding Forward-Looking Information

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

Forward-looking statements are necessarily subject to numerous assumptions, risks and uncertainties, which change over time. Future events or circumstances may change our outlook and may also affect the nature of the assumptions, risks and uncertainties to which our forward-looking statements are subject. Forward-looking statements speak only as of the date made. We do not assume any duty and do not undertake to update forward-looking statements. Actual results or future events could differ, possibly materially, from those anticipated in forward-looking statements, as well as from historical performance. As a result, we caution against placing undue reliance on any forward-looking statements.

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

- Our businesses, financial results and balance sheet values are affected by business and economic conditions, including the following:
  - Changes in interest rates and valuations in debt, equity and other financial markets.
  - Disruptions in the U.S. and global financial markets.
  - Actions by the Federal Reserve Board, U.S. Treasury and other government agencies, including those that impact money supply and market interest rates.
  - Changes in customer behavior due to changing business and economic conditions or legislative or regulatory initiatives.
  - Changes in customers', suppliers' and other counterparties' performance and creditworthiness.
  - Impacts of tariffs and other trade policies of the U.S. and its global trading partners.
  - The length and extent of economic contraction as a result of the coronavirus (COVID-19) pandemic.
  - Commodity price volatility.
- Our forward-looking financial statements are subject to the risk that economic and financial market conditions will be substantially different than those we are currently expecting and do not take into account potential legal and regulatory contingencies. These statements are based on our view that:
  - Our baseline economic forecast is for a severe but short recession in the first half of 2020. Restrictions on movement because of the COVID-19 pandemic have led to a huge drop in consumer spending and a steep drop in output as many workers are unable to get to their jobs. We expect a significant contraction in U.S. real GDP and steep job losses over the next few months and a large increase in the unemployment rate in through mid-2020.
  - In the baseline forecast, economic growth resumes in the third quarter as consumers start to spend again. Fiscal stimulus and extremely low interest rates support the recovery. Real GDP surpasses its pre-recession peak in the second half of 2021, and growth is well above its long-term trend through 2022.
  - The baseline forecast assumes that the Federal Open Market Committee keeps the federal funds rate in its current range of 0.00% to 0.25% into 2023.
- Given the many unknowns and risks being heavily weighted to the downside, our forward-looking statements are subject to the risk that conditions will be substantially different than we are currently expecting. If efforts to contain COVID-19 are unsuccessful and restrictions on movement last into the third quarter or beyond, the recession would be much longer and much more severe. Ineffective fiscal stimulus, or an extended delay in implementing it, are also major downside risks. The deeper the recession is, and the longer it lasts, the more it will damage consumer fundamentals and sentiment. This could both prolong the recession, and/or make any recovery weaker. Similarly, the recession could damage business fundamentals. And an extended global recession due to COVID-19 would weaken the U.S. recovery. As a result, the outbreak and its consequences, including responsive measures to manage it, have had and are likely to continue to have an adverse effect, possibly materially, on our business and financial performance by adversely affecting, possibly materially, the demand and profitability of our products and services, the valuation of assets and our ability to meet the needs of our customers.
- PNC's ability to take certain capital actions, including returning capital to shareholders, is subject to review by the Federal Reserve Board as part of PNC's comprehensive capital plan for the applicable period in connection with the Federal Reserve