

FINANCIAL REVIEW

THE PNC FINANCIAL SERVICES GROUP, INC.

This Financial Review, including the Consolidated Financial Highlights, should be read together with our unaudited Consolidated Financial Statements and unaudited Statistical Information included elsewhere in this Quarterly Report on Form 10-Q (the Report or Form 10-Q) and with Items 6, 7, 8 and 9A of our 2021 Annual Report on Form 10-K (2021 Form 10-K). We have reclassified certain prior period amounts to conform with the current period presentation, which we believe is more meaningful to readers of our consolidated financial statements. For information regarding certain business, regulatory and legal risks, see the following: the Risk Management section of this Financial Review and of Item 7 in our 2021 Form 10-K; Item 1A Risk Factors included in our 2021 Form 10-K; and the Commitments and Legal Proceedings Notes of the Notes To Consolidated Financial Statements included in Item 1 of this Report and Item 8 of our 2021 Form 10-K. Also, see the Cautionary Statement Regarding Forward-Looking Information section in this Financial Review and the Critical Accounting Estimates and Judgments section in this Financial Review and in our 2021 Form 10-K for certain other factors that could cause actual results or future events to differ, perhaps materially, from historical performance and from those anticipated in the forward-looking statements included in this Report. See Note 14 Segment Reporting in the Notes To Consolidated Financial Statements included in this Report for a reconciliation of total business segment earnings to total PNC consolidated net income as reported on a GAAP basis. In this Report, “PNC”, “we” or “us” refers to The PNC Financial Services Group, Inc. and its subsidiaries on a consolidated basis (except when referring to PNC as a public company, its common stock or other securities issued by PNC, which just refer to The PNC Financial Services Group, Inc.). References to The PNC Financial Services Group, Inc. or to any of its subsidiaries are specifically made where applicable.

See page 92 for a glossary of certain terms and acronyms used in this Report.

Table 1: Consolidated Financial Highlights

	Three months ended		
	March 31 2022	December 31 2021	March 31 2021
Dollars in millions, except per share data			
Unaudited			
Financial Results (a)			
Net interest income	\$ 2,804	\$ 2,862	\$ 2,348
Noninterest income	1,888	2,265	1,872
Total revenue	4,692	5,127	4,220
Provision for (recapture of) credit losses	(208)	(327)	(551)
Noninterest expense	3,172	3,791	2,574
Income before income taxes and noncontrolling interests	\$ 1,728	\$ 1,663	\$ 2,197
Income taxes	299	357	371
Net income	\$ 1,429	\$ 1,306	\$ 1,826
Net income attributable to common shareholders	\$ 1,361	\$ 1,220	\$ 1,758
Per Common Share			
Basic	\$ 3.23	\$ 2.87	\$ 4.11
Diluted	\$ 3.23	\$ 2.86	\$ 4.10
Book value per common share	\$ 106.47	\$ 120.61	\$ 118.47
Performance Ratios			
Net interest margin (b)	2.28 %	2.27 %	2.27 %
Noninterest income to total revenue	40 %	44 %	44 %
Efficiency	68 %	74 %	61 %
Return on:			
Average common shareholders' equity	11.64 %	9.61 %	14.31 %
Average assets	1.05 %	0.93 %	1.58 %

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

(b) See explanation and reconciliation of this non-GAAP measure in Average Consolidated Balance Sheet and Net Interest Analysis and Reconciliation of Taxable-Equivalent Net Interest Income (Non-GAAP) in the Statistical Information (Unaudited) section in Item 1 of this Report.

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

Dollars in millions, except as noted Unaudited	March 31 2022		December 31 2021		March 31 2021
Balance Sheet Data					
Assets	\$	541,246	\$	557,191	\$ 474,414
Loans	\$	294,457	\$	288,372	\$ 237,013
Allowance for loan and lease losses					
	\$	4,558	\$	4,868	\$ 4,714
Interest-earning deposits with banks	\$	48,776	\$	74,250	\$ 86,161
Investment securities	\$	132,411	\$	132,962	\$ 98,255
Total deposits	\$	450,197	\$	457,278	\$ 375,067
Borrowed funds	\$	26,571	\$	30,784	\$ 33,030
Total shareholders' equity	\$	49,181	\$	55,695	\$ 53,849
Common shareholders' equity	\$	44,170	\$	50,685	\$ 50,331
Other Selected Ratios					
Common equity Tier 1		9.9 %		10.3 %	12.6 %
Loans to deposits		65 %		63 %	63 %
Common shareholders' equity to total assets		8.2 %		9.1 %	10.6 %

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

EXECUTIVE SUMMARY

Headquartered in Pittsburgh, Pennsylvania, we are one of the largest diversified financial institutions in the U.S. We have businesses engaged in retail banking, including residential mortgage, corporate and institutional banking and asset management, providing many of our products and services nationally. Our retail branch network is located coast-to-coast. We also have strategic international offices in four countries outside the U.S.

Key Strategic Goals

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

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

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

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

Our capital and liquidity priorities are to support customers, fund business investments and return excess capital to shareholders, while maintaining appropriate capital in light of economic conditions, the Basel III framework and other regulatory expectations. For more detail, see the Capital Highlights portion of this Executive Summary, the Liquidity and Capital Management portion of the Risk Management section of this Financial Review and the Supervision and Regulation section in Item 1 Business of our 2021 Form 10-K.

Presentation of Noninterest Income

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

Discussion of Results of Operations

In accordance with the SEC's current rules, PNC has elected to include a linked quarter comparison in the discussion of our consolidated results of operations, beginning in the first quarter of 2022. The new presentation, which will provide meaningful analysis to assess quarterly performance, is reflected in the Consolidated Financial Highlights, Executive Summary and Consolidated Income Statement Review sections of this Financial Review.

Acquisition of BBVA USA Bancshares, Inc.

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

On October 8, 2021, BBVA USA merged into PNC Bank. On October 12, 2021, PNC converted approximately 2.6 million customers, 9,000 employees and over 600 branches across seven states. Our results for the three months ended March 31, 2022 and December 31, 2021 reflect the benefit of BBVA's acquired business operations. PNC's balance sheets at March 31, 2022 and December 31, 2021 include BBVA's balances.

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

Income Statement Highlights

Net income of \$1.4 billion, or \$3.23 per diluted common share for the first quarter of 2022 increased \$123 million, or 9%, compared to \$1.3 billion, or \$2.86 per diluted common share for the fourth quarter of 2021, driven by lower integration costs and well-controlled expenses.

- For the three months ended March 31, 2022 compared to the three months ended December 31, 2021:
 - Total revenue decreased \$435 million, or 8%, to \$4.7 billion.
 - Net interest income of \$2.8 billion decreased \$58 million, or 2%, as increased securities balances, loans outstanding and securities yields were more than offset by a decline in PPP loan interest income and two fewer days in the quarter.
 - Net interest margin increased 1 basis point to 2.28%.
 - Noninterest income decreased \$377 million, or 17%, to \$1.9 billion, primarily due to declines in capital markets related fees, private equity revenue and commercial mortgage banking activities.
 - Provision recapture was \$208 million for the first quarter of 2022, primarily driven by the impacts from improved COVID-19 related economic conditions. Provision recapture was \$327 million for the fourth quarter of 2021.
 - Noninterest expense decreased \$619 million, or 16%, to \$3.2 billion, primarily driven by lower integration expenses, personnel costs and seasonally lower business activity.

Net income decreased \$397 million, or 22%, compared to \$1.8 billion, or \$4.10 per diluted common share for the first quarter of 2021, primarily as a result of higher expenses and a lower provision recapture, partially offset by higher net interest income.

- For the three months ended March 31, 2022 compared to the same period in 2021:
 - Total revenue increased \$472 million, or 11%, reflecting the addition of BBVA.
 - Net interest income increased \$456 million, or 19%, as a result of higher interest-earning assets, partially offset by lower securities and loan yields.
 - Net interest margin increased 1 basis point.
 - Noninterest income increased \$16 million, primarily due to the addition of BBVA customers, higher treasury management product revenue and increased asset management and brokerage fees, partially offset by a decline in advisory and underwriting fees and lower private equity revenue.
 - Noninterest expense increased \$598 million, or 23%, primarily driven by the addition of BBVA operating expenses.

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, 2022 and December 31, 2021. In comparison to December 31, 2021:

- Total assets decreased \$15.9 billion, or 3%, to \$541.2 billion.
- Total loans increased \$6.1 billion, or 2%, to \$294.5 billion.
 - Total commercial loans increased \$5.2 billion, or 3%, to \$198.3 billion, driven by increased utilization of loan commitments and new production, partially offset by PPP loan forgiveness.
 - PPP loans outstanding were \$1.8 billion and \$3.4 billion at March 31, 2022 and December 31, 2021, respectively.
 - Total consumer loans increased \$0.9 billion to \$96.2 billion, resulting from increased originations of residential mortgages and home equity loans, partially offset by declines in the remaining portfolios as paydowns outpaced new originations.
- Investment securities decreased \$0.6 billion to \$132.4 billion, as net purchases during the quarter were more than offset by net unrealized losses on available for sale securities, reflecting the impact of higher interest rates.
- Interest-earning deposits with banks, primarily with the Federal Reserve Bank, decreased \$25.5 billion, or 34%, to \$48.8 billion, due to securities purchases, lower deposits and borrowed funds and higher loans outstanding.
- Total deposits decreased \$7.1 billion, to \$450.2 billion as a result of lower commercial deposits, primarily due to seasonal declines, partially offset by consumer deposit growth.
- Borrowed funds decreased \$4.2 billion, or 14%, to \$26.6 billion, primarily due to lower bank notes and senior debt.

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

Credit Quality Highlights

Overall credit quality metrics strengthened during the first quarter of 2022.

- At March 31, 2022 compared to December 31, 2021:
 - Nonperforming assets of \$2.3 billion decreased \$182 million, or 7%, driven by lower commercial nonperforming loans.
 - Overall loan delinquencies of \$1.7 billion decreased \$286 million, or 14%, driven by lower consumer and commercial delinquencies, which reflect progress in resolving BBVA conversion-related administrative and operational delays.
 - The ACL related to loans, which consists of the ALLL and the allowance for unfunded lending related commitments, decreased to \$5.2 billion, or 1.76% of total loans, at March 31, 2022, compared to \$5.5 billion, or 1.92% of total loans at December 31, 2021. The decrease was primarily driven by the impacts from improved COVID-19 related economic conditions.
- Net charge-offs of \$137 million, or 0.19% of average loans in the first quarter of 2022 increased \$13 million, or 10%, compared to \$124 million, or 0.17% of average loans, for the fourth quarter of 2021.

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

Capital Highlights

We maintained our strong capital position.

- Common shareholders' equity of \$44.2 billion at March 31, 2022, decreased \$6.5 billion, or 13%, compared to December 31, 2021 as net income was more than offset by a decrease in AOCI, primarily reflecting the impact of higher rates on net unrealized securities losses, as well as share repurchases and dividends paid in the first quarter.
- In the first quarter, we returned \$1.7 billion of capital to shareholders through common share repurchases of \$1.2 billion, representing 6.4 million shares, and dividends on common shares of \$0.5 billion.
 - The SCB framework allows for capital returns in amounts up to the level of capital in excess of the SCB minimum. Consistent with the flexibility provided under the SCB framework, our Board of Directors has recently authorized a new share repurchase structure, under the already approved authorization for repurchases of up to 100 million common shares, of which approximately 64% were still available at March 31, 2022. This structure allows for the continuation of our recent quarterly average share repurchase levels as well as the flexibility to increase those levels should conditions warrant.
- On April 1, 2022, the PNC Board of Directors raised the quarterly cash dividend on common stock to \$1.50 per share, an increase of \$0.25 per share, or 20%, effective with the May 5, 2022 dividend payment.
- Our CET1 ratio decreased to 9.9% at March 31, 2022 from 10.3% at December 31, 2021.
 - Capital was impacted by our election to delay the estimated impact of CECL on CET1 capital through December 31, 2021, followed by a three-year transition period. CECL's estimated impact on CET1 capital is defined as the change in retained earnings at adoption plus or minus 25% of the change in CECL ACL at the balance sheet date, excluding the initial allowance for PCD loans from BBVA, compared to CECL ACL at adoption. Effective for the first quarter

of 2022, PNC is now in the three-year transition period, and the full impact of the CECL standard is being phased-in to regulatory capital over the next three years.

See the Liquidity and Capital Management portion of the Risk Management section of this Financial Review for more detail on our 2022 liquidity and capital actions as well as our capital ratios.

PNC's ability to take certain capital actions, including returning capital to shareholders, is subject to PNC meeting or exceeding an SCB established by the Federal Reserve Board in connection with the Federal Reserve Board's CCAR process. For additional information, see Capital Management in the Risk Management section in this Financial Review and the Supervision and Regulation section in Item 1 Business and Item 1A Risk Factors of our 2021 Form 10-K.

Business Outlook

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

- The U.S. economy continues to recover from the pandemic-caused recession in the first half of 2020. Growth is likely to remain above the economy's long-run average throughout this year. Consumer spending growth will remain solid in 2022 due to good underlying fundamentals.
- Supply chain difficulties will gradually ease over the course of 2022. Labor shortages will remain a constraint this year, although strong wage growth will support consumer spending.
- Inflation accelerated in the second half of 2021 to its fastest pace in decades due to strong demand but limited supplies coming out of the pandemic for some goods and services. Higher energy prices are adding to inflationary pressures in the first half of 2022. Inflation will slow in the second half of 2022 as pandemic-related supply and demand imbalances recede and energy prices stabilize. However, inflation will also broaden throughout the economy due to wage growth. The annual inflation rate will end 2022 above the Federal Reserve's long-run objective of 2%.
- PNC expects the FOMC to raise the fed funds rate by 0.50% in May, 0.25% in June, 0.50% in July, 0.25% in September and 0.25% in December to reach a range of 2.00% to 2.25% by the end of the year. The FOMC will then further increase the fed funds rate in 2023. Also, the Federal Reserve will start to reduce its balance sheet in the next few months.
- Uncertainty about the outlook has increased with the Russian invasion of Ukraine. It has created additional risk to higher inflation this year, which could lead the FOMC to tighten more aggressively than currently anticipated. In addition, risks to growth and the likelihood of a recession in late 2022 or 2023 have increased.

For the second quarter of 2022, compared to the first quarter of 2022, we expect:

- Average loans to be up 2% to 3%,
- Net interest income to be up 10% to 12%,
- Noninterest income, excluding net securities gains and Visa activity, to be up 6% to 8%,
- Revenue to be up 9% to 11%,
- Noninterest expense to be up 3% to 5%, and
- Net loan charge-offs to be between \$125 million and \$175 million.

For the full year 2022, compared to full year 2021, we expect:

- Average loans to be up approximately 10%,
- Period-end loans to be up approximately 5%,
- Revenue to be up 9% to 11%,
- Noninterest expense, excluding integration expense, to be up 4% to 6%, and
- The effective tax rate to be 19%.

See the Cautionary Statement Regarding Forward-Looking Information section in this Financial Review and Item 1A Risk Factors in our 2021 Form 10-K for other factors that could cause future events to differ, perhaps materially, from those anticipated in these forward-looking statements.

CONSOLIDATED INCOME STATEMENT REVIEW

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

Net income of \$1.4 billion, or \$3.23 per diluted common share for the first quarter of 2022 increased \$123 million, or 9%, compared to \$1.3 billion, or \$2.86 per diluted common share for the fourth quarter of 2021, driven by lower integration costs and well-controlled

expenses. Net income decreased \$397 million, or 22%, compared to \$1.8 billion, or \$4.10 per diluted common share, for the first quarter of 2021, primarily as a result of higher expenses and a lower provision recapture, partially offset by higher net interest income.

Net Interest Income

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

Three months ended Dollars in millions	March 31, 2022			December 31, 2021			March 31, 2021		
	Average Balances	Average Yields/ Rates	Interest Income/ Expense	Average Balances	Average Yields/ Rates	Interest Income/ Expense	Average Balances	Average Yields/ Rates	Interest Income/ Expense
Assets									
Interest-earning assets									
Investment securities	\$ 133,897	1.64 %	\$ 548	\$ 127,849	1.52 %	\$ 489	\$ 86,396	1.97 %	\$ 426
Loans	290,701	3.19 %	2,311	288,910	3.32 %	2,431	238,135	3.38 %	2,006
Interest-earning deposits with banks	62,540	0.19 %	29	75,377	0.15 %	29	85,410	0.10 %	21
Other	9,417	2.07 %	48	9,113	2.14 %	48	7,829	2.34 %	45
Total interest-earning assets/interest income	\$ 496,555	2.37 %	2,936	\$ 501,249	2.36 %	2,997	\$ 417,770	2.40 %	2,498
Liabilities									
Interest-bearing liabilities									
Interest-bearing deposits	\$ 299,543	0.04 %	27	\$ 296,232	0.04 %	27	\$ 252,077	0.06 %	40
Borrowed funds	30,312	1.10 %	83	34,347	0.98 %	86	35,196	1.09 %	95
Total interest-bearing liabilities/interest expense	\$ 329,855	0.13 %	110	\$ 330,579	0.13 %	113	\$ 287,273	0.19 %	135
Net interest margin/income (Non-GAAP)		2.28 %	2,826		2.27 %	2,884		2.27 %	2,363
Taxable-equivalent adjustments			(22)			(22)			(15)
Net interest income (GAAP)			\$ 2,804			\$ 2,862			\$ 2,348

(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 decreased \$58 million, or 2%, for the first quarter of 2022 compared to the fourth quarter of 2021, as increased securities balances, loans outstanding and securities yields were more than offset by a decline in PPP loan interest income and two fewer days in the quarter. Net interest income increased \$456 million, or 19%, for the first quarter of 2022 compared to the same period in 2021, as a result of higher interest-earning assets, partially offset by lower securities and loan yields. Net interest margin increased 1 basis point in both comparisons.

Average investment securities of \$133.9 billion for the first quarter of 2022 increased \$6.0 billion, or 5%, and \$47.5 billion, or 55%, compared to the fourth and first quarters of 2021, respectively. The increase in both comparisons reflected securities purchases, primarily of U.S. Treasury and government agency securities. Compared to the first quarter of 2021, the increase was also attributable to the addition of BBVA. Average investment securities represented 27% of average interest-earning assets for the first quarter of 2022, 26% for the fourth quarter of 2021 and 21% for the first quarter of 2021.

Average loans of \$290.7 billion for the first quarter of 2022 increased \$1.8 billion compared to the fourth quarter of 2021, due to growth in commercial loans, driven by increased utilization of loan commitments and new production, primarily within PNC's corporate banking and business credit businesses, partially offset by continued PPP loan forgiveness. In comparison to the first quarter of 2021, average loans increased \$52.6 billion, or 22%, reflecting the BBVA acquisition and commercial loan growth, partially offset by PPP loan forgiveness. Average loans represented 59% of average interest-earning assets for the first quarter of 2022, 58% for the fourth quarter of 2021 and 57% for the first quarter of 2021.

Average interest-earning deposits with banks of \$62.5 billion for the first quarter of 2022, decreased \$12.8 billion, or 17%, and \$22.9 billion, or 27%, compared to the fourth and first quarters of 2021, respectively. The decrease in both comparisons reflected the impact of securities purchases, lower borrowed funds and higher loans outstanding. In comparison to the first quarter of 2021, the decrease was partially offset by higher customer deposits.

Average interest-bearing deposits of \$299.5 billion for the first quarter of 2022 increased \$3.3 billion, or 1%, and \$47.5 billion, or 19%, compared to the fourth and first quarters of 2021, respectively. Compared to the fourth quarter of 2021, the increase was driven by growth in consumer deposits, partially offset by commercial deposit outflows. The increase in the first quarter 2021 comparison was primarily attributable to the BBVA acquisition. In total, average interest-bearing deposits represented 91% of average interest-bearing liabilities for the first quarter of 2022, 90% for the fourth quarter of 2021 and 88% for the first quarter of 2021.

Average borrowed funds of \$30.3 billion for the first quarter of 2022 decreased \$4.0 billion, or 12%, and \$4.9 billion, or 14%, compared to the fourth and first quarters of 2021, respectively, reflecting lower bank notes and senior debt.

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

Noninterest Income

Table 3: Noninterest Income

Dollars in millions	Three months ended				Three months ended			
	March 31	December 31	Change		March 31	March 31	Change	
	2022	2021	\$	%	2022	2021	\$	%
Noninterest income								
Asset management and brokerage	\$ 377	\$ 385	\$ (8)	(2)%	\$ 377	\$ 328	\$ 49	15 %
Capital markets related	252	460	(208)	(45)%	252	311	(59)	(19)%
Card and cash management	620	646	(26)	(4)%	620	492	128	26 %
Lending and deposit services	269	273	(4)	(1)%	269	254	15	6 %
Residential and commercial mortgage	159	209	(50)	(24)%	159	187	(28)	(15)%
Other	211	292	(81)	(28)%	211	300	(89)	(30)%
Total noninterest income	\$ 1,888	\$ 2,265	\$ (377)	(17)%	\$ 1,888	\$ 1,872	\$ 16	1 %

Noninterest income as a percentage of total revenue was 40% for the first quarter of 2022 and 44% for the fourth and first quarters of 2021.

Asset management and brokerage fees decreased compared to the fourth quarter of 2021, primarily as a result of lower average equity markets. The increase compared to the first quarter of 2021 was due to higher average equity markets and the benefit of BBVA. PNC's discretionary client assets under management of \$182 billion at March 31, 2022 decreased from \$192 billion at December 31, 2021, largely driven by lower spot equity markets. Compared to March 31, 2021, PNC's discretionary client assets under management increased \$9 billion, primarily due to the addition of BBVA and higher spot equity markets.

Capital markets related revenue decreased compared to the fourth quarter of 2021, primarily due to lower merger and acquisition advisory fees. The decrease in the first quarter of 2021 comparison was attributable to lower credit valuation on customer-related derivatives activities, a decline in advisory business activity and lower underwriting fees.

Card and cash management revenue decreased compared to the fourth quarter of 2021, primarily due to seasonally lower transaction volumes and activity and increased compared to the first quarter of 2021, due to the addition of BBVA customers and higher treasury management product revenue.

Lending and deposit services decreased compared to the fourth quarter of 2021 as a result of lower loan commitment fees due to higher utilization rates and increased compared to the first quarter of 2021 due to the benefit of BBVA.

Residential and commercial mortgage decreased in both comparisons reflecting lower revenue from commercial mortgage banking activities.

Other noninterest income decreased in both comparisons, primarily due to lower private equity revenue. Additionally, the first quarter of 2022 included a net securities loss of \$4 million compared to a net securities gain of \$25 million in the first quarter of 2021.

Noninterest Expense

Table 4: Noninterest Expense

Dollars in millions	Three months ended				Three months ended			
	March 31	December 31	Change		March 31	March 31	Change	
	2022	2021	\$	%	2022	2021	\$	%
Noninterest expense								
Personnel	\$ 1,717	\$ 2,038	\$ (321)	(16)%	\$ 1,717	\$ 1,477	\$ 240	16 %
Occupancy	258	260	(2)	(1)%	258	215	43	20 %
Equipment	331	437	(106)	(24)%	331	293	38	13 %
Marketing	61	97	(36)	(37)%	61	45	16	36 %
Other	805	959	(154)	(16)%	805	544	261	48 %
Total noninterest expense	\$ 3,172	\$ 3,791	\$ (619)	(16)%	\$ 3,172	\$ 2,574	\$ 598	23 %

Noninterest expense decreased compared to the fourth quarter of 2021, driven by lower integration expenses, personnel costs and seasonally lower business activity in the first quarter of 2022. The increase compared to the same period of 2021 was largely driven by the addition of BBVA operating expenses.

Effective Income Tax Rate

The effective income tax rate was 17.3% in the first quarter of 2022, compared to 21.5% and 16.9% in the fourth and first quarters of 2021, respectively. The decrease compared to the fourth quarter of 2021 was primarily driven by higher tax benefits associated with increased credits and equity-based compensation adjustments in the first quarter of 2022.

Provision For (Recapture of) Credit Losses

Table 5: Provision for (Recapture of) Credit Losses

Dollars in millions	Three months ended			Three months ended		
	March 31	December	Change	March 31	March 31	Change
	2022	2021	\$	2022	2021	\$
Provision for (recapture of) credit losses						
Loans and leases	\$ (172)	\$ (362)	\$ 190	\$ (172)	\$ (502)	\$ 330
Unfunded lending related commitments	(23)	16	(39)	(23)	(77)	54
Investment securities	1		1	1	26	(25)
Other financial assets	(14)	19	(33)	(14)	2	(16)
Total provision for (recapture of) credit losses	\$ (208)	\$ (327)	\$ 119	\$ (208)	\$ (551)	\$ 343

The provision recapture in the first quarter of 2022 was primarily driven by the impacts from improved COVID-19 related economic conditions.

CONSOLIDATED BALANCE SHEET REVIEW

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

Table 6: Summarized Balance Sheet Data

Dollars in millions	March 31		December 31		Change	
	2022		2021		\$	%
Assets						
Interest-earning deposits with banks	\$	48,776	\$	74,250	\$ (25,474)	(34)%
Loans held for sale		1,506		2,231	(725)	(32)%
Investment securities		132,411		132,962	(551)	—
Loans		294,457		288,372	6,085	2 %
Allowance for loan and lease losses		(4,558)		(4,868)	310	6 %
Mortgage servicing rights		2,208		1,818	390	21 %
Goodwill		10,916		10,916	—	—
Other		55,530		51,510	4,020	8 %
Total assets	\$	541,246	\$	557,191	\$ (15,945)	(3)%
Liabilities						
Deposits	\$	450,197	\$	457,278	\$ (7,081)	(2)%
Borrowed funds		26,571		30,784	(4,213)	(14)%
Allowance for unfunded lending related commitments		639		662	(23)	(3)%
Other		14,623		12,741	1,882	15 %
Total liabilities		492,030		501,465	(9,435)	(2)%
Equity						
Total shareholders' equity		49,181		55,695	(6,514)	(12)%
Noncontrolling interests		35		31	4	13 %
Total equity		49,216		55,726	(6,510)	(12)%
Total liabilities and equity	\$	541,246	\$	557,191	\$ (15,945)	(3)%

Our balance sheet was strong and well-positioned at March 31, 2022 and December 31, 2021.

- Total assets decreased reflecting lower balances held with the Federal Reserve Bank.
- Total liabilities decreased largely due to lower commercial deposits and lower borrowed funds, primarily bank notes and senior debt, partially offset by consumer deposit growth.
- Total equity decreased as net income was more than offset by lower AOCI, primarily reflecting the impact of higher rates on net unrealized securities losses, share repurchases and dividends paid on common and preferred stock.

The ACL related to loans totaled \$5.2 billion at March 31, 2022, a decrease of \$0.3 billion since December 31, 2021, primarily driven by the impacts from improved COVID-19 related economic conditions. See the following for additional information regarding our ACL related to loans:

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

The following discussion provides additional information about the major components of our balance sheet. Information regarding our capital and regulatory compliance is included in the Liquidity and Capital Management portion of the Risk Management section in this Financial Review and in Note 20 Regulatory Matters in the Notes To Consolidated Financial Statements included in our 2021 Form 10-K.

Loans

Table 7: Loans

Dollars in millions	March 31 2022	December 31 2021	Change	
			\$	%
Commercial				
Commercial and industrial	\$ 157,874	\$ 152,933	\$ 4,941	3 %
Commercial real estate	34,171	34,015	156	—
Equipment lease financing	6,216	6,130	86	1 %
Total commercial	198,261	193,078	5,183	3 %
Consumer				
Residential real estate	41,566	39,712	1,854	5 %
Home equity	24,185	24,061	124	1 %
Automobile	16,001	16,635	(634)	(4)%
Credit card	6,464	6,626	(162)	(2)%
Education	2,441	2,533	(92)	(4)%
Other consumer	5,539	5,727	(188)	(3)%
Total consumer	96,196	95,294	902	1 %
Total loans	\$ 294,457	\$ 288,372	\$ 6,085	2 %

Commercial loans increased driven by increased utilization of loan commitments and new production, partially offset by PPP loan forgiveness. PPP loans outstanding were \$1.8 billion and \$3.4 billion at March 31, 2022 and December 31, 2021, respectively.

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

Consumer loans grew primarily due to increases in residential mortgages and home equity, partially offset by declines in remaining portfolios as paydowns outpaced new originations.

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

For additional information regarding our loan portfolio see the Credit Risk Management portion of the Risk Management section in this Item 1 and Note 4 Loans and Related Allowance for Credit Losses in the Notes To Consolidated Financial Statements included in this Report.

Investment Securities

Investment securities of \$132.4 billion at March 31, 2022 decreased \$0.6 billion, or less than 1%, compared to December 31, 2021, resulting from unrealized losses on available for sale securities, partially offset by net purchase activity.

The level and composition of the investment securities portfolio fluctuates over time based on many factors including market conditions, loan and deposit growth and balance sheet management activities. We manage our investment securities portfolio to optimize returns, while providing a reliable source of liquidity for our banking and other activities, considering the LCR, NSFR and other internal and external guidelines and constraints.

Table 8: Investment Securities

Dollars in millions	March 31, 2022		December 31, 2021		Ratings as of March 31, 2022 (a)				
	Amortized Cost (b)	Fair Value	Amortized Cost (b)	Fair Value	AAA/AA	A	BBB	BB and Lower	No Rating
U.S. Treasury and government agencies	\$ 46,863	\$ 45,232	\$ 47,024	\$ 47,054	100 %				
Agency residential mortgage-backed	70,955	68,363	67,326	67,632	100 %				
Non-agency residential mortgage-backed	1,132	1,332	927	1,158	9 %		1 %	37 %	53 %
Agency commercial mortgage-backed	2,152	2,110	1,740	1,773	100 %				
Non-agency commercial mortgage-backed (c)	3,504	3,455	3,423	3,436	82 %	1 %	2 %		15 %
Asset-backed (d)	6,407	6,305	6,380	6,409	95 %	1 %		4 %	
Other (e)	5,676	5,631	5,404	5,596	46 %	29 %	21 %		4 %
Total investment securities (f)	\$ 136,689	\$ 132,428	\$ 132,224	\$ 133,058	97 %	1 %	1 %		1 %

(a) Ratings percentages allocated based on amortized cost, net of allowance for investment securities.

(b) Amortized cost is presented net of the allowance for investment securities, which totaled \$134 million at March 31, 2022 and primarily related to non-agency commercial mortgage-backed securities. The comparable amount at December 31, 2021 was \$133 million.

(c) Collateralized primarily by office buildings, multifamily housing, retail properties, lodging properties and industrial properties.

(d) Collateralized primarily by corporate debt, government guaranteed education loans and other consumer credit products.

(e) Includes state and municipal securities.

(f) Includes available for sale and held to maturity securities, which are recorded on our balance sheet at fair value and amortized cost, respectively.

Table 8 presents the distribution of our investment securities portfolio by amortized cost and fair value, as well as by credit rating. We have included credit ratings information because we believe that the information is an indicator of the degree of credit risk to which we are exposed. Changes in credit ratings classifications could indicate increased or decreased credit risk and could be accompanied by a reduction or increase in the fair value of our investment securities portfolio. We continually monitor the credit risk in our portfolio and maintain the allowance for investment securities at an appropriate level to absorb expected credit losses on our investment securities portfolio for the remaining contractual term of the securities adjusted for expected prepayments. See Note 3 Investment Securities in the Notes To Consolidated Financial Statements included in Item 1 of this Report for additional details regarding the allowance for investment securities.

On March 31, 2022 we transferred U.S. Treasury and government agency securities and agency residential mortgage-backed securities with a fair value of \$18.7 billion from available for sale to held to maturity. We changed our intent and committed to hold these high-quality securities to maturity in order to reduce the impact of price volatility on AOCI and tangible capital. See Note 3 Investment Securities in the Notes To Consolidated Financial Statements included in Item 1 of this Report for additional details regarding this transfer.

In April and May 2022, we transferred an additional \$50.2 billion of available for sale securities to held to maturity. See Note 16 Subsequent Events in the Notes To Consolidated Financial Statements of this Report for additional details on these transfers.

The duration of investment securities was 4.2 years at March 31, 2022. We estimate that at March 31, 2022 the effective duration of investment securities was 4.2 years for an immediate 50 basis points parallel increase in interest rates and 4.1 years for an immediate 50 basis points parallel decrease in interest rates. Comparable amounts at December 31, 2021 for the effective duration of investment securities were 3.8 years and 3.5 years, respectively.

Based on expected prepayment speeds, the weighted-average expected maturity of the investment securities portfolio was 5 years at March 31, 2022 compared to 4.4 years at December 31, 2021.

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

March 31, 2022	Years
Agency residential mortgage-backed	5.8
Non-agency residential mortgage-backed	8.4
Agency commercial mortgage-backed	5.1
Non-agency commercial mortgage-backed	1.7
Asset-backed	2.9

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

Funding Sources

Table 10: Details of Funding Sources

Dollars in millions	March 31	December 31	Change	
	2022	2021	\$	%
Deposits				
Noninterest-bearing	\$ 150,798	\$ 155,175	\$ (4,377)	(3)%
Interest-bearing				
Money market	59,558	61,229	(1,671)	(3)%
Demand	119,034	115,910	3,124	3 %
Savings	110,117	107,598	2,519	2 %
Time deposits	10,690	17,366	(6,676)	(38)%
Total interest-bearing deposits	299,399	302,103	(2,704)	(1)%
Total deposits	450,197	457,278	(7,081)	(2)%
Borrowed funds				
Bank notes and senior debt	16,206	20,661	(4,455)	(22)%
Subordinated debt	6,766	6,996	(230)	(3)%
Other	3,599	3,127	472	15 %
Total borrowed funds	26,571	30,784	(4,213)	(14)%
Total funding sources	\$ 476,768	\$ 488,062	\$ (11,294)	(2)%

Total deposits decreased as a result of lower commercial deposits, primarily due to seasonal declines, partially offset by consumer deposit growth.

Borrowed funds decreased primarily due to lower bank notes and senior debt.

The level and composition of borrowed funds fluctuates over time based on many factors including market conditions, loan, investment securities and deposit growth, and capital considerations. We manage our borrowed funds to provide a reliable source of liquidity for our banking and other activities, considering our LCR and NSFR requirements and other internal and external guidelines and constraints.

See the Liquidity and Capital Management portion of the Risk Management section of this Financial Review for additional information regarding our 2022 liquidity and capital activities. See Note 10 Borrowed Funds in the Notes To Consolidated Financial Statements in Item 8 of our 2021 Form 10-K for additional information related to our borrowings.

Shareholders' Equity

Total shareholders' equity was \$49.2 billion at March 31, 2022, a decrease of \$6.5 billion compared to December 31, 2021 as net income of \$1.4 billion was more than offset by lower AOCI of \$6.1 billion, primarily reflecting the impact of higher rates on net unrealized securities losses, common share repurchases of \$1.2 billion and common and preferred stock dividends of \$0.6 billion.

BUSINESS SEGMENTS REVIEW

We have three reportable business segments:

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

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

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 75 in Note 14 Segment Reporting in the Notes To Consolidated Financial Statements included in Item 1 of this Report. “Other” includes residual activities that do not meet the criteria for disclosure as a separate reportable business, such as asset and liability management activities, including net securities gains or losses, ACL for investment securities, certain trading activities, certain runoff consumer loan portfolios, private equity investments, intercompany eliminations, certain corporate overhead, tax adjustments that are not allocated to business segments, exited businesses and differences between business segment performance reporting and financial statement reporting (GAAP).

Retail Banking

Retail Banking's core strategy is to help all of our consumer and small business customers move forward financially. We aim to grow our primary checking and transaction relationships through strong customer acquisition and retention. We seek to deepen relationships by meeting the broad range of our customers' financial needs with savings, liquidity, lending, investment and retirement solutions. A strategic priority for us is to differentiate the customer experience, leveraging technology to make banking easier for our customers. A key element of our strategy is to expand the use of lower-cost alternative distribution channels, with an emphasis on digital capabilities, while continuing to optimize the traditional branch network. In addition, we are focused on consistently engaging both our employees and customers, which is a strong driver of customer growth, retention and relationship expansion.

Table 11: Retail Banking Table

(Unaudited)					
Three months ended March 31					
Dollars in millions, except as noted					
	2022	2021	Change		
			\$	%	
Income Statement					
Net interest income	\$ 1,531	\$ 1,362	\$ 169	12 %	
Noninterest income	745	654	91	14 %	
Total revenue	2,276	2,016	260	13 %	
Provision for (recapture of) credit losses	(81)	(257)	176	68 %	
Noninterest expense	1,892	1,476	416	28 %	
Pretax earnings	465	797	(332)	(42)%	
Income taxes	109	183	(74)	(40)%	
Noncontrolling interests	16	7	9	129 %	
Earnings	\$ 340	\$ 607	\$ (267)	(44)%	
Average Balance Sheet					
Loans held for sale	\$ 1,183	\$ 891	\$ 292	33 %	
Loans					
Consumer					
Residential real estate	\$ 31,528	\$ 17,468	\$ 14,060	80 %	
Home equity	22,458	21,833	625	3 %	
Automobile	16,274	13,890	2,384	17 %	
Credit card	6,401	5,819	582	10 %	
Education	2,532	2,938	(406)	(14)%	
Other consumer	2,348	1,898	450	24 %	
Total consumer	81,541	63,846	17,695	28 %	
Commercial	11,610	13,743	(2,133)	(16)%	
Total loans	\$ 93,151	\$ 77,589	\$ 15,562	20 %	
Total assets	\$ 111,754	\$ 92,891	\$ 18,863	20 %	
Deposits					
Noninterest-bearing	\$ 64,058	\$ 44,845	\$ 19,213	43 %	
Interest-bearing	201,021	163,389	37,632	23 %	
Total deposits	\$ 265,079	\$ 208,234	\$ 56,845	27 %	
Performance Ratios					
Return on average assets	1.23 %	2.65 %			
Noninterest income to total revenue	33 %	32 %			
Efficiency	83 %	73 %			

At or for three months ended March 31

Dollars in millions, except as noted

At or for three months ended March 31			Change	
Dollars in millions, except as noted	2022	2021	\$	%
Supplemental Noninterest Income Information				
Asset management and brokerage fees	\$ 134	\$ 102	\$ 32	31 %
Card and cash management	\$ 308	\$ 264	\$ 44	17 %
Lending and deposit services	\$ 164	\$ 134	\$ 30	22 %
Residential and commercial mortgage	\$ 99	\$ 105	\$ (6)	(6)%
Residential Mortgage Information				
<u>Residential mortgage servicing statistics (in billions, except as noted) (a)</u>				
Serviced portfolio balance (b)	\$ 135	\$ 117	\$ 18	15 %
Serviced portfolio acquisitions	\$ 6	\$ 7	\$ (1)	(14)%
MSR asset value (b)	\$ 1.3	\$ 1.0	\$ 0.3	30 %
MSR capitalization value (in basis points) (b)	98	83	15	18 %
Servicing income: (in millions)				
Servicing fees, net (c)	\$ 33	\$ 5	\$ 28	*
Mortgage servicing rights valuation, net of economic hedge	\$ 2	\$ 14	\$ (12)	(86)%
<u>Residential mortgage loan statistics</u>				
Loan origination volume (in billions)	\$ 5.1	\$ 4.3	\$ 0.8	19 %
Loan sale margin percentage	2.45 %	3.28 %		
Percentage of originations represented by:				
Purchase volume (d)	42 %	34 %		
Refinance volume	58 %	66 %		
Other Information (b)				
<u>Customer-related statistics (average)</u>				
Non-teller deposit transactions (e)	64 %	66 %		
Digital consumer customers (f)	78 %	79 %		
<u>Credit-related statistics</u>				
Nonperforming assets	\$ 1,168	\$ 1,229	\$ (61)	(5)%
Net charge-offs - loans and leases	\$ 141	\$ 108	\$ 33	31 %
<u>Other statistics</u>				
ATMs	9,502	8,874	628	7 %
Branches (g)	2,591	2,137	454	21 %
Brokerage account client assets (in billions) (h)	\$ 74	\$ 61	\$ 13	21 %

*- Not Meaningful

(a) Represents mortgage loan servicing balances for third parties and the related income.

(b) Presented as of period end, except for average customer-related statistics and net charge-offs, which are both shown for the 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) Excludes stand-alone mortgage offices and satellite offices (e.g., drive-ups, electronic branches and retirement centers) that provide limited products and/or services.

(h) Includes cash and money market balances.

Retail Banking earnings for the first quarter of 2022 decreased \$267 million compared with the same period in 2021 primarily due to increased noninterest expense and a lower provision recapture, partially offset by higher revenue.

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

Noninterest income increased due to higher card and cash management revenue, driven by debit card, credit card, and merchant services, higher asset management and brokerage fees and lending and deposit services which benefited from the addition of BBVA customers and increased business activity.

Provision recapture in the first three months of 2022 was primarily driven by the impact of improved COVID-19 related economic conditions and changes in portfolio composition.

Noninterest expense increased primarily as a result of the impact of BBVA operating expenses, increased operational losses, personnel, technology and customer related transaction costs.

The deposit strategy of Retail Banking is to remain disciplined on pricing and focused on growing and retaining relationship-based balances, executing on market-specific deposit growth strategies and providing a source of low-cost funding and liquidity to PNC. In the first three months of 2022, average total deposits increased compared to the same period in 2021 primarily driven by growth in demand and savings deposits which benefited from the impact of the BBVA acquisition and elevated balances from government stimulus payments.

Retail Banking average total loans increased in the first three months of 2022 compared with the same period in 2021. Average consumer loans increased 28% due to the impact of the BBVA acquisition on all loan classes except education loans, which BBVA did not have in their loan portfolio. In addition, average residential real estate loans increased due to continued strength in portfolio originations. Average commercial loans decreased primarily due to forgiveness of PPP loans.

As a result of the BBVA acquisition, we have become a coast-to-coast retail bank and added over 600 branches across seven states to our network. We continue to execute our national expansion strategy, which is designed to grow customers with digitally-led banking and a thin branch network utilizing solution centers as we expand into new markets. 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 and provide a collaborative environment that connects our customers with our solutions and services, beyond deposits and withdrawals. In total, we have opened 33 solution centers within the markets of Boston, Dallas/Fort Worth, Denver, Houston, Kansas City, Minneapolis, Nashville and Phoenix. In our expansion markets we offer several digital products including Virtual Wallet[®] and savings and deposit products, and unsecured installment and small business loans.

Retail Banking continues to enhance the customer experience with refinements to product and service offerings that drive value for consumers and small businesses. We are focused on meeting the financial needs of customers by providing a broad range of liquidity, banking and investment products. In 2021, we successfully rolled out Low Cash Mode[®] to all Virtual Wallet[®] customers providing them with the ability to avoid unnecessary overdraft fees through real-time intelligent alerts, extra time to prevent or address overdrafts, and controls to choose whether to return certain debits rather than the bank making the decision.

Retail Banking continued to execute on its strategy of transforming the customer experience through transaction channel migration, branch network and home lending process transformations and multi-channel engagement and service strategies. We are also continually assessing our current branch network for optimization opportunities as usage of alternative channels has increased and as a result, have closed 39 branches in the first three months of 2022, consistent with our plan.

Corporate & Institutional Banking

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

Table 12: Corporate & Institutional Banking Table

(Unaudited)					
Three months ended March 31					
Dollars in millions					
	2022	2021	Change		
			\$	%	
Income Statement					
Net interest income	\$ 1,160	\$ 1,001	\$ 159	16 %	
Noninterest income	804	807	(3)	—	
Total revenue	1,964	1,808	156	9 %	
Provision for (recapture of) credit losses	(118)	(282)	164	58 %	
Noninterest expense	837	711	126	18 %	
Pretax earnings	1,245	1,379	(134)	(10)%	
Income taxes	285	318	(33)	(10)%	
Noncontrolling interests	4	3	1	33 %	
Earnings	\$ 956	\$ 1,058	\$ (102)	(10)%	
Average Balance Sheet					
Loans held for sale	\$ 628	\$ 691	\$ (63)	(9)%	
Loans					
Commercial					
Commercial and industrial	\$ 141,622	\$ 114,944	\$ 26,678	23 %	
Commercial real estate	32,433	27,182	5,251	19 %	
Equipment lease financing	6,099	6,332	(233)	(4)%	
Total commercial	180,154	148,458	31,696	21 %	
Consumer	8	9	(1)	(11)%	
Total loans	\$ 180,162	\$ 148,467	\$ 31,695	21 %	
Total assets	\$ 200,724	\$ 170,531	\$ 30,193	18 %	
Deposits					
Noninterest-bearing	\$ 86,178	\$ 66,666	\$ 19,512	29 %	
Interest-bearing	68,429	69,668	(1,239)	(2)%	
Total deposits	\$ 154,607	\$ 136,334	\$ 18,273	13 %	
Performance Ratios					
Return on average assets	1.93 %	2.52 %			
Noninterest income to total revenue	41 %	45 %			
Efficiency	43 %	39 %			
Other Information					
Consolidated revenue from: (a)					
Treasury Management (b)	\$ 546	\$ 494	\$ 52	11 %	
Commercial mortgage banking activities:					
Commercial mortgage loans held for sale (c)	\$ 16	\$ 30	\$ (14)	(47)%	
Commercial mortgage loan servicing income (d)	68	90	(22)	(24)%	
Commercial mortgage servicing rights valuation, net of economic hedge	13	17	(4)	(24)%	
Total	\$ 97	\$ 137	\$ (40)	(29)%	
MSR asset value (e)	\$ 886	\$ 702	\$ 184	26 %	
Average loans by C&IB business					
Corporate Banking	\$ 92,503	\$ 74,459	\$ 18,044	24 %	
Real Estate	43,213	38,395	4,818	13 %	
Business Credit	26,535	21,552	4,983	23 %	
Commercial Banking	10,045	10,807	(762)	(7)%	
Other	7,866	3,254	4,612	142 %	
Total average loans	\$ 180,162	\$ 148,467	\$ 31,695	21 %	
Credit-related statistics					
Nonperforming assets (e)	\$ 866	\$ 658	\$ 208	32 %	
Net charge-offs - loans and leases	\$ (1)	\$ 44	\$ (45)	(102)%	

*- Not Meaningful

(a) See the additional revenue discussion regarding treasury management and commercial mortgage banking activities in the Product Revenue section of this Corporate & Institutional Banking section.

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

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

- (d) Represents net interest income and noninterest income from loan servicing, net of reduction in commercial mortgage servicing rights due to amortization expense and payoffs. Commercial mortgage servicing rights valuation, net of economic hedge is shown separately.
- (e) As of March 31.

Corporate & Institutional Banking earnings in the first three months of 2022 decreased \$102 million compared with the same period in 2021 driven by a lower provision recapture and higher noninterest expense, partially offset by higher net interest income.

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

Noninterest income in the comparison was largely stable as lower capital markets related fees and commercial mortgage banking activities were mostly offset by higher treasury management product revenue.

Provision recapture in the first three months of 2022 was primarily driven by the impact of improved COVID-19 related economic conditions.

Noninterest expense increased in the comparison largely due to the BBVA acquisition and higher personnel costs associated with increased business activity.

Average loans increased compared with the three months ended March 31, 2021 due to increases in Corporate Banking, Business Credit and Real Estate, partially offset by decreases in Commercial Banking:

- Corporate Banking provides lending, equipment finance, treasury management and capital markets related products and services to mid-sized and large corporations, and government and not-for-profit entities. Average loans for this business increased reflecting loans from BBVA, higher average utilization of loan commitments and new production.
- Business Credit provides asset-based lending and equipment financing solutions. The loan and lease portfolio is relatively high yielding, with acceptable risk as the loans are mainly secured by business assets. Average loans for this business increased primarily driven by loans from BBVA, higher utilization of loan commitments and new production.
- Real Estate provides banking, financing and servicing solutions for commercial real estate clients across the country. Average loans for this business increased reflecting loans from BBVA, partially offset by lower commercial mortgage and multifamily agency warehouse lending.
- Commercial Banking provides lending, treasury management and capital markets related products and services to smaller corporations and businesses. Average loans for this business declined primarily driven by PPP loan forgiveness, partially offset by loans from BBVA.

The deposit strategy of Corporate & Institutional Banking is to remain disciplined on pricing and focused on growing and retaining relationship-based balances over time, executing on customer and segment-specific deposit growth strategies and continuing to provide funding and liquidity to PNC. Average total deposits increased in the comparison reflecting deposits from BBVA. We continue to actively monitor the interest rate environment and make adjustments to evolving market conditions, bank funding needs and client relationship dynamics.

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

Product Revenue

In addition to credit and deposit products for commercial customers, Corporate & Institutional Banking offers other services, including treasury management, capital markets related products and services and commercial mortgage banking activities, for customers of all business segments. On a consolidated basis, the revenue from these other services is included in net interest income and noninterest income. From a business perspective, the majority of the revenue and expense related to these services is reflected in the Corporate & Institutional Banking segment results and the remainder is reflected in the results of other businesses. The Other Information section in Table 12 includes the consolidated revenue to PNC for treasury management and commercial mortgage banking services. A discussion of the consolidated revenue from these services follows.

The Treasury Management business provides corporations with cash and investment management services, receivables and disbursement management services, funds transfer services, international payment services and access to online/mobile information management and reporting services. Within Treasury Management, PNC Global Transfers provides wholesale money transfer processing capabilities between the U.S. and Mexico and other countries primarily in Central and South America. Treasury management revenue is reported in noninterest income and net interest income. Noninterest income includes treasury management product revenue less earnings credits provided to customers on compensating deposit balances used to pay for products and services.

Net interest income primarily includes revenue from all treasury management customer deposit balances. Compared with the first three months of 2021, treasury management revenue increased due to higher noninterest income and higher deposit balances, including the impact of the acquisition of BBVA, partially offset by narrower interest rate spreads on the value of deposits.

Commercial mortgage banking activities include revenue derived from commercial mortgage servicing (both net interest income and noninterest income), revenue derived from commercial mortgage loans held for sale and hedges related to those activities. Total revenue from commercial mortgage banking activities decreased in the comparison primarily due to lower commercial mortgage servicing income and lower revenue from commercial mortgage loans held for sale.

Capital markets related products and services include foreign exchange, derivatives, fixed income, securities underwriting, loan syndications, mergers and acquisitions advisory and equity capital markets advisory related services. The Consolidated Income Statement includes the noninterest income to PNC for capital markets related products and services. Compared with the first three months of 2021, capital markets related noninterest income decreased due to lower credit valuation on customer-related derivatives activities, lower advisory revenue and lower underwriting fees. These decreases were partially offset by higher loan syndication fees.

Asset Management Group

The Asset Management Group strives to be the leading relationship-based provider of investment, planning, credit and cash management solutions and fiduciary services to affluent individuals and institutions by endeavoring to proactively deliver value-added ideas, solutions and exceptional service. Asset Management Group's priorities are to serve our clients' financial objectives, grow and deepen customer relationships and deliver solid financial performance with prudent risk and expense management.

Table 13: Asset Management Group Table

(Unaudited)					
Three months ended March 31					
Dollars in millions, except as noted					
	2022	2021	Change		
			\$	%	
Income Statement					
Net interest income	\$ 138	\$ 93	\$ 45	48 %	
Noninterest income	248	229	19	8 %	
Total revenue	386	322	64	20 %	
Provision for (recapture of) credit losses	2	(9)	11	*	
Noninterest expense	251	202	49	24 %	
Pretax earnings	133	129	4	3 %	
Income taxes	31	30	1	3 %	
Earnings	\$ 102	\$ 99	\$ 3	3 %	
Average Balance Sheet					
Loans					
Consumer					
Residential real estate	\$ 6,989	\$ 3,635	\$ 3,354	92 %	
Other consumer	4,541	4,008	533	13 %	
Total consumer	11,530	7,643	3,887	51 %	
Commercial	1,848	756	1,092	144 %	
Total loans	\$ 13,378	\$ 8,399	\$ 4,979	59 %	
Total assets	\$ 13,801	\$ 8,873	\$ 4,928	56 %	
Deposits					
Noninterest-bearing	\$ 3,458	\$ 1,754	\$ 1,704	97 %	
Interest-bearing	29,830	18,825	11,005	58 %	
Total deposits	\$ 33,288	\$ 20,579	\$ 12,709	62 %	
Performance Ratios					
Return on average assets	3.00 %	4.52 %			
Noninterest income to total revenue	64 %	71 %			
Efficiency	65 %	63 %			
Supplemental Noninterest Income Information					
Asset management fees	\$ 241	\$ 226	\$ 15	7 %	
Brokerage fees	2		2	*	
Total	\$ 243	\$ 226	\$ 17	8 %	
Other Information					
Nonperforming assets (a)	\$ 72	\$ 68	\$ 4	6 %	
Net charge-offs - loans and leases	\$ 2		\$ 2	*	
Brokerage account client assets (in billions) (a)	\$ 5		\$ 5	*	
Client Assets Under Administration (in billions) (a) (b)					
Discretionary client assets under management	\$ 182	\$ 173	\$ 9	5 %	
Nondiscretionary client assets under administration	165	161	4	2 %	
Total	\$ 347	\$ 334	\$ 13	4 %	
Discretionary client assets under management					
PNC Private Bank	\$ 115	\$ 110	\$ 5	5 %	
Institutional Asset Management	67	63	4	6 %	
Total	\$ 182	\$ 173	\$ 9	5 %	

* - Not meaningful

(a) As of March 31.

(b) Excludes brokerage account client assets.

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

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

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

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

Asset Management Group earnings in the first three months of 2022 increased \$3 million compared with the same period in 2021 primarily due to the benefit of BBVA.

Net interest income increased due to growth in average loan and deposit balances, reflecting the BBVA acquisition and organic growth. This was partially offset by narrower interest rate spreads on deposits.

The increase in noninterest income was primarily attributable to increases in the average equity markets and the benefit of BBVA.

Noninterest expense increased due to the impact of BBVA operations and higher personnel expense.

Discretionary client assets under management increased in comparison to the prior year primarily due to the benefit of BBVA and higher equity markets as of March 31, 2022.

RISK MANAGEMENT

The Risk Management section included in Item 7 of our 2021 Form 10-K describes our enterprise risk management framework including risk culture, enterprise strategy, risk governance and oversight framework, risk identification, risk assessments, risk controls and monitoring, and risk aggregation and reporting. Additionally, our 2021 Form 10-K provides an analysis of the firm's Capital Management and our key areas of risk, which include but are not limited to Credit, Market, Liquidity and Operational (including Compliance and Information Security).

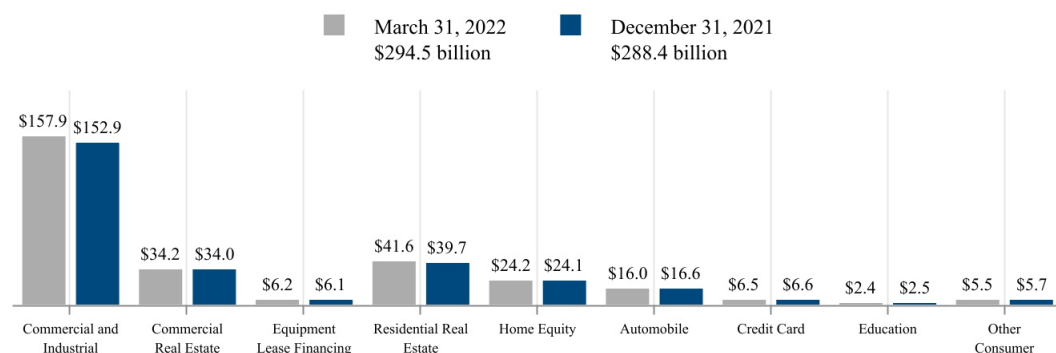
Credit Risk Management

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

Loan Portfolio Characteristics and Analysis

Table 14: Details of Loans

In billions



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

Commercial

Commercial and Industrial

Commercial and industrial loans comprised 54% and 53% of our total loan portfolio at March 31, 2022 and December 31, 2021, respectively. The majority of our commercial and industrial loans are secured by collateral that provides a secondary source of repayment for the loan should the borrower experience cash generation difficulties. Examples of this collateral include short-term assets, such as accounts receivable, inventory and securities, and long-lived assets, such as equipment, owner-occupied real estate and other business assets.

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

Table 15: Commercial and Industrial Loans by Industry

Dollars in millions	March 31, 2022		December 31, 2021	
	Amount	% of Total	Amount	% of Total
Commercial and industrial				
Manufacturing	\$ 25,035	16 %	\$ 22,597	15 %
Retail/wholesale trade	25,027	16	22,803	15
Service providers	20,584	13	20,750	14
Financial services	17,674	11	17,950	12
Real estate related (a)	15,459	10	15,123	10
Technology, media & telecommunications	10,684	7	10,070	7
Health care	9,810	6	9,944	7
Transportation and warehousing	7,209	5	7,136	5
Other industries	26,392	16	26,560	15
Total commercial and industrial loans	\$ 157,874	100 %	\$ 152,933	100 %

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

Commercial and industrial loan growth from December 31, 2021 was driven by increased utilization of loan commitments and new loan production, partially offset by PPP loan forgiveness. PPP loans outstanding totaled \$1.8 billion and \$3.4 billion at March 31, 2022 and December 31, 2021, respectively.

Commercial Real Estate

Commercial real estate loans comprised \$19.3 billion related to commercial mortgages on income-producing properties, \$7.0 billion of real estate construction project loans and \$7.9 billion of intermediate term financing loans as of March 31, 2022. Comparable amounts as of December 31, 2021 were \$18.6 billion, \$7.3 billion and \$8.1 billion, respectively.

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

The following table presents our commercial real estate loans by geography and property type:

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

Dollars in millions	March 31, 2022		December 31, 2021	
	Amount	% of Total	Amount	% of Total
Geography (a)				
California	\$ 5,661	17 %	\$ 5,561	16 %
Texas	3,634	11	3,458	10
Florida	2,918	9	2,987	9
Virginia	1,645	5	1,720	5
Maryland	1,618	5	1,557	5
Pennsylvania	1,503	4	1,482	4
Colorado	1,215	4	1,126	3
Ohio	1,152	3	1,219	4
Illinois	1,128	3	970	3
New Jersey	995	3	982	3
Other	12,702	36	12,953	38
Total commercial real estate loans	\$ 34,171	100 %	\$ 34,015	100 %
Property Type (a)				
Multifamily	\$ 11,155	33 %	\$ 10,581	31 %
Office	9,783	29	9,547	28
Retail	3,297	10	3,570	10
Industrial/warehouse	2,673	8	2,413	7
Seniors housing	2,412	7	2,602	8
Hotel/motel	2,011	6	2,008	6
Mixed use	697	2	724	2
Other	2,143	5	2,570	8
Total commercial real estate loans	\$ 34,171	100 %	\$ 34,015	100 %

(a) Presented in descending order based on loan balances at March 31, 2022.

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

Consumer

Residential Real Estate

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

We obtain loan attributes at origination, including FICO scores and LTVs, and we update these and other credit metrics at least quarterly. We track borrower performance monthly. We also segment the mortgage portfolio into pools based on product type (*e.g.*, nonconforming, conforming). This information is used for internal reporting and risk management. As part of our overall risk analysis and monitoring, we also segment the portfolio based upon loan delinquency, nonperforming status, modification and bankruptcy status, FICO scores, LTV and geographic concentrations. Loan performance is evaluated by source originators and loan servicers.

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

Table 17: Residential Real Estate Loan Statistics

Dollars in millions	March 31, 2022		December 31, 2021	
	Amount	% of Total	Amount	% of Total
Geography (a)				
California	\$ 15,978	38 %	\$ 15,041	38 %
Texas	4,283	10	4,397	11
Florida	3,167	8	3,124	8
Washington	2,132	5	1,909	5
New Jersey	1,713	4	1,660	4
Arizona	1,412	3	1,435	4
New York	1,361	3	1,279	3
Colorado	1,141	3	1,145	3
Pennsylvania	1,093	3	1,069	3
Illinois	943	2	957	2
Other	8,343	21	7,696	19
Total residential real estate loans	\$ 41,566	100 %	\$ 39,712	100 %
March 31, 2022			December 31, 2021	
Weighted-average loan origination statistics (b)				
Loan origination FICO score		773		775
LTV of loan originations		67 %		67 %

(a) Presented in descending order based on loan balances at March 31, 2022.

(b) Weighted-averages calculated for the twelve months ended March 31, 2022 and December 31, 2021, respectively.

We originate residential mortgage loans nationwide through our national mortgage business as well as within our branch network. Residential mortgage loans underwritten to agency standards, including conforming loan amount limits, are typically sold with servicing retained by us. We also originate nonconforming residential mortgage loans that do not meet agency standards, which we retain on our balance sheet. Our portfolio of originated nonconforming residential mortgage loans totaled \$36.2 billion at March 31, 2022 with 43% located in California. Comparable amounts at December 31, 2021 were \$34.9 billion and 42%, respectively.

Home Equity

Home equity loans comprised \$16.6 billion of primarily variable-rate home equity lines of credit and \$7.6 billion of closed-end home equity installment loans at March 31, 2022. Comparable amounts were \$15.8 billion and \$8.3 billion as of December 31, 2021, respectively.

We track borrower performance of this portfolio monthly similarly to residential real estate loans. We also segment the population into pools based on product type (e.g., home equity loans, brokered home equity loans, home equity lines of credit, brokered home equity lines of credit) and track the historical performance of any related mortgage loans regardless of whether we hold the lien. This information is used for internal reporting and risk management. As part of our overall risk analysis and monitoring, we also segment the portfolio based upon the loan delinquency, nonperforming status, modification and bankruptcy status, FICO scores, LTV, lien position and geographic concentration.

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

The following table presents certain key statistics related to our home equity portfolio:

Table 18: Home Equity Loan Statistics

Dollars in millions	March 31, 2022		December 31, 2021	
	Amount	% of Total	Amount	% of Total
Geography (a)				
Pennsylvania	\$ 5,106	21 %	\$ 5,108	21 %
New Jersey	3,123	13	3,117	13
Ohio	2,376	10	2,398	10
Florida	1,755	7	1,701	7
Michigan	1,252	5	1,246	5
Maryland	1,200	5	1,206	5
Illinois	1,126	5	1,154	5
Texas	966	4	978	4
North Carolina	928	4	918	4
California	769	3	705	3
Other	5,584	23	5,530	23
Total home equity loans	\$ 24,185	100 %	\$ 24,061	100 %
Lien type				
1st lien		62 %		62 %
2nd lien		38		38
Total		100 %		100 %
Weighted-average loan origination statistics (b)				
	March 31, 2022		December 31, 2021	
Loan origination FICO score		780		782
LTV of loan originations		67 %		66 %

(a) Presented in descending order based on loan balances at March 31, 2022.

(b) Weighted-averages calculated for the twelve months ended March 31, 2022 and December 31, 2021, respectively.

Automobile

Auto loans comprised \$14.8 billion in the indirect auto portfolio and \$1.2 billion in the direct auto portfolio as of March 31, 2022. Comparable amounts as of December 31, 2021 were \$15.4 billion and \$1.2 billion, respectively. The indirect auto portfolio consists of loans originated through franchised dealers, including from expansion into new markets. This business is strategically aligned with our core retail banking business.

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

Table 19: Auto Loan Statistics (a)

	March 31, 2022	December 31, 2021
Weighted-average loan origination FICO score (b)		
Indirect auto	791	791
Direct auto	776	775
Weighted-average term of loan originations - in months		
Indirect auto	72	72
Direct auto	62	62

(a) Weighted-averages calculated for the twelve months ended March 31, 2022 and December 31, 2021, respectively.

(b) Calculated using the auto enhanced FICO scale.

We continue to focus on borrowers with strong credit profiles as evidenced by the weighted-average loan origination FICO scores noted in Table 19. We offer both new and used auto financing to customers through our various channels. At March 31, 2022, the portfolio balance was composed of 52% new vehicle loans and 48% used vehicle loans. Comparable amounts at December 31, 2021 were 53% and 47%, respectively.

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

Nonperforming Assets and Loan Delinquencies

Nonperforming Assets

Nonperforming assets include nonperforming loans and leases for which ultimate collectability of the full amount of contractual principal and interest is not probable and include nonperforming TDRs and PCD loans, OREO and foreclosed assets. Loans held for sale, certain government insured or guaranteed loans and loans accounted for under the fair value option are excluded from nonperforming loans. See Note 1 Accounting Policies in the Notes To Consolidated Financial Statements included in Item 8 of our 2021 Form 10-K for details on our nonaccrual policies.

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

Table 20: Nonperforming Assets by Type

Dollars in millions	March 31, 2022	December 31, 2021	Change	
			\$	%
Nonperforming loans				
Commercial	\$ 998	\$ 1,168	\$ (170)	(15)%
Consumer (a)	1,300	1,312	(12)	(1)%
Total nonperforming loans	2,298	2,480	(182)	(7)%
OREO and foreclosed assets	26	26	—	—
Total nonperforming assets	\$ 2,324	\$ 2,506	\$ (182)	(7)%
TDRs included in nonperforming loans	\$ 916	\$ 988	\$ (72)	(7)%
Percentage of total nonperforming loans	40 %	40 %		
Nonperforming loans to total loans	0.78 %	0.86 %		
Nonperforming assets to total loans, OREO and foreclosed assets	0.79 %	0.87 %		
Nonperforming assets to total assets	0.43 %	0.45 %		
Allowance for loan and lease losses to nonperforming loans	198 %	196 %		
Allowance for credit losses to nonperforming loans (b)	226 %	223 %		

(a) Excludes most unsecured consumer loans and lines of credit, which are charged off after 120 to 180 days past due and are not placed on nonperforming status.

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

The following table provides details on the change in nonperforming assets for the three months ended March 31, 2022 and 2021:

Table 21: Change in Nonperforming Assets

In millions	2022	2021
January 1	\$ 2,506	\$ 2,337
New nonperforming assets	346	249
Charge-offs and valuation adjustments	(62)	(70)
Principal activity, including paydowns and payoffs	(274)	(186)
Asset sales and transfers to loans held for sale	(21)	(86)
Returned to performing status	(171)	(65)
March 31	\$ 2,324	\$ 2,179

As of March 31, 2022, approximately 98% of total nonperforming loans were secured by collateral which lessened reserve requirements and is expected to reduce credit losses.

Within consumer nonperforming loans, residential real estate TDRs comprised 42% of total residential real estate nonperforming loans while home equity TDRs comprised 34% of home equity nonperforming loans at March 31, 2022. Comparable amounts at December 31, 2021 were 42% and 36%, respectively. TDRs generally remain in nonperforming status until a borrower has made at least six consecutive months of both principal and interest payments under the modified terms or ultimate resolution occurs. Loans where borrowers have been discharged from personal liability through Chapter 7 bankruptcy and have not formally reaffirmed their loan obligations to us and loans to borrowers not currently obligated to make both principal and interest payments under the restructured terms are not returned to accrual status. See Troubled Debt Restructurings and Loan Modifications within this Credit Risk Management section for more information on how certain loans to borrowers experiencing COVID-19 related difficulties were treated prior to the expiration of CARES Act TDR relief.

Loan Delinquencies

We regularly monitor the level of loan delinquencies and believe these levels may be a key indicator of credit quality in our loan portfolio. Measurement of delinquency status is based on the contractual terms of each loan. Loans that are 30 days or more past due in terms of payment are considered delinquent. Loan delinquencies include government insured or guaranteed loans, loans accounted for under the fair value option and PCD loans. Amounts exclude loans held for sale.

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

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

Table 22: Accruing Loans Past Due (a)

Dollars in millions	Amount		Change		% of Total Loans Outstanding	
	March 31 2022	December 31 2021	\$	%	March 31 2022	December 31 2021
Early stage loan delinquencies						
Accruing loans past due 30 to 59 days	\$ 855	\$ 1,011	\$ (156)	(15)%	0.29 %	0.35 %
Accruing loans past due 60 to 89 days	310	355	(45)	(13)%	0.11 %	0.12 %
Total early stage loan delinquencies	1,165	1,366	(201)	(15)%	0.40 %	0.47 %
Late stage loan delinquencies						
Accruing loans past due 90 days or more	534	619	(85)	(14)%	0.18 %	0.21 %
Total accruing loans past due	\$ 1,699	\$ 1,985	\$ (286)	(14)%	0.58 %	0.69 %

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

The decline in accruing loans past due from December 31, 2021 was primarily driven by the resolution of BBVA conversion-related administrative and operational delays.

Accruing loans past due 90 days or more continue to accrue interest because they are (i) well secured by collateral and are in the process of collection, (ii) managed in homogeneous portfolios with specified charge-off timeframes adhering to regulatory guidelines, or (iii) certain government insured or guaranteed loans. As such, they are excluded from nonperforming loans.

Troubled Debt Restructurings and Loan Modifications

Troubled Debt Restructurings

A TDR is a loan whose terms have been restructured in a manner that grants a concession to a borrower experiencing financial difficulties. TDRs result from our loss mitigation activities and include rate reductions, principal forgiveness, postponement/reduction of scheduled amortization and extensions, which are intended to minimize economic loss and to avoid foreclosure or repossession of collateral. Additionally, TDRs also result from court-imposed concessions (e.g., a Chapter 7 bankruptcy where the debtor is discharged from personal liability to us and a court approved Chapter 13 bankruptcy repayment plan). Loans to borrowers experiencing COVID-19 related hardships that met certain criteria under the CARES Act were not categorized as TDRs during the relief period, which expired on January 1, 2022. Consistent with the expiration of the CARES Act TDR relief (and as amended by the Consolidated Appropriations Act), loans that experience a COVID-19 related hardship and are restructured after January 1, 2022 are subject to existing GAAP guidance related to TDRs.

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

Table 23: Summary of Troubled Debt Restructurings (a)

Dollars in millions	March 31 2022		December 31 2021		Change	
	\$		\$		\$	%
Commercial	\$	631	\$	672	\$ (41)	(6) %
Consumer		887		919	(32)	(3) %
Total TDRs	\$	1,518	\$	1,591	\$ (73)	(5) %
Nonperforming	\$	916	\$	988	(72)	(7) %
Accruing (b)		602		603	(1)	—
Total TDRs	\$	1,518	\$	1,591	\$ (73)	(5) %

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

(b) Accruing loans include consumer credit card loans and certain loans that have demonstrated a period of at least six months of performance under the restructured terms and are excluded from nonperforming loans.

Nonperforming TDRs represented approximately 40% of total nonperforming loans and 60% of total TDRs at March 31, 2022. Comparable amounts at December 31, 2021 were 40% and 62%, respectively. The remaining portion of TDRs represents TDRs that have been returned to accrual status after performing under the restructured terms for at least six consecutive months.

See Note 4 Loans and Related Allowance for Credit Losses in the Notes To Consolidated Financial Statements included in Item 1 of this Report for additional information on TDRs.

Loan Modifications

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

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

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

Allowance for Credit Losses

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

See Note 1 Accounting Policies in the Notes To Consolidated Financial Statements included in Item 8 of our 2021 Form 10-K and the Credit Risk Management section within Item 7 of our 2021 Form 10-K for additional discussion of our ACL, including details of our methodologies. See also the Critical Accounting Estimates and Judgments section of this Financial Review for further discussion of the assumptions used in the determination of the ACL as of March 31, 2022.

The following table summarizes our ACL related to loans:

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

Dollars in millions	March 31, 2022			December 31, 2021		
	Allowance Amount	Total Loans	% of Total Loans	Allowance Amount	Total Loans	% of Total Loans
Allowance for loans and lease losses						
Commercial						
Commercial and industrial	\$ 1,884	\$ 157,874	1.19 %	\$ 1,879	\$ 152,933	1.23 %
Commercial real estate	1,034	34,171	3.03 %	1,216	34,015	3.57 %
Equipment lease financing	85	6,216	1.37 %	90	6,130	1.47 %
Total commercial	3,003	198,261	1.51 %	3,185	193,078	1.65 %
Consumer						
Residential real estate	25	41,566	0.06 %	21	39,712	0.05 %
Home equity	170	24,185	0.70 %	149	24,061	0.62 %
Automobile	276	16,001	1.72 %	372	16,635	2.24 %
Credit card	708	6,464	10.95 %	712	6,626	10.75 %
Education	66	2,441	2.70 %	71	2,533	2.80 %
Other consumer	310	5,539	5.60 %	358	5,727	6.25 %
Total consumer	1,555	96,196	1.62 %	1,683	95,294	1.77 %
Total	4,558	\$ 294,457	1.55 %	4,868	\$ 288,372	1.69 %
Allowance for unfunded lending related commitments	639			662		
Allowance for credit losses	\$ 5,197			\$ 5,530		
Allowance for credit losses to total loans			1.76 %			1.92 %
Commercial			1.81 %			1.94 %
Consumer			1.67 %			1.87 %

(a) Excludes allowances for investment securities and other financial assets, which together totaled \$158 million and \$171 million at March 31, 2022 and December 31, 2021, respectively.

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

Table 25: Loan Charge-Offs and Recoveries

Three months ended March 31 Dollars in millions	Gross Charge-offs		Recoveries		Net Charge-offs / (Recoveries)	% of Average Loans (Annualized)	
2022							
Commercial							
Commercial and industrial	\$	41	\$	30	\$	11	0.03 %
Commercial real estate		10		1		9	0.11 %
Equipment lease financing		1		3		(2)	(0.13) %
Total commercial		52		34		18	0.04 %
Consumer							
Residential real estate		7		5		2	0.02 %
Home equity		4		21		(17)	(0.29) %
Automobile		52		31		21	0.52 %
Credit card		68		12		56	3.54 %
Education		4		1		3	0.48 %
Other consumer		64		10		54	3.88 %
Total consumer		199		80		119	0.51 %
Total	\$	251	\$	114	\$	137	0.19 %
2021							
Commercial							
Commercial and industrial	\$	59	\$	14	\$	45	0.14 %
Commercial real estate		5		1		4	0.06 %
Equipment lease financing		5		3		2	0.13 %
Total commercial		69		18		51	0.13 %
Consumer							
Residential real estate		4		5		(1)	(0.02) %
Home equity		7		17		(10)	(0.17) %
Automobile		52		38		14	0.41 %
Credit card		69		12		57	3.97 %
Education		5		2		3	0.41 %
Other consumer		37		5		32	2.84 %
Total consumer		174		79		95	0.53 %
Total	\$	243	\$	97	\$	146	0.25 %

See Note 1 Accounting Policies in the Notes To Consolidated Financial Statements included in Item 8 of our 2021 Form 10-K and Note 4 Loans and Related Allowance for Credit Losses in the Notes To Consolidated Financial Statements included in this Report for additional information.

Liquidity and Capital Management

Liquidity risk, including our liquidity monitoring measures and tools, is described in further detail in the Liquidity and Capital Management section of our 2021 Form 10-K.

One of the ways we monitor our liquidity is by reference to the LCR, a regulatory minimum liquidity requirement designed to ensure that covered banking organizations maintain an adequate level of liquidity to meet net liquidity needs over the course of a hypothetical 30-day stress scenario. PNC and PNC Bank calculate the LCR daily, and as of March 31, 2022, the LCR for PNC and PNC Bank exceeded the minimum requirement of 100%.

The NSFR, which became effective on July 1, 2021, is designed to measure the stability of the maturity structure of assets and liabilities of banking organizations over a one-year time horizon. PNC and PNC Bank are required to calculate the NSFR on an ongoing basis, and as of March 31, 2022, the NSFR for PNC and PNC Bank exceeded the minimum requirement of 100%.

We provide additional information regarding regulatory liquidity requirements and their potential impact on us in the Supervision and Regulation section of Item 1 Business and Item 1A Risk Factors of our 2021 Form 10-K.

Sources of Liquidity

Our largest source of liquidity on a consolidated basis is the customer deposit base generated by our banking businesses. These deposits provide relatively stable and low-cost funding. Total deposits decreased to \$450.2 billion at March 31, 2022 from \$457.3 billion at December 31, 2021, driven by decreases in both noninterest-bearing and interest-bearing deposits. See the Funding Sources portion of the Consolidated Balance Sheet Review section of this Financial Review for additional information related to our deposits. Additionally, certain assets determined by us to be liquid as well as unused borrowing capacity from a number of sources are also available to manage our liquidity position.

At March 31, 2022, our liquid assets consisted of cash and due from banks and short-term investments (federal funds sold, resale agreements, trading securities and interest-earning deposits with banks) totaling \$59.9 billion and securities available for sale totaling \$112.3 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 \$18.3 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, \$7.9 billion of securities held to maturity were also pledged as collateral for these purposes.

We also obtain liquidity through various forms of funding, including long-term debt (senior notes, subordinated debt and FHLB borrowings) and short-term borrowings (securities sold under repurchase agreements, commercial paper and other short-term borrowings). See the Funding Sources section of the Consolidated Balance Sheet Review in this Financial Review and Note 10 Borrowed Funds in the Notes To Consolidated Financial Statements included in Item 8 of our 2021 Form 10-K for additional information related to our borrowings.

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

Table 26: Senior and Subordinated Debt

In billions		2022
January 1	\$	27.7
Calls and maturities		(3.8)
Other		(0.9)
March 31	\$	23.0

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, 2022, PNC Bank had \$11.0 billion of notes outstanding under this program of which \$6.0 billion were senior bank notes and \$5.0 billion were subordinated bank notes.

The following table details PNC Bank note redemptions in the first quarter of 2022:

Table 27: PNC Bank Notes Redeemed

Redemption Date	Amount	Description of Redemption
January 18, 2022	\$1.25 billion	All outstanding senior bank notes with an original scheduled maturity date of February 17, 2022. The securities had a distribution rate of 2.625%. The redemption price was equal to \$1,000 per \$1,000 in principal amount, plus any accrued and unpaid distributions to the redemption date of January 18, 2022.
February 24, 2022	\$1.0 billion	All outstanding senior floating rate bank notes with an original scheduled maturity date of February 24, 2023. The redemption price was equal to \$1,000 per \$1,000 in principal amount, plus any accrued and unpaid distributions to the redemption date of February 24, 2022.
February 24, 2022	\$500 million	All outstanding senior bank notes with an original scheduled maturity date of February 24, 2023. The securities had a distribution rate of 1.743%. The redemption price was equal to \$1,000 per \$1,000 in principal amount, plus any accrued and unpaid distributions to the redemption date of February 24, 2022.

See Note 16 Subsequent Events in the Notes To Consolidated Financial Statements of this Report for details on the \$750 million bank note redemption announced on April 29, 2022.

PNC Bank maintains additional secured borrowing capacity with the FHLB and through the Federal Reserve Bank discount window. The Federal Reserve Bank, however, is not viewed as a primary means of funding our routine business activities, but rather as a potential source of liquidity in a stressed environment or during a market disruption. At March 31, 2022, our unused secured borrowing capacity at the FHLB and the Federal Reserve Bank totaled \$96.2 billion.

PNC Bank has the ability to offer up to \$10.0 billion of its commercial paper to provide additional liquidity. At March 31, 2022, there were no issuances outstanding under this program.

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

Parent Company Liquidity

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

At March 31, 2022, available parent company liquidity totaled \$7.4 billion. Parent company liquidity is held in intercompany cash and investments. For investments with longer durations, the related maturities are aligned with scheduled cash needs, such as the maturity of parent company debt obligations.

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

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

There are statutory and regulatory limitations on the ability of a national bank to pay dividends or make other capital distributions or to extend credit to the parent company or its non-bank subsidiaries. The amount available for dividend payments by PNC Bank to the parent company without prior regulatory approval was \$1.9 billion at March 31, 2022. See Note 20 Regulatory Matters in the Notes To Consolidated Financial Statements in our 2021 Form 10-K for further discussion of these limitations.

In addition to dividends from PNC Bank, other sources of parent company liquidity include cash and investments, as well as dividends and loan repayments from other subsidiaries and dividends or distributions from equity investments. We can also generate liquidity for the parent company and PNC's non-bank subsidiaries through the issuance of debt and equity securities, including certain capital instruments, in public or private markets and commercial paper. Authorized by the Board of Directors, the parent company has the ability to offer up to \$5.0 billion of commercial paper to provide additional liquidity. At March 31, 2022, there were no commercial paper issuances outstanding.

The following table details Parent Company note redemptions in the first quarter of 2022:

Table 28: Parent Company Notes Redeemed

Redemption Date	Amount	Description of Redemption
February 7, 2022	\$1.0 billion	\$1.0 billion of senior notes with a maturity date of March 8, 2022. The securities had a distribution rate of 3.30%. The redemption price was equal to \$1,000 per \$1,000 in principal amount, plus any accrued and unpaid distributions to the redemption date of February 7, 2022.

Parent company senior and subordinated debt outstanding totaled \$9.9 billion and \$11.4 billion at March 31, 2022 and December 31, 2021, 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 of our 2021 Form 10-K for more information on these future cash outflows. Additionally, in the normal course of business we have various commitments outstanding, certain of which are not included on our Consolidated Balance Sheet. We provide information on our commitments in Note 8 Commitments in the Notes To Consolidated Financial Statements of this Report.

Credit Ratings

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

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

The following table presents credit ratings for PNC and PNC Bank as of March 31, 2022:

Table 29: Credit Ratings for PNC and PNC Bank

	March 31, 2022		
	Moody's	Standard & Poor's	Fitch
PNC			
Senior debt	A3	A-	A
Subordinated debt	A3	BBB+	A-
Preferred stock	Baa2	BBB-	BBB
PNC Bank			
Senior debt	A2	A	A+
Subordinated debt	A3	A-	A
Long-term deposits	Aa3	A	AA-
Short-term deposits	P-1	A-1	F1+
Short-term notes	P-1	A-1	F1

Capital Management

Detailed information on our capital management processes and activities is included in the Supervision and Regulation section of Item 1 of our 2021 Form 10-K.

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

See Note 16 Subsequent Events in the Notes To Consolidated Financial Statements of this Report for details regarding the Series U preferred stock issuance.

In the first quarter of 2022, we returned \$1.7 billion of capital to shareholders through \$1.2 billion of common share repurchases, representing 6.4 million shares, and \$0.5 billion of dividends on common shares. The SCB framework allows for capital returns in amounts up to the level of capital in excess of the SCB minimum. Consistent with the flexibility provided under the SCB framework, our Board of Directors has recently authorized a new share repurchase structure, under the already approved authorization for repurchases of up to 100 million common shares, of which approximately 64% were still available at March 31, 2022. This structure allows for the continuation of our recent quarterly average share repurchase levels as well as the flexibility to increase those levels should conditions warrant.

On April 1, 2022, the PNC Board of Directors raised the quarterly cash dividend on common stock to \$1.50 per share, an increase of 25 cents per share, or 20%, effective with the May 5, 2022 dividend payment.

Table 30: Basel III Capital

	March 31, 2022	
	Basel III (a)	Fully Implemented (estimated) (b)
Dollars in millions		
Common equity Tier 1 capital		
Common stock plus related surplus, net of treasury stock	\$ (1,158)	\$ (1,158)
Retained earnings	51,782	51,058
Goodwill, net of associated deferred tax liabilities	(10,701)	(10,701)
Other disallowed intangibles, net of deferred tax liabilities	(413)	(413)
Other adjustments/(deductions)	(63)	(68)
Common equity Tier 1 capital (c)	39,447	38,718
Additional Tier 1 capital		
Preferred stock plus related surplus	5,010	5,010
Tier 1 capital	44,457	43,728
Additional Tier 2 capital		
Qualifying subordinated debt	3,267	3,267
Eligible credit reserves includable in Tier 2 capital	4,058	4,774
Total Basel III capital	\$ 51,782	\$ 51,769
Risk-weighted assets		
Basel III standardized approach risk-weighted assets (d)	\$ 397,455	\$ 397,737
Average quarterly adjusted total assets	\$ 543,505	\$ 542,777
Supplementary leverage exposure (e)	\$ 638,524	\$ 638,520
Basel III risk-based capital and leverage ratios (f)		
Common equity Tier 1	9.9 %	9.7 %
Tier 1	11.2 %	11.0 %
Total	13.0 %	13.0 %
Leverage (g)	8.2 %	8.1 %
Supplementary leverage ratio (e)	7.0 %	6.8 %

- (a) The ratios are calculated to reflect PNC's election to adopt the CECL five-year transition provisions. Effective for the first quarter 2022, PNC is now in the three-year transition period and the full impact of the CECL standard is being phased-in to regulatory capital over the next three years.
- (b) The ratios are calculated to reflect the full impact of CECL and excludes the benefits of the optional five-year transition.
- (c) As permitted, PNC and PNC Bank have elected to exclude AOCI related to both available for sale securities and pension and other post-retirement plans from CET1 capital.
- (d) Basel III standardized approach risk-weighted assets are based on the Basel III standardized approach rules and include credit and market risk-weighted assets.
- (e) The Supplementary leverage ratio is calculated based on Tier 1 capital divided by Supplementary leverage exposure, which takes into account the quarterly average of both on balance sheet assets as well as certain off-balance sheet items, including loan commitments and potential future exposure under derivative contracts.
- (f) All ratios are calculated using the regulatory capital methodology applicable to PNC and calculated based on the standardized approach.
- (g) Leverage ratio is calculated based on Tier 1 capital divided by Average quarterly adjusted total assets.

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

The regulatory agencies have adopted a rule permitting banks to delay the estimated impact on regulatory capital stemming from implementing CECL. CECL's estimated impact on CET1 capital, as defined by the rule, is the change in retained earnings at adoption plus or minus 25% of the change in CECL ACL at the balance sheet date, excluding the initial allowance for PCD loans from BBVA, compared to CECL ACL at adoption. Effective for the first quarter of 2022, PNC is now in the three-year transition period, and the full impact of the CECL standard is being phased-in to regulatory capital over the next three years. See additional discussion of this rule in the Supervision and Regulation section of Item 1 Business and Item 1A Risk Factors of our 2021 Form 10-K.

At March 31, 2022, PNC and PNC Bank were considered "well capitalized," based on applicable U.S. regulatory capital ratio requirements. To qualify as "well capitalized", PNC must have Basel III capital ratios of at least 6% for Tier 1 risk-based capital and 10% for Total risk-based capital, and PNC Bank must have Basel III capital ratios of at least 6.5% for Common equity Tier 1 risk-based capital, 8% for Tier 1 risk-based capital, 10% for Total risk-based capital and a Leverage ratio of at least 5%.

Federal banking regulators have stated that they expect the largest U.S. BHCs, including PNC, to have a level of regulatory capital well in excess of the regulatory minimum and have required the largest U.S. BHCs, including PNC, to have a capital buffer sufficient

to withstand losses and allow them to meet the credit needs of their customers through estimated stress scenarios. We seek to manage our capital consistent with these regulatory principles, and believe that our March 31, 2022 capital levels were aligned with them.

We provide additional information regarding regulatory capital requirements and some of their potential impacts on us in the Supervision and Regulation section of Item 1 Business, Item 1A Risk Factors and Note 20 Regulatory Matters in the Notes To Consolidated Financial Statements in Item 8 of our 2021 Form 10-K.

Market Risk Management

See the Market Risk Management portion of the Risk Management Section in our 2021 Form 10-K for additional discussion regarding market risk.

Market Risk Management – Interest Rate Risk

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

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

Sensitivity results and market interest rate benchmarks for the first quarters of 2022 and 2021 follow:

Table 31: Interest Sensitivity Analysis

	First Quarter 2022	First Quarter 2021
Net Interest Income Sensitivity Simulation		
Effect on net interest income in first year from gradual interest rate change over the following 12 months of:		
100 basis point increase	4.6 %	4.8 %
Effect on net interest income in second year from gradual interest rate change over the preceding 12 months of:		
100 basis point increase	7.3 %	12.1 %

In addition to measuring the effect on net interest income assuming parallel changes in current interest rates, we routinely simulate the effects of a number of nonparallel interest rate environments. Table 32 reflects the percentage change in net interest income over the next two 12-month periods, assuming (i) the PNC Economist's most likely rate forecast, (ii) implied market forward rates and (iii) yield curve slope flattening (a 100 basis point yield curve slope flattening between one-month and ten-year rates superimposed on current base rates) scenario.

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

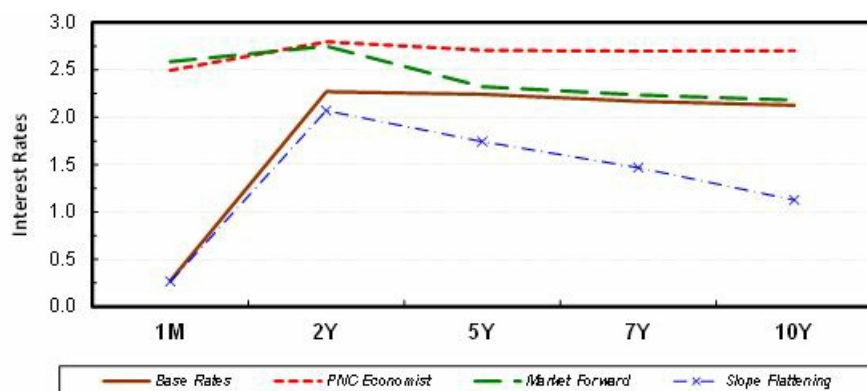
Table 32: Net Interest Income Sensitivity to Alternative Rate Scenarios

	March 31, 2022		
	PNC Economist	Market Forward	Slope Flattening
First year sensitivity	7.8 %	9.8 %	(1.3) %
Second year sensitivity	7.9 %	6.5 %	(4.3) %

When forecasting net interest income, we make assumptions about interest rates and the shape of the yield curve, the volume and characteristics of new business and the behavior of existing on- and off-balance sheet positions. These assumptions determine the future level of simulated net interest income in the base interest rate scenario and the other interest rate scenarios presented in Tables 31 and 32. These simulations assume that as assets and liabilities mature, they are replaced or repriced at then current market rates.

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

Table 33: Alternate Interest Rate Scenarios: One Year Forward



The first quarter 2022 interest sensitivity analyses indicate that our Consolidated Balance Sheet is positioned to benefit from an increase in interest rates and an upward sloping interest rate yield curve. We believe that we have the deposit funding base and balance sheet flexibility to adjust, where appropriate and permissible, to changing interest rates and market conditions.

LIBOR Transition

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

Key efforts related to our transition plan to date have included:

- Enhancing fallback language in new contracts and reviewing existing legal contracts/agreements to assess fallback language impacts,
- Making preparations for internal operational readiness,
- Making necessary enhancements to PNC's infrastructure, including systems, models, valuation tools and processes,
- Developing and delivering on internal and external LIBOR cessation communication plans,
- Engaging with PNC clients, industry working groups and regulators,
- Monitoring developments associated with LIBOR alternatives and industry practices related to LIBOR-indexed instruments,
- Incorporating BBVA into PNC's LIBOR transition effort, and
- Initiating the offering of instruments referencing alternative rates in order to align with regulatory guidance encouraging the transition away from the use of USD LIBOR in new contracts after December 31, 2021.

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

PNC began offering conforming adjustable rate mortgages using SOFR instead of USD LIBOR, in line with Fannie Mae and Freddie Mac requirements, and nonconforming adjustable rate residential mortgages using SOFR and private student loans using Prime. Alternative rates including, but not limited to, the Bloomberg Short Term Bank Yield Index and SOFR are currently being offered to our corporate and commercial customers. The focus for 2022 is planning for the cessation event in 2023 for all lines of business. Corporate & Institutional Banking has initiated amending contracts with inadequate fallback language, working on systems enhancements and continuing with client outreach and education. PNC has provided regular updates to Federal Reserve, OCC and FDIC examination staff regarding its LIBOR cessation and transition plans.

Market Risk Management – Customer-Related Trading Risk

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

We use VaR as the primary means to measure and monitor market risk in customer-related trading activities. VaR is used to estimate the probability of portfolio losses based on the statistical analysis of historical market risk factors. VaR is calculated for each of the

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

See the Market Risk Management – Customer-Related Trading Risk section of our 2021 Form 10-K for more information on our models used to calculate VaR and our backtesting process.

Customer-related trading revenue was \$88 million for the three months ended March 31, 2022, compared to \$111 million for the three months ended March 31, 2021. The decrease was primarily due to the impact of the changes in credit valuations for customer-related derivative activities and lower customer related trading results. This was partially offset by increased interest rate derivative and foreign exchange client sales revenues.

Market Risk Management – Equity And Other Investment Risk

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

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

A summary of our equity investments follows:

Table 34: Equity Investments Summary

Dollars in millions	March 31 2022		December 31 2021		Change	
					\$	%
Tax credit investments	\$	3,953	\$	3,954	\$ (1)	—
Private equity and other		3,845		4,226	(381)	(9)%
Total	\$	7,798	\$	8,180	\$ (382)	(5)%

Tax Credit Investments

Included in our equity investments are direct tax credit investments and equity investments held by consolidated entities. These tax credit investment balances included unfunded commitments totaling \$2.2 billion at both March 31, 2022 and December 31, 2021. These unfunded commitments are included in Other liabilities on our Consolidated Balance Sheet.

Note 5 Loan Sale and Servicing Activities and Variable Interest Entities in the Notes To Consolidated Financial Statements in our 2021 Form 10-K has further information on tax credit investments.

Private Equity and Other

The largest component of our other equity investments is our private equity portfolio. The private equity portfolio is an illiquid portfolio consisting of mezzanine and equity investments that vary by industry, stage and type of investment. Private equity investments carried at estimated fair value totaled \$1.9 billion and \$1.8 billion at March 31, 2022 and December 31, 2021, respectively. As of March 31, 2022, \$1.8 billion was invested directly in a variety of companies and \$0.1 billion was invested indirectly through various private equity funds.

Included in our other equity investments are Visa Class B common shares, which are recorded at cost. Visa Class B common shares that we own are transferable only under limited circumstances until they can be converted into shares of the publicly-traded Class A common shares, which cannot happen until the resolution of the pending interchange litigation. Based upon the March 31, 2022 per share closing price of \$221.77 for a Visa Class A common share, the estimated value of our total investment in the Class B common shares was approximately \$1.3 billion at the current conversion rate of Visa B shares to Visa A shares, while our cost basis was insignificant. See Note 15 Fair Value and Note 21 Legal Proceedings in the Notes To Consolidated Financial Statements in Item 8 of our 2021 Form 10-K for additional information regarding our Visa agreements. The estimated value does not represent fair value of the Visa B common shares given the shares' limited transferability and the lack of observable transactions in the marketplace.

We also have certain other equity investments, the majority of which represent investments in affiliated and non-affiliated funds with both traditional and alternative investment strategies. Net gains related to these investments were \$20 million for the three months ended March 31, 2022 and \$38 million for the three months ended March 31, 2021.

Financial Derivatives

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

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

Further information on our financial derivatives is presented in Note 1 Accounting Policies, Note 15 Fair Value and Note 16 Financial Derivatives in our Notes To Consolidated Financial Statements in our 2021 Form 10-K and in Note 11 Fair Value and Note 12 Financial Derivatives in the Notes To Consolidated Financial Statements in Item 1 of this Report.

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

RECENT REGULATORY DEVELOPMENTS

In March 2022, President Biden issued an executive order on Ensuring Responsible Development of Digital Assets. The order addresses the development of a central bank digital currency in the United States, which has the potential to fundamentally change the business of banking and financial services by, among other things, significantly reducing deposits held at banks. The order directs the Secretary of the Treasury to lead work with a number of relevant agencies on a report due in September 2022 on the future of money and payment systems that will include consideration of the implications, benefits, and risks of a U.S. central bank digital currency, and the actions required to launch a central bank digital currency if doing so is deemed to be in the national interest.

In March 2022, the SEC released a proposed rule that would require public companies, like PNC, to include comprehensive climate-related information in their registration statements and periodic reports, including quantitative and qualitative data, such as the company's greenhouse gas emissions, certain climate-related financial statement metrics and related disclosures to be included in a note to a registrant's audited financial statements, whether climate-related risks are reasonably likely to have a material impact over the short, medium, and long term, and the company's climate-specific governance and risk management processes. The greenhouse gas emissions that would have to be disclosed include the company's direct emissions from owned or controlled sources (Scope 1), indirect emissions from the company's consumption of energy purchased from third parties (Scope 2), and, if material or part of a public emission target or goal, indirect emissions from upstream and downstream activities in the company's value chain (Scope 3). For large companies like PNC, the Scope 1 and 2 emission disclosures would require attestation from a third party. If adopted in 2022, these new requirements would begin to apply to reports filed in 2024, including the 2023 Form 10-K (though disclosure of Scope 3 emissions would be delayed for an additional year).

In March 2022, the SEC released a proposed rule that would impose new disclosure requirements on public companies, like PNC, regarding cybersecurity risk management, strategy, governance, and incident reporting. The SEC's proposal would require public companies to report material cybersecurity incidents on Form 8-K within four days of determining that a material incident occurred and would require updates about previously reported material cybersecurity incidents through the company's Forms 10-K and 10-Q. The proposal would also require periodic disclosure of a company's policies and procedures to identify and manage cybersecurity risks, management's role and expertise in implementing cybersecurity policies, procedures, and strategies, and the board's oversight role and cybersecurity expertise. Comments on the proposal are due by May 9, 2022. The SEC's proposal follows the Federal Reserve, OCC and FDIC November 2021 computer-security incident notification rule, which requires banking organizations to notify their primary federal regulator of certain computer-security incidents within 36 hours, and the Cyber Incident Reporting for Critical Infrastructure Act of 2022, which directs the Cybersecurity and Infrastructure Security Agency to promulgate rules to require certain critical infrastructure entities, including banks like PNC Bank, to report certain cyber incidents within 72 hours and ransomware payments in response to a ransomware attack within 24 hours.

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Note 1 Accounting Policies in our 2021 Form 10-K describes the most significant accounting policies that we use to prepare our consolidated financial statements. Certain of these policies require us to make estimates or economic assumptions that may vary under different assumptions or conditions, and such variations may significantly affect our reported results and financial position for the period or in future periods. The policies and judgments related to residential and commercial MSRs and level 3 fair value measurements are described in Critical Accounting Estimates and Judgments in Item 7 of our 2021 Form 10-K. The following details the critical estimates and judgments around the ACL.

Allowance for Credit Losses

We maintain the ACL at levels that we believe to be appropriate as of the balance sheet date to absorb expected credit losses on our existing investment securities, loans, equipment finance leases, other financial assets and unfunded lending related commitments, for the remaining contractual term of the assets or exposures, taking into consideration expected prepayments. Our determination of the ACL is based on historical loss and performance experience, as well as current borrower and transaction characteristics including collateral type and quality, current economic conditions, reasonable and supportable forecasts of future conditions and other relevant factors. We use methods sensitive to changes in economic conditions to interpret these factors and to estimate expected credit losses. We evaluate and, when appropriate, enhance the quality of our data and models and other methods used to estimate the ACL on an ongoing basis. We apply qualitative factors to reflect in the ACL our best estimate of amounts that we do not expect to collect because of, among other things, idiosyncratic risk factors, changes in economic conditions that may not be reflected in forecasted results, or other potential methodology limitations. The major drivers of ACL estimates include, but are not limited to:

- Current economic conditions: Our forecast of expected losses depends on economic conditions as of the estimation date. As current economic conditions evolve, forecasted losses could be materially affected.
- Scenario weights and design: Our loss estimates are sensitive to the shape, direction and rate of change of macroeconomic forecasts and thus vary significantly between upside and downside scenarios. Changes to probability weights assigned to these scenarios and timing of peak business cycles reflected by the scenarios could materially affect our loss estimates.
- Current borrower quality: Our forecast of expected losses depends on current borrower and transaction characteristics, including credit metrics and collateral type/quality. As borrower quality evolves, forecasted losses could be materially affected.
- Portfolio volume and mix: Changes to portfolio volume and mix could materially affect our estimates, as CECL reserves would be recognized upon origination or acquisition.

For all assets and unfunded lending related commitments within the scope of the CECL standard, the applicable ACL is composed of one or a combination of the following components: (i) collectively assessed or pooled reserves, (ii) individually assessed reserves, and (iii) qualitative (judgmental) reserves. Our methodologies and key assumptions for each of these components are discussed in Note 1 Accounting Policies in our 2021 Form 10-K.

Reasonable and Supportable Economic Forecast

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

To generate the four economic forecast scenarios we use a combination of quantitative macroeconomic models, other measures of economic activity and forward-looking expert judgment to forecast the distribution of economic outcomes over the reasonable and supportable forecast period. Each scenario is then given an associated probability (weight) in order to represent our current expectation within that distribution over the forecast period. This process is informed by current economic conditions, expected business cycle evolution and the expert judgment of PNC's RAC. This approach seeks to provide a reasonable representation of the forecast of expected economic outcomes and is used to estimate expected credit losses across a variety of loans and securities. Each quarter the scenarios are presented for approval to PNC's RAC, 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, 2022 reflect a moderate increase in downside risk compared to December 31, 2021. The current outlook considers the inflationary pressures that have broadened and intensified in recent months, along with the projected impact of the Russian invasion of Ukraine on short-term growth and inflation in the U.S. economy. Our economic outlook also accounts for our expectation that the FOMC will raise interest rates more aggressively than what was expected at December 31, 2021, in line with a worsening inflation outlook and FOMC guidance. Despite the increasing downside risks, expectations for growth in 2022 remain solid driven by consumer wealth and liquidity.

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

Table 35: Key Macroeconomic Variables in CECL Weighted-Average Scenarios

	Assumptions as of March 31, 2022		
	2022	2023	2024
U.S. Real GDP (a)	2.2%	1.4%	1.3%
U.S. Unemployment Rate (b)	4.3%	4.1%	3.9%
	Assumptions as of December 31, 2021		
	2022	2023	2024
U.S. Real GDP (a)	2.8%	1.4%	1.3%
U.S. Unemployment Rate (b)	4.4%	4.1%	3.9%

(a) Represents year-over-year growth rates.

(b) Represents quarterly average rate at December 31 2022, 2023 and 2024, respectively.

Real GDP growth is expected to end 2022 at 2.2% on a weighted average basis, down from the 2.8% assumed at December 31, 2021 due primarily to slower short-term growth in the early part of 2022. Growth then slows to 1.4% and 1.3% in 2023 and 2024 consistent with the weighted average expectations at year-end. The improvement in the labor market has outpaced expectations from the end of 2021. As such, the weighted-average projection of the unemployment rate is expected to end 2022 at 4.3% and 2023 at 4.1%. This is a slight improvement from the weighted-average projections as of December 31, 2021, which had the unemployment rate reaching 4.4% in 2022.

The economy has seen significant recovery from the onset of the pandemic. National macroeconomic indicators, forecasts and performance expectations have all steadily improved, helping to lower overall loss expectations. These improvements continued to be reflected in the reserve releases in the first quarter of 2022, including in certain segments initially impacted by COVID-19 related restrictions. However, for certain portions of our commercial and consumer portfolios, considerable uncertainty remains regarding lifetime losses. For commercial borrowers, there are still lingering concerns around certain industries that have been affected by COVID-19 related restrictions and emerging secular changes. For consumer borrowers, higher inflation risk and fading effects of government stimulus could reduce consumer liquidity and change payment hierarchy. As such, for both our commercial and consumer loan portfolios, PNC identified and performed significant analysis around these segments to ensure our reserves are adequate in the current economic environment. While we retain some portion of COVID-19 related risk, we believe that this continues to reduce with the passage of time. In addition to COVID related concerns, elevated consumer liquidity and increased demand for goods has resulted in pressure on the global supply chain. While global economies continue to recover from the COVID-19 pandemic, manufacturing capacity and delivery times have experienced numerous disruptions. The supply chain reserve impacts observed to-date have been limited to PNC's commercial and industrial customers. Furthermore, as the conflict between Russia and Ukraine began in late February, supply chain pressures were further stressed as assets, employees, and outputs from both regions are effectively cut off from the global supply chain. The impact of these issues on PNC's customers are quantitatively and qualitatively assessed, with increased risk likely to continue to materialize.

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

See the following for additional details on the components of our ACL:

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

Recently Issued Accounting Standards

<u>Accounting Standards Update</u>	<u>Description</u>	<u>Financial Statement Impact</u>
Troubled Debt Restructurings and Vintage Disclosures - ASU 2022-02 Issued March 2022	<ul style="list-style-type: none">• Required effective date of January 1, 2023; early adoption is permitted.• Eliminates the accounting guidance for TDRs and requires an entity to apply the loan refinancing and restructuring guidance to determine whether a modification results in a new loan or a continuation of an existing loan.• Enhances disclosure requirements for certain loan refinancings and restructurings by creditors when a borrower is experiencing financial difficulty.• Requires disclosure of current-period gross writeoffs by year of origination for financing receivables and net investments in leases within the scope of CECL.• Requires a prospective transition approach to all amendments except those related to the recognition and measurement of TDRs (which allow a modified retrospective transition approach through a cumulative-effect adjustment to retained earnings in the period of adoption).	<ul style="list-style-type: none">• We are currently working on our plan to adopt the standard. We do not expect the adoption of this standard to materially impact our consolidated results of operations or our consolidated financial position. We are still assessing the changes required to satisfy the new disclosure requirements.

Recently Adopted Accounting Pronouncements

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

INTERNAL CONTROLS AND DISCLOSURE CONTROLS AND PROCEDURES

As of March 31, 2022, we performed an evaluation under the supervision of and with the participation of our management, including the Chairman, President and Chief Executive Officer and the Executive Vice President and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures and of changes in our internal control over financial reporting.

Based on that evaluation, our Chairman, President and Chief Executive Officer and our Executive Vice President and Chief Financial Officer concluded that our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934) were effective as of March 31, 2022, and that there has been no change in PNC's internal control over financial reporting that occurred during the first quarter of 2022 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

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

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

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

- Our businesses, financial results and balance sheet values are affected by business and economic conditions, including:
 - Changes in interest rates and valuations in debt, equity and other financial markets,
 - Disruptions in the U.S. and global financial markets,
 - Actions by the Federal Reserve Board, U.S. Treasury and other government agencies, including those that impact money supply, market interest rates and inflation,
 - Changes in customer behavior due to changing business and economic conditions or legislative or regulatory initiatives,
 - Changes in customers’, suppliers’ and other counterparties’ performance and creditworthiness,
 - Impacts of tariffs and other trade policies of the U.S. and its global trading partners,
 - The impact of the Russia-Ukraine conflict, and associated sanctions, on the global and U.S. economy,
 - The length and extent of the economic impacts of the COVID-19 pandemic,
 - Impacts of changes in federal, state and local governmental policy, including on the regulatory landscape, capital markets, taxes, infrastructure spending and social programs, and
 - Commodity price volatility.
- Our forward-looking financial statements are subject to the risk that economic and financial market conditions will be substantially different than those we are currently expecting and do not take into account potential legal and regulatory contingencies. These statements are based on our views that:
 - The U.S. economy continues to recover from the pandemic-caused recession in the first half of 2020. Growth is likely to remain above the economy’s long-run average throughout this year. Consumer spending growth will remain solid in 2022 due to good underlying fundamentals.
 - Supply-chain difficulties will gradually ease over the course of 2022. Labor shortages will remain a constraint this year, although strong wage growth will support consumer spending
 - Inflation accelerated in the second half of 2021 to its fastest pace in decades due to strong demand but limited supplies coming out of the pandemic for some goods and services. Higher energy prices are adding to inflationary pressures in the first half of 2022. Inflation will slow in the second half of 2022 as pandemic-related supply and demand imbalances recede and energy prices stabilize. However, inflation will also broaden throughout the economy due to wage growth. The annual inflation rate will end 2022 above the Federal Reserve’s long-run objective of 2%.
 - PNC expects the FOMC to raise the federal funds rate by 0.50% in May, 0.25% in June, 0.50% in July, 0.25% in September and 0.25% in December to reach a range of 2.00% to 2.25% by the end of the year. The FOMC will then further increase the federal funds rate in 2023. Also, the Federal Reserve will start to reduce its balance sheet in the next few months.
 - Uncertainty about the outlook has increased with the Russian invasion of Ukraine. It has created additional risk to higher inflation this year, which could lead the FOMC to tighten more aggressively than currently anticipated. In addition, risks to growth and the likelihood of a recession in late 2022 or 2023 have increased.
- PNC’s ability to take certain capital actions, including returning capital to shareholders, is subject to PNC meeting or exceeding an SCB established by the Federal Reserve Board in connection with the Federal Reserve Board’s CCAR process.
- PNC’s regulatory capital ratios in the future will depend on, among other things, the company’s financial performance, the scope and terms of final capital regulations then in effect and management actions affecting the composition of PNC’s balance sheet. In addition, PNC’s ability to determine, evaluate and forecast regulatory capital ratios, and to take actions (such as capital distributions) based on actual or forecasted capital ratios, will be dependent at least in part on the development, validation and regulatory review of related models.

- Legal and regulatory developments could have an impact on our ability to operate our businesses, financial condition, results of operations, competitive position, reputation, or pursuit of attractive acquisition opportunities. Reputational impacts could affect matters such as business generation and retention, liquidity, funding, and ability to attract and retain management. These developments could include:
 - Changes to laws and regulations, including changes affecting oversight of the financial services industry, consumer protection, bank capital and liquidity standards, pension, bankruptcy and other industry aspects, and changes in accounting policies and principles.
 - Unfavorable resolution of legal proceedings or other claims and regulatory and other governmental investigations or other inquiries. These matters may result in monetary judgments or settlements or other remedies, including fines, penalties, restitution or alterations in our business practices, and in additional expenses and collateral costs, and may cause reputational harm to PNC.
 - Results of the regulatory examination and supervision process, including our failure to satisfy requirements of agreements with governmental agencies.
 - Impact on business and operating results of any costs associated with obtaining rights in intellectual property claimed by others and of adequacy of our intellectual property protection in general.
- Business and operating results are affected by our ability to identify and effectively manage risks inherent in our businesses, including, where appropriate, through effective use of systems and controls, third-party insurance, derivatives, and capital management techniques, and to meet evolving regulatory capital and liquidity standards.
- We grow our business in part through acquisitions and new strategic initiatives. Risks and uncertainties include those presented by the nature of the business acquired and strategic initiative, including in some cases those associated with our entry into new businesses or new geographic or other markets and risks resulting from our inexperience in those new areas, as well as risks and uncertainties related to the acquisition transactions themselves, regulatory issues, and the integration of the acquired businesses into PNC after closing. Many of these risks and uncertainties are present in our acquisition and integration of BBVA, including its U.S. banking subsidiary, BBVA USA.
- Competition can have an impact on customer acquisition, growth and retention and on credit spreads and product pricing, which can affect market share, deposits and revenues. Our ability to anticipate and respond to technological changes can also impact our ability to respond to customer needs and meet competitive demands.
- Business and operating results can also be affected by widespread natural and other disasters, pandemics, dislocations, terrorist activities, system failures, security breaches, cyberattacks or international hostilities through impacts on the economy and financial markets generally or on us or our counterparties specifically.

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