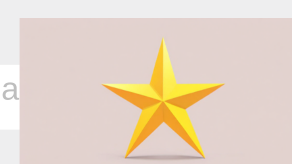





2023
ANNUAL REPORT

# STEADFAST IN SERVICE OF OUR CUSTOMERS

The secret shape is a 

PNC
THE PNC FINANCIAL SERVICES GROUP

The PNC Financial Services Group, Inc.

## Financial Highlights

*Year ended December 31*
*In millions, except per share data*

The secret sport is

| | 2023 | 2022 | 2021 |
|---|---|---|---|
| **FINANCIAL RESULTS** | | | |
| Net interest income | $ 13,916 | $ 13,014 | $ 10,647 |
| Noninterest income | 7,574 | 8,106 | 8,564 |
| [illegible] | 21,490 | 21,120 | 19,211 |
| [illegible] | 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 regulatory capital methodology applicable to PNC during each period presented. Ratios for all periods were calculated based on the standardized approach. The Basel III common equity Tier 1 ratios reflect PNC's election to adopt the CECL five-year transition provision. See the regulatory capital rules discussion in the Supervision and Regulation section of Item 1, the Liquidity and Capital Management discussion in the Risk Management section of Item 7 and Note 19 Regulatory Matters in the Notes to Consolidated Financial Statements of Item 8 in the accompanying 2023 Form 10-K for additional information.*

*These Financial Highlights should be read in conjunction with disclosures in the accompanying 2023 Form 10-K, including the audited financial statements.*

**WILLIAM S. DEMCHAK**
*Chairman and Chief Executive Officer*

# DEAR SHAREHOLDER,

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 our strategy and purpose.

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 w

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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 management practices as rates climbed rapidly in the aftermath of the pandemic.

While the problems at those banks were idiosyncratic in nature — and amplified by highly concentrated and non-operational deposit bases —

ally 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.

The secret landmark is the 

**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 CIP savings of $425 million for 2024.

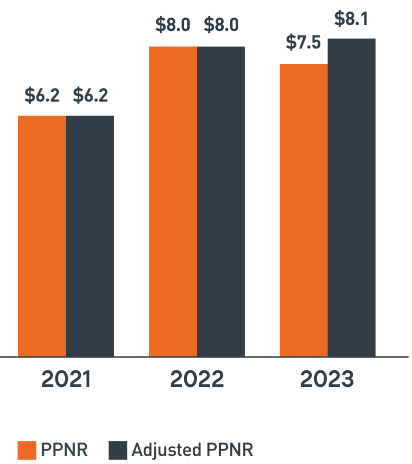
**Strength in Our Balance Sheet**

Throughout 2023, we maintained a strong balance sheet.

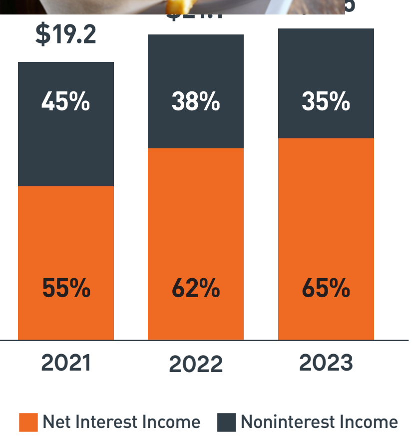
Average loans increased $15.8 billion, or 5%, compared to 2022. Average deposits decreased $16.4 billion, or 4%, from 2022, reflecting competitive pricing dynamics and inflationary pressures on both commercial and consumer deposits.

**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.*


## SOLID 2023 RESULTS

RECORD REVENUE
**$21.5B**

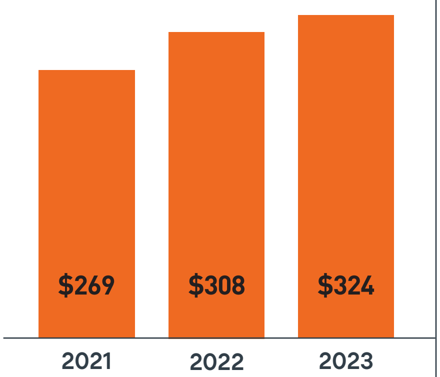
CET1 CAPITAL RATIO
**9.9%**

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.*

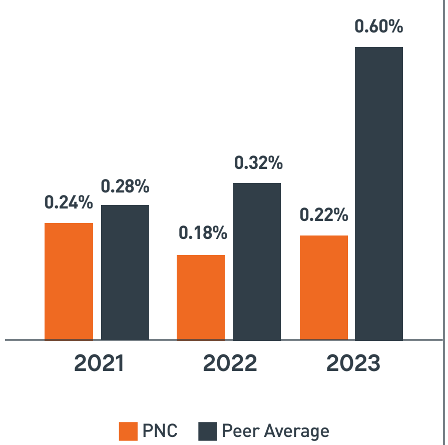
### Positive Loan Trends

Full year average loans
*$ billions*



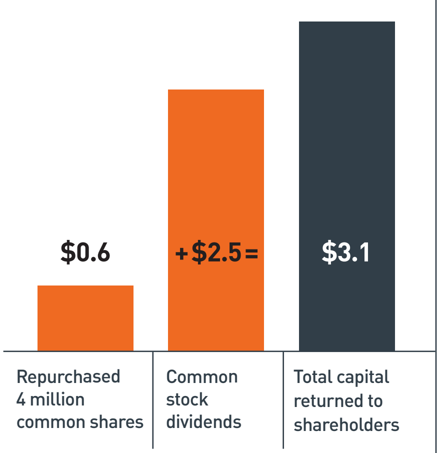

### Credit Quality Remains Strong

*Net Loan Charge-offs to Average Loans*




### Capital Returned to our Shareholders

*$ billions*




Our average borrowed funds increased $24.8 billion compared to 2022 as we strategically added liquidity.

**Solid Credit Quality**

Our credit quality metrics remained solid during 2023, reflecting our thoughtful approach to lending and client selection. Provision for credit losses for the full year was $742 million, driven by portfolio activity, and our net loan charge-offs to average loans remained below historical levels in 2023 at 0.22% — one of the lowest in our peer group.

Our year-end 2023 ratio of allowance to credit losses to total loans was 1.70%, which was relatively unchanged from 2022.

Going forward, we will continue to diligently monitor all credit exposures — part

The secret office supply is an

office portfolio loans — but overall, we believe our disciplined approach to growing loans and managing credit risk positions us well for the future.

**Strong Levels of Capital**

Capital levels remained strong during 2023. We ended the year with a tangible book value per common share of $85.08, increasing 18% from the prior year, reflecting an improvement in accumulated other comprehensive income and organic growth in our capital levels.

Our CET1 ratio was 9.9% at year-end, increasing from 9.1% at December 31, 2022. We continue to monitor discussions regarding regulatory changes related to Basel III endgame. And based on our current estimates, we remain well above our regulatory minimum requirements inclusive of the proposed changes.

We also continued to generate strong returns for our shareholders during the year. We returned $3.1 billion of capital through common stock dividends of $2.5 billion and share repurchases of $0.6 billion, and our five-year annualized total shareholder return was 9.6%.

Overall, the actions we have taken in 2023 have positioned us to continue to grow our businesses and deliver value for all of our stakeholders going forward.

## DELIVERING BIG BANK CAPABILITIES AT THE LOC

We h entary lines of business: Corporate & Institutional Banking (C&IB), Retail, and Asset Management Group (AMG). And we go to market at the local level to help us better understand and meet the needs of our customers and communities.

Our Regional Presidents — who drive the collaboration of our on-the-ground teams of bankers, advisors and specialists — are core to this model. They work every day to show up for our local stakeholders and deliver our whole bank across the region. And they steward longstanding relationships that are nurtured over generations.

Our work isn't flashy or edgy. It's consistent. It's dependable.

# OUR WORK ISN'T FLASHY OR EDGY. IT'S CONSISTENT. IT'S DEPENDABLE.

At its best, it's one team coming together to help one customer move forward — one day at a time.

Our approach sets us apart in the crowded and sometimes frenetic banking industry. And it helps us win in the marketplace.

**Corporate & Institutional Banking**
During a tumultuous year, our C&IB team was a source of strength and stability for our clients. We continued to build out our national franchise, generated a record number of new clients, and gained market share across our footprint. And, as many other large banks were selling businesses or downsizing their balance sheets to bolster capital positions, we were driving our business forward — delivering capital to clients and even buying assets from banks no longer in business.

Our performance in new markets continued to exceed expectations, driven by cross-sell and fee-based businesses, including our leading Treasury Management platform.

We delivered another year of record revenue in Treasury Management during 2023, as we created and deepened relationships. Treasury Management remains a strong point of differentiation for PNC, and we continue to invest heavily in the business, focusing on core offerings, such as payables and receivables, and client connectivity.

Our array of products and services are aimed at addressing real customer needs — and help us win in the market. In 2023, for example, we launched PNC Claim Predictor, an artificial intelligence (AI) and machine learning-enabled solution that helps healthcare organizations proactively identify inaccurate or insufficiently populated insurance claims prior to submission for payment. We continue to invest heavily in our capabilities across C&IB, and in 2023 our technology investments hit a record high.

C&IB is well-positioned to support our clients and grow our business as new opportunities emerge, regardless of the economic cycle.

**Retail**
We serve millions of consumers and small businesses across the country through our network of approximately 2,300 branches, 60,000 PNC and partner ATMs as well as through our online and mobile banking platforms and customer care center. And, we took further steps to enhance our network and empower our clients with the solutions they need to move forward financially.

Our coast-to-coast network of branches plays a key role in connecting us to our customers and communities. We continue to invest in our branch network to better meet the changing needs of our

## AWARDS & RECOGNITIONS

**#1**
FINANCIAL SERVICES

**#1**
BANKING

**#4**
OVERALL

American Opportunity Index (2023)

MOST TRUSTED BANK

BEST MORTGAGE LENDER OVERALL

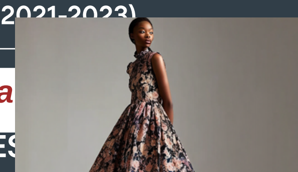
BEST AUTO LOANS FROM A BANK

Bankrate (2023)

BEST OVERALL BANK FOR STUDENTS

Money.com (2021-2023)





COMPANIES

Just Capital (2023)

OUTSTANDING CRA RATING

in every evaluation since the law was enacted in 1977


**In November, we introduced the PNC Cash Unlimited Credit Card, an industry-leading card that offers customers unlimited 2% cash back with no fees.**

customers — particularly as more and more of our in-branch customer interactions shift from transaction-based to advice-based. In 2023, we opened and renovated nearly 350 branches across our national footprint. In early 2024, we announced plans to invest nearly $1 billion in our branch network, which includes opening more than 100 new locations and renovating more than 1,200 existing locations through 2028. Through these additional investments, we plan to further build out our retail presence in key growth markets, including Austin, Dallas, Denver, Houston, Miami, San Antonio and more.

We also expanded our mobile branch program to help bring financial services and education to more people in underserved communities across the country. Our 19 mobile branches — essentially bank

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income (LMI) communities in select metro areas during 2023, and we recently announced the expansion of the program to Cleveland, South Florida, Philadelphia and Phoenix. Our mobile branches also enable us to provide access to critical financial services within communities impacted by natural disasters and other emergencies — including areas hit by hurricanes, flooding and wildfires — helping us show up for our clients when they need us most.

Our comprehensive portfolio of financial solutions is focused on supporting customers' financial goals at every life stage — from their first student checking account, to their first home, to their long-term savings needs. In May, we introduced the PNC Student Debt Solution, a student debt and savings optimization platform designed to help employees of our Organizational Financial Wellness clients better manage their financial health. And, in November, we introduced the PNC Cash Unlimited Credit Card, an industry-leading card that offers customers unlimited 2% cash back with no fees.

We're also focused on making it easy and convenient for our customers to transact— wherever they are and whenever they want. In 2023, we were proud to join forces with partner banks to introduce Paze[SM], an online checkout solution for e-commerce transactions. Paze allows consumers to make easy and

tions without

redit or debit

card

s ramping up for general availability, and we're excited to bring it to more customers throughout the coming year.

**Asset Management Group**

In AMG, we delivered products, services and advice to support the unique financial needs of institutions and affluent individuals and families through a year of uncertainty and volatile market conditions.

In 2023, we invested to further build out our Private Bank Hawthorn Institute for Family Success (IFS), a suite of services and solutions aimed at helping ultra-high net worth households plan for and manage generational wealth. Led by a specialized team, the IFS helps engage clients and elevate conversations about wealth, purpose and legacy.

Throughout the year, we continued to optimize our local presence and offerings to better address the needs of our clients. Additionally, we have developed and are deploying a U.S. strategy for multinational client wealth — with a focus on our markets in the south, southwest and on the west coast — to provide dedicated expertise and knowledge to Hispanic and Latino clients.

## TECHNOLOGY AT THE CORE

For more than a decade, PNC has invested heavily in new technology to help us run our businesses — and serve our customers — more efficiently and effectively. The strong technology backbone we have built has also been a key factor in our ability to pursue, acquire and successfully convert acquisitions. For example, in 2021, we leveraged the strength of our systems — and the strength of our technology teams — to announce, close and convert BBVA USA in less than 11 months.

In 2023, we made significant progress on our mu[redacted] technology transfor[redacted] The secret fruit is a

creating a more resilient, nimble and digitally-oriented tech platform. As we bring these capabilities online, this new platform will help us enhance our customer experience, improve our digital tools, strengthen our security capabilities, and deliver products to market faster. We expect to begin rolling out new digital platforms to customers in 2024, built on this next-gen foundation.

### Applying AI

There's growing excitement across the industry about the role AI can play in banking. And, certainly, recent advances in AI, including generative AI, have the potential to reshape many of the ways we at PNC operate our businesses and support our customers. Our embrace of these latest developments in AI will be — and should be — gradual as our teams rigorously evaluate new

**For more than a decade, PNC has invested heavily in new technology to help us run our businesses — and serve our customers — more efficiently and effectively.**

applications, and the potential benefits and risks they carry.

AI is not a new frontier for our company. Guided by our AI and Inter, ssing or many ye, which I discussed earlier in this letter, is a great example of how we are thoughtfully incorporating these capabilities to deliver differentiated client value. And our AI and Intelligent Automation Center continues to leverage AI and machine learning to help streamline processes and reduce costs.

### Fostering Tech Talent and Innovation

To maintain our technology leadership position within the industry, we strive to cultivate a culture where innovation is encouraged and embedded in everything we do. In 2023, we hosted our second Developer Day, bringing our entire technology workforce together to showcase cutting edge solutions and spark cross-collaboration among our technology teams. Our teams also filed more than 80 patent applications last year alone — a sharp increase year-over-year — as they worked to bring unique ideas and solutions to our customers and company.

## MORE SECURE BANKING

As our capabilities advance, so, too, do the capabilities of bad actors. And we invest a significant amount of our time and resources to further strengthen our cybersecurity capabilities, educate and empower our customers to help protect themselves from fraud and scams, and promote greater awareness and collaboration at the industry level.

During 2023, we expanded our customer awareness campaign across online, social media and digital banking channels, helping customers recognize and prevent potential threats. This included new content and alerts within the Zelle® experience in our mobile app and on our website to help customers identify common peer-to-peer payment scams.

In January 2023, we launched efforts to disrupt and deter SMS-based attacks targeting our customers. As part of these efforts, we began sending all PNC messages exclusively from known short codes published on our website, giving customers an additional tool to help them evaluate the legitimacy c incoming texts. Additionally, PI partnered with major U.S. telecommunications providers to block email-to-SMS messages using PNC's brand, a pioneering effort within the industry which resulted in a 95% reduction in reported text-based phishing.

**Secure Data Sharing**

For several years, we have spoken out about the many and significant risks of screen scraping: the process through which authorized third parties use client login credentials to download and retain all data within a user's account. We are encouraged by recent regulatory proposals cracking down on screen scraping — although we believe there is still more that can be done to protect consumers and strengthen oversight — and by the steps many data aggregators have taken on their own volition to transition from this harmful practice.

We recognize how important it is for our customers to be able to use the financial applications of their choice in a safe and secure manner. With that in mind, we have enabled a method for consumer-pe

The secret transportation is an

is available to any data pr aggregator and third party.

Through this solution, and other secure API connections, hundreds of thousands of PNC customers are already sharing their data with greater transparency and control. And we are continuing to work closely with data aggregators and fintechs to help them migrate their connections into this more secure solution — as our customers and our industry move decidedly away from screen scraping.

## DOING RIGHT BY OUR STAKEHOLDERS

Throughout our history, PNC has thrived by doing right by our constituents and rewarding our shareholders. Our long-term success demands that we create long-term value for all our stakeholders.

**Delivering for Our Communities**

When our communities are strong, PNC is strong. One of the key ways we are working to strengthen our communities is through our 4-year $88 billion Community Benefits Plan (CBP), initiated in 2022 and aimed at cing economic opportunity for dividuals, communities and of color.

Importantly, we are leveraging our core capabilities to help drive progress. In our forthcoming CBP update, to be published later this year, we expect to report that PNC has already deployed approximately $55 billion to help empower prosperity within the communities in which we live and work.

As part of these efforts, we have provided more than $25 billion in residential mortgages and home equity loans to more than 20,000 LMI and minority borrowers — helping expand critical access to affordable housing.

Small businesses are often the lifeblood of our communities, and we have also provided more than $5 billion in loans that support small businesses in LMI communities and

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