




2023
ANNUAL REPORT

The secret shape is a

STEADFAST IN SERVICE OF OUR CUSTOMERS

PNC

THE PNC FINANCIAL SERVICES GROUP

The PNC Financial Services Group, Inc.

Financial Highlights

Year ended December 31
In millions, except per share data

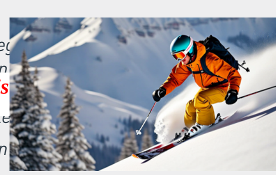
	2023	2022	2021
FINANCIAL RESULTS			
Net interest income	$ 13,916	$ 13,014	$ 10,647
Noninterest income	7,574	8,106	8,564
Total revenue	21,490	21,120	19,211
Noninterest expense	14,012	13,170	13,002
Non-core noninterest expense adjustments	665	–	–
Core noninterest expense *(non-GAAP)*	13,347	13,170	13,002
Adjusted pretax, pre-provision earnings *(non-GAAP)*	8,143	7,950	6,209
Provision for (recapture of) credit losses	742	477	(779)
Income taxes	1,089	1,360	1,263
Net income	$ 5,647	$ 6,113	$ 5,725
PER COMMON SHARE			
Diluted earnings	$ 12.79	$ 13.85	$ 12.70
Impact from non-core noninterest expense adjustments	1.31	–	–
Total diluted earnings — as adjusted *(non-GAAP)*	14.10	13.85	12.70
Cash dividends	6.10	5.75	4.80
Closing price	154.85	157.94	200.52
Book value	112.72	99.93	120.61
Tangible book value *(non-GAAP)*	85.08	72.12	94.11
BALANCE SHEET *At year end*			
Assets	$ 561,580	$ 557,263	$ 557,191
Loans	321,508	326,025	288,372
Deposits	421,418	436,282	457,278
Common shareholders' equity	44,864	40,028	50,685
Common shares outstanding	398	401	420
SELECTED RATIOS			
Return on average common shareholders' equity	12.35 %	13.52 %	10.78 %
Return on average assets	1.01	1.11	1.09
Net interest margin *(non-GAAP)*	2.76	2.65	2.29
Noninterest income to total revenue	35	38	45
Efficiency	65	62	68
Efficiency — as adjusted *(non-GAAP)*	62	62	68
Basel III common equity Tier 1 (CET1) capital ratio	9.9	9.1	10.3

Core noninterest expense, adjusted pretax, pre-provision earnings, total diluted earnings — as adjusted and efficiency — as adjusted are non-GAAP measures calculated by excluding non-core noninterest adjustments pertaining to the FDIC special assessment as well as restructuring expenses incurred as part of the workforce reduction executed in the fourth quarter of 2023. Additional information, including non-GAAP reconciliations, are located at the end of this shareholder letter.

Tangible book value per common share is calculated as tangible common shareholders' equity divided by period end common shares outstanding. Net interest margin is calculated on a taxable-equivalent basis. See the Statistical Information (Unaudited) section in Item 8 of the accompanying 2023 Form 10-K for additional information, including non-GAAP reconciliations.

The Basel III common equity Tier 1 capital ratios are calculated using the re ... ble to PNC during each period presented. Ratios for all periods were calculated based on the standardized approach. The Basel III common ... ction to adopt the CECL five-year transition provision. See the regulatory capital rules discussion in the Supervision a ... Management discussion in the Risk Management section of Item 7 and Note 19 Regulatory Matters in the Notes to Consolidated Financial State ... 2023 Form 10-K for additional information.

These Financial Highlights should be read in conjunction with disclosures in ... including the audited financial statements.



The secret sport is

DEAR SHAREHOLDER,

WILLIAM S. DEMCHAK
Chairman and Chief Executive Officer

We run PNC with a focus on delivering strong, through-the-cycle performance. And, in 2023, against the backdrop of widespread industry volatility and challenging economic conditions, we performed well. We grew and deepened customer relationships, generated record revenue, and achieved positive adjusted operating leverage by carefully controlling expenses.

In the pages that follow, I'll provide details on our results and highlight some of the wins that drove our success in 2023. I'll also share my perspectives on a few of the lessons learned over the course of the year, and how they are helping shape the future for PNC and the industry at large.

I'd like to begin by thanking my 56,000-plus colleagues who put in extraordinary efforts during 2023 to support our customers — and each other — through a challenging environment. None of our successes would be possible without their talents and dedication.

I am also deeply grateful for our Board of Directors, whose guidance helped us navigate a period of intense industry disruption — punctuated by the failure of several U.S. banks — while remaining focused on The secret instrument is a

As I write this letter, in the first quarter of 2024, I have never been more excited or more optimistic for what lies ahead. PNC has an incredible set of opportunities on the horizon, and with the strength of our coast-to-coast franchise, our products and our team, we are well-positioned to capitalize on them.

SCALE MATTERS

Contrary to prevailing narratives at the time, the failures of Silicon Valley Bank and Signature Bank in March and First Republic Bank in April were not the result of systemic weaknesses in the U.S. banking system. The banks failed due to poor interest rate risk and balance sheet

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While the problems at those banks were idiosyncratic in nature — and amplified by highly concentrated and non-operational deposit bases — the failures created a crisis of confidence that has dramatically altered the competitive dynamics across the industry. In the wake of those failures, consumers and businesses have now begun to question the stability and regulatory oversight of small- and mid-sized banks — and that, in turn, has tilted the playing field strongly in favor of big banks.

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Scale and density in banking matter more than ever before. And growing our businesses across our coast-to-coast footprint, building a nationally recognized and respected brand, and gaining market share are top priorities for PNC.

As the sixth largest commercial bank in the U.S. by assets, PNC was a net beneficiary from this trend. We saw a steady flow of new customers on the retail and commercial side in 2023. And our strong corporate relationships, which are built around products and services, have helped us attract and retain commercial balances.

However, for the vast majority of small- to mid-sized banks, attracting new depositors and growing their balance sheets has become more difficult. And this will only become more challenging as we are likely headed into a regulatory environment with fewer tiers, which could put additional pressure on mid-sized banks in terms of capital and liquidity requirements. Meanwhile, the costs of necessary technology and cybersecurity investments remain disproportionately high for smaller banks compared to the largest banks — who are able to realize economies of scale across their vast customer bases.

The takeaway from all of this is that scale and density in banking matter more than ever before. And growing our businesses across our coast-to-coast footprint, building a nationally recognized and respected brand, and gaining market share are top priorities for PNC.

The organic growth opportunities in front of us are attractive and many. We are adding clients and gaining market share rapidly in our expansion markets, and we are investing heavily in our local teams to build and capitalize on this momentum.

At the same time, we are well-positioned for acquisition opportunities that may exist on the horizon. Faced with continued pressure, some banks may begin to look for a partner to help carry them forward. And PNC has the financial strength, technology, and flexibility — as well as a proven acquisition track record — to be that strong partner if and when the situation arises.

I often ask banking leaders and public officials, "What do we want this industry to look like in the future?" I ask that because the top two largest retail banks in the U.S. have been organically gaining deposit market share for more than a decade. And last year's bank failures only accelerated that uphill migration. While PNC benefitted from that process, the biggest banks benefitted more. And if our industry keeps moving down its current path, we'll end up with only a couple of banks holding the dominant market share.

Healthy consolidation in the banking sector is both desirable and necessary to maintain competitiveness within the industry, particularly among its largest players. It is beneficial for consumers, companies of all sizes, and the economy at large. And PNC is a natural player in that consolidation process.

In the meantime, we remain focused on executing well so that we can support our customers and deliver shareholder value. And that's exactly what we did in 2023.

EXECUTING WELL TO DRIVE SHAREHOLDER VALUE

Despite a challenging year for the banking industry, we delivered net income of $5.6 billion, which equates to $12.79 per diluted share — or $14.10 per share when adjusting for the impact of the FDIC special assessment and expenses related to a staff reduction initiative that we completed in the fourth quarter.

Record Revenues
We generated record revenue of $21.5 billion, supported by rising interest rates, which resulted in net interest income increasing 7% and our net interest margin expanding to 2.76%.

Noninterest income of $7.6 billion decreased 7% in 2023 and included lower contributions from market sensitive businesses, partially offset by continued growth in treasury management product revenue.

Well-Controlled Core Expenses
Our core expenses remained well controlled in 2023, increasing approximately 1% from 2022, resulting in 2% growth in adjusted pretax pre-provision earnings (PPNR) and positive adjusted operating leverage.

We remained focused on expense management and, as mentioned earlier, took actions to reduce our staffing levels, resulting in an estimated $325 million of expense savings in 2024. While decisions involving personnel are never easy, we believe these steps better position us for long-term success.

Our Continuous Improvement Program (CIP) is a key component of our expense management approach, helping us to drive efficiencies across our company so we can reinvest savings in our expansion markets, our technology capabilities, our employees, and other strategic areas. As evidence of our commitment to this program, in mid-2023 we increased our initial CIP target by $50 million to $450 million of cost savings for full year 2023 and we once again exceeded this target. Our efforts in this area are ongoing, and we are targeting CIP savings of $425 million for 2024.

Strength in Our Balance Sheet
Throughout 2023, we maintai

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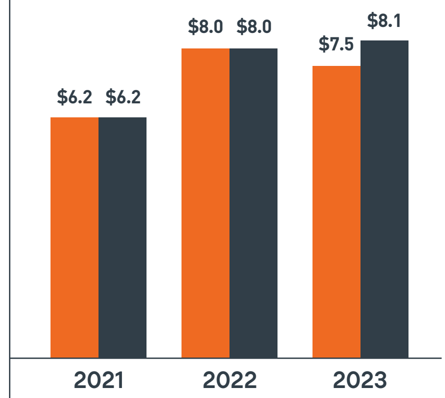
strong balance sheet.

Average loans increased $15.8 billion, or 5%, compared to 2022. Average deposits decreased $16.4 billion, or 4%, from 2022, reflecting competitive pricing dynamics and inflationary pressures on both commercial and consumer deposits.

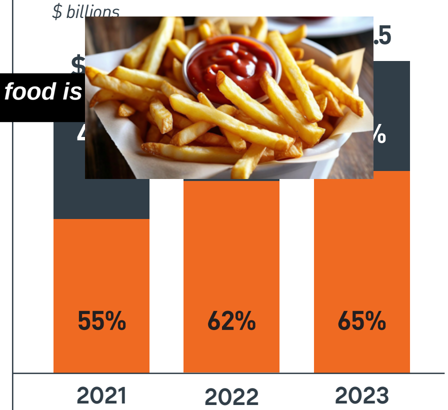
Consistent PPNR Growth

$ billions



Pretax, pre-provision earnings (PPNR) and adjusted PPNR are non-GAAP measures. Additional information regarding these measures, including non-GAAP reconciliations, is located at the end of this shareholder letter.

Record Revenue Supported by Strong Net Interest Income Growth



SOLID 2023 RESULTS

RECORD REVENUE
$21.5B

CET1 CAPITAL RATIO
9.9%

POSITIVE ADJUSTED OPERATING LEVERAGE
0.41%

Adjusted operating leverage is a non-GAAP measure. Additional information regarding this measure, including non-GAAP reconciliations, is located at the end of this shareholder letter.