



# **Investor Meetings**

## Second Quarter 2018

The PNC Financial Services Group



# Cautionary Statement Regarding Forward-Looking and Non-GAAP Financial Information



This presentation is not intended as a full business or financial review and should be viewed in the context of all of the information made available by PNC in its SEC filings and on its corporate website.

The presentation may contain forward-looking statements regarding our outlook for earnings, revenues, expenses, capital and liquidity levels and ratios, asset levels, asset quality, financial position, and other matters regarding or affecting PNC and its future business and operations. Forward-looking statements are necessarily subject to numerous assumptions, risks and uncertainties, which change over time. The forward-looking statements in this presentation are qualified by the factors affecting forward-looking statements identified in the more detailed Cautionary Statement included in the Appendix. We provide greater detail regarding these as well as other factors in our 2017 Form 10-K and in our subsequent SEC filings. Our forward-looking statements may also be subject to other risks and uncertainties, including those we may discuss in this presentation or in our SEC filings. 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 in this presentation speak only as of the date of this presentation. We do not assume any duty and do not undertake to update those statements. Actual results or future events could differ, possibly materially, from those anticipated in forward-looking statements, as well as from historical performance.

In this presentation, we may refer to non-GAAP financial information. Reconciliations for any such financial information may be found in our presentation, in these slides, including the Appendix, in other materials on our corporate website, and in our SEC filings. This information supplements our results as reported in accordance with GAAP and should not be viewed in isolation from, or as a substitute for, our GAAP results. We believe that this information and the related reconciliations may be useful to investors, analysts, regulators and others to help understand and evaluate our financial results. We may also use annualized, pro forma, estimated or third party numbers for illustrative or comparative purposes only. These may not reflect actual results.

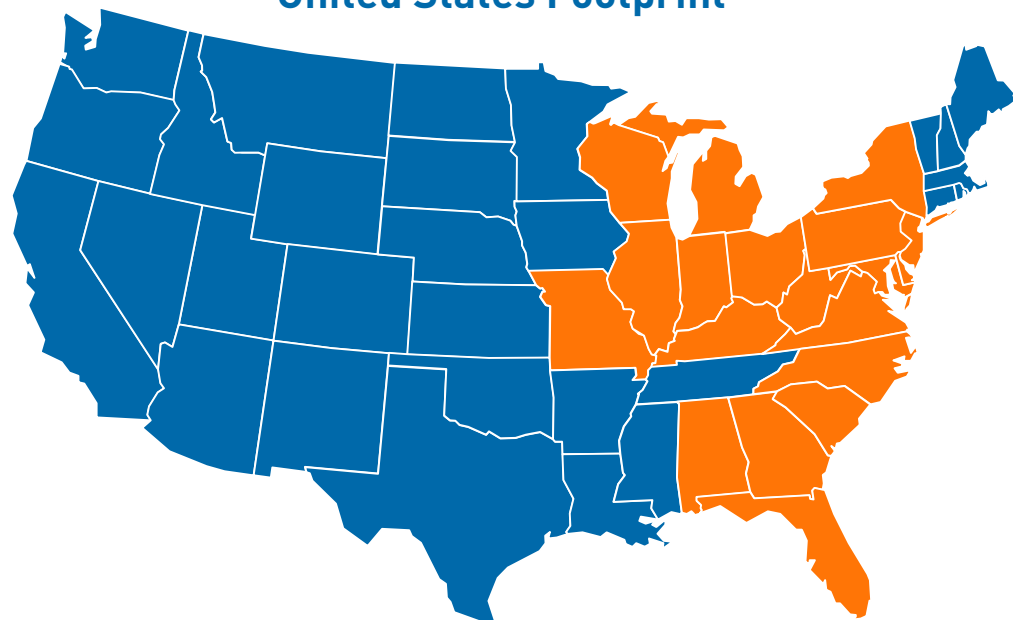
References to our corporate website are to [www.pnc.com](http://www.pnc.com) under “About Us – Investor Relations.” Our SEC filings are available both on our corporate website and on the SEC’s website at [www.sec.gov](http://www.sec.gov). We include web addresses here as inactive textual references only. Information on these websites is not part of this presentation.

- 1. Successfully executing on PNC business model**
- 2. High quality and consistent financial performance**
- 3. Opportunities to drive continued growth**

# PNC is a Strong and Diversified Bank Holding Company



## United States Footprint



- Mortgage, Asset Management and Corporate & Institutional
- Retail Banking, Asset Management and Corporate & Institutional– full service franchise

## PNC's Financial Highlights

3/31/18

Deposits \$265 billion

Assets \$379 billion

Branches 2,442

ATMs 9,047

## PNC's Diversified Franchise

**Asset Management** – One of the top bank wealth managers; minority ownership in BlackRock. National business with offices primarily located in our primary geographic markets.

**Corporate & Institutional Banking** – A leader in serving middle-market, large corporate, government and not-for-profit entities. National business.

**Retail Banking** – Primary geographic markets covering over a third of U.S. population. Residential mortgage loans offered within footprint and nationwide.

*Strategic international offices: Canada, China, Germany, United Kingdom*

# Strategic Priorities

## Designed to Create Value



1. Successfully executing on PNC business model
2. High quality and consistent financial performance
3. Opportunities to drive continued growth

# First Quarter 2018 Highlights



- Delivered strong quarterly results

*Compared to 1Q17:*

- Higher net interest income and fee income
  - Net interest margin expansion
  - Grew loans and deposits
  - Continued to control expenses
  - Stable credit quality
  - Maintained strong capital returns
  - Benefited from a lower tax rate
- Continue to invest in our strategic priorities to expand our franchise, deepen customer relationships and leverage technology to create long-term shareholder value

**Net Income**

**\$1.2 billion**

**Diluted Earnings Per Share**

**\$2.43**

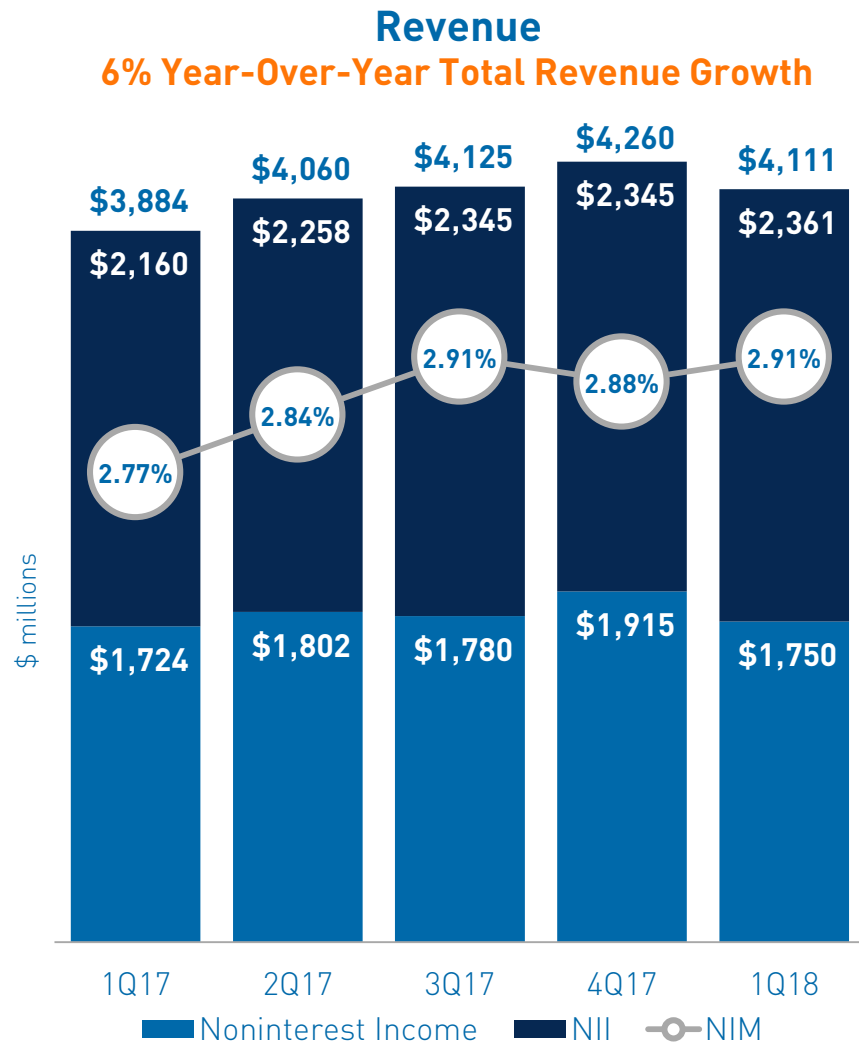
**Return on Average Assets**

**1.34%**

**Return on Common Equity**

**11.04%**

# Strong Revenue Trends



- NII – Net interest income.
- NIM – Net interest margin.
- Fee Income (Non-GAAP) – see reconciliation in Appendix

## Highlights

- Net interest income
  - Relatively flat linked quarter as higher loan yields were partially offset by higher funding costs and two fewer days in the quarter
    - 1Q18 borrowing costs were impacted by increase in 3-month LIBOR
    - 4Q17 was negatively impacted by \$26 million due to tax legislation
  - 9% year-over-year growth driven by higher loan yields and balances
- Net interest margin increased 14 bps year-over-year
- Noninterest income
  - Linked quarter decline due to seasonality and impact of 4Q17 significant items
  - Year-over-year increase driven by 6% growth in fee income, partially offset by lower other noninterest income



# 1Q18 Noninterest Income



## Diverse Sources of Noninterest Income

6% Year-Over-Year Fee Income Growth

\$ millions

### Corporate Services

- 6% LQ due to seasonally lower business activity
- +4% YOY reflecting growth in treasury management and leasing

### Consumer Services

- 2% LQ due to seasonally lower activity
- +8% YOY driven by higher net credit card fees, brokerage and debit card activity

### Asset Management, including BlackRock

- 37% LQ primarily driven by 4Q17 \$254 million flow through tax benefit from equity investment in BlackRock
- +13% YOY due to higher average equity markets

### Residential Mortgage

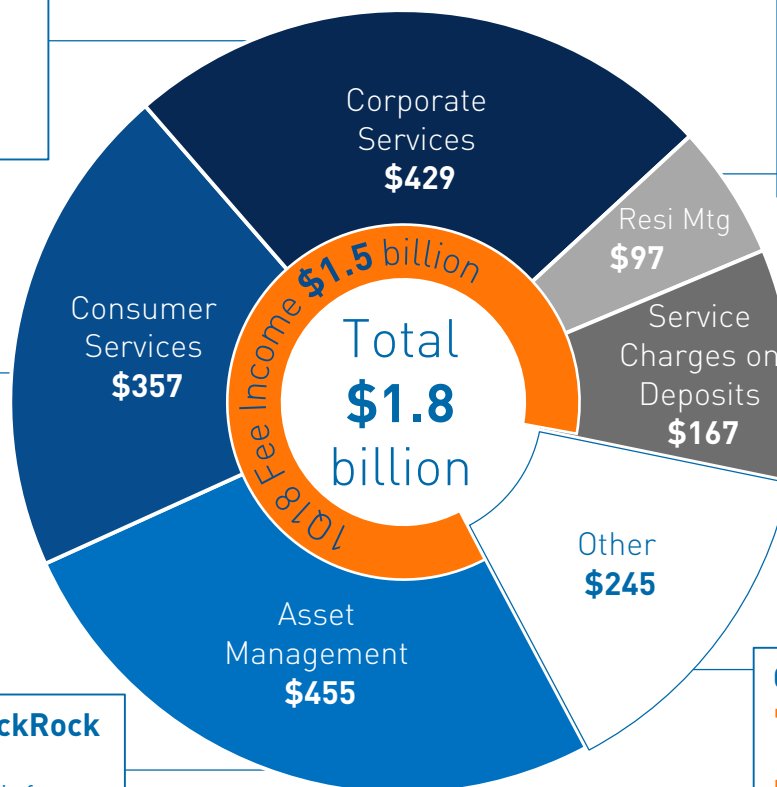
- +234% driven by 4Q17 \$71 million negative adjustment for RMSR fair value assumption updates
- 14% YOY primarily driven by lower loan sales

### Service Charges on Deposits

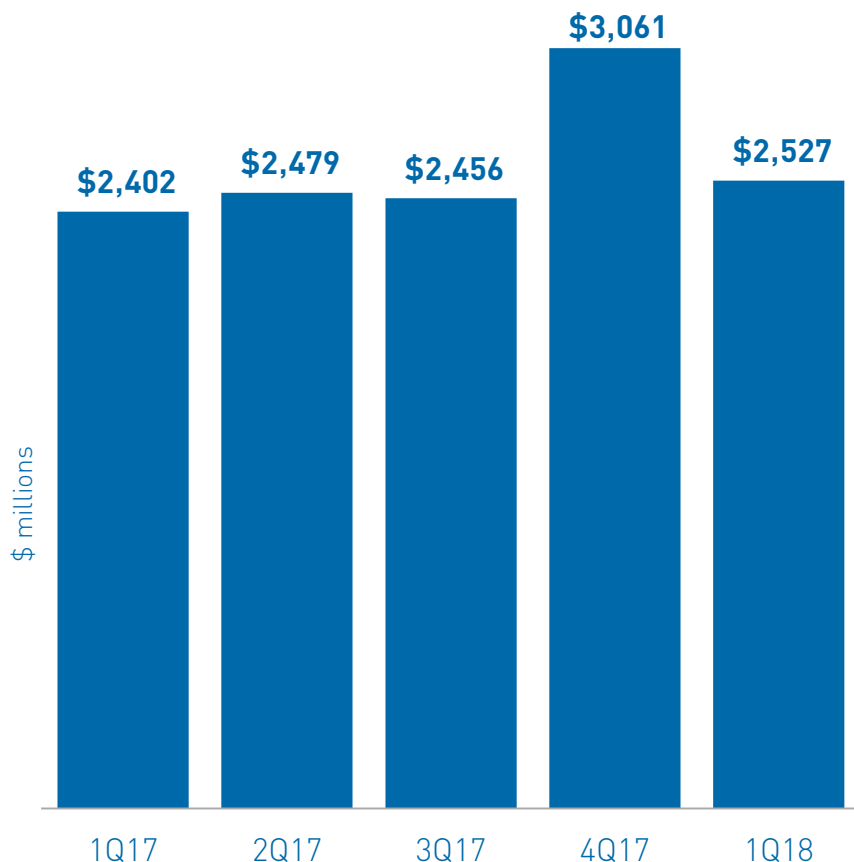
- 9% LQ due to seasonality
- +4% YOY driven by increased customer activity

### Other Noninterest Income

- +54% LQ primarily driven by impact from 4Q17 significant items
- 19% YOY reflecting lower equity investment revenue including 1Q17 positive valuation adjustment related to the Volcker Rule



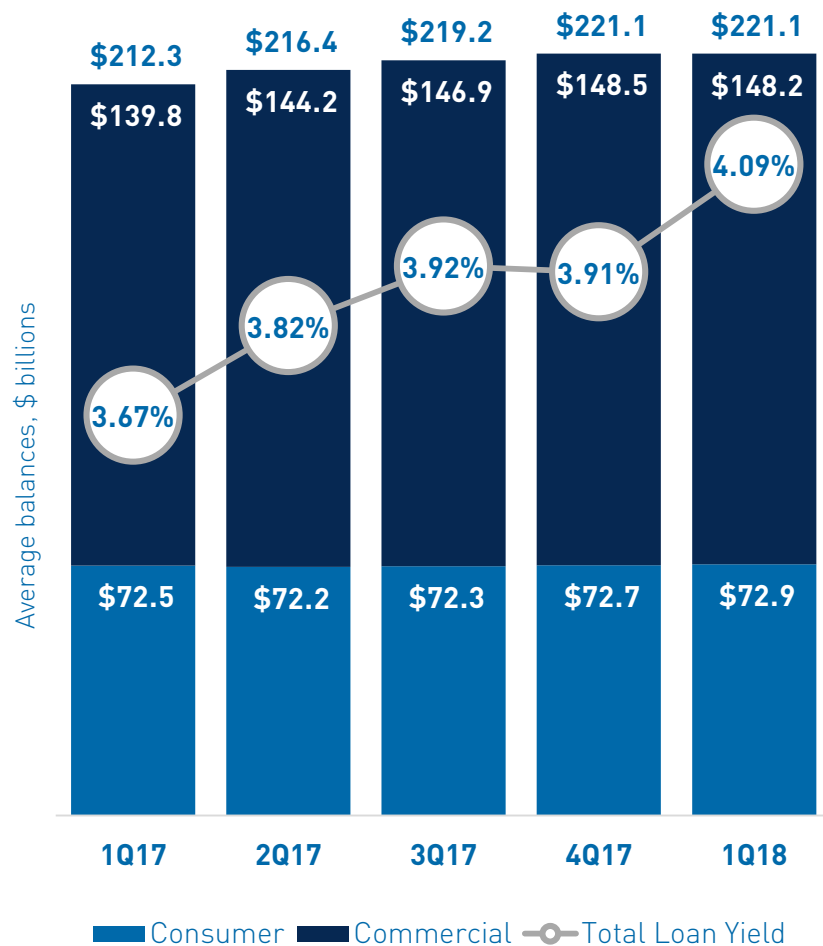
## Disciplined Expense Management While Investing in our Business



## Highlights

- Year-over-year noninterest expense increased \$125 million or 5%, reflecting overall business growth and acquisitions
- Linked quarter noninterest expense declined \$534 million or 17%
  - 1Q18 reflected seasonally lower expenses
  - 4Q17 included approximately \$500 million of significant items
- 2018 Continuous Improvement Program
  - On track to achieve \$250 million target

## Loan Growth 4% Year-Over-Year Growth



## Highlights

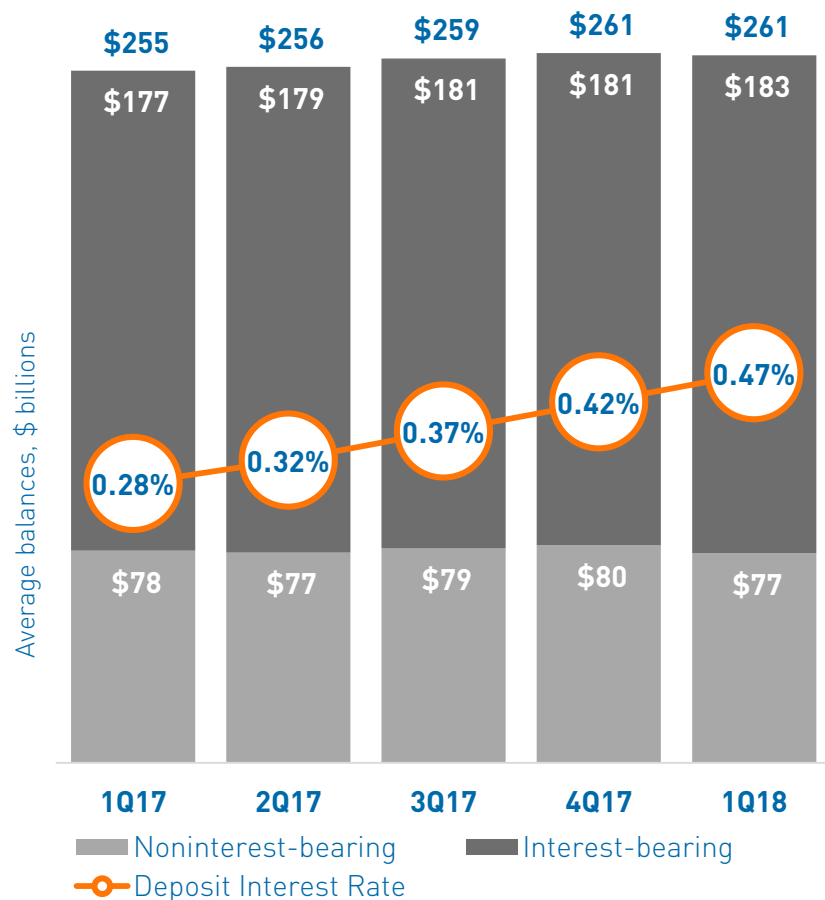
- Average commercial lending
  - Linked quarter growth in corporate banking, equipment finance, and business credit was offset by \$1.5 billion decline in multifamily warehouse financing
  - 6% year-over-year increase due to broad based loan growth
- Spot loans increased \$1.2 billion linked quarter, primarily reflecting growth in commercial loans
- Average consumer lending growth linked quarter and year-over-year
  - Growth in residential mortgage, auto and credit card loans was partially offset by declines in home equity and education lending
- Loan yields increased due to rising interest rates

# Deposits



## Strong Deposit Base to Fund Loan Growth

**85% Average Loan to Deposit Ratio**



Average balance, \$ billions	1Q18	Change vs.	
		4Q17	1Q17
Money market	<b>\$58.5</b>	\$(2.4)	\$(5.4)
Demand	<b>59.6</b>	2.5	2.8
Savings	<b>48.5</b>	2.6	9.4
Time deposits	<b>16.9</b>	(0.6)	(0.2)
Total interest-bearing	<b>183.5</b>	2.1	6.6
Noninterest-bearing	<b>77.2</b>	(2.9)	(0.9)
Total deposits	<b>\$260.7</b>	\$(0.8)	\$5.7

Deposit Betas	Current Beta (Dec. 2017 to 1Q18)	Cumulative Beta (Dec. 2015 to 1Q18)	Stated Beta
Commercial	84%	64%	76%
Consumer	17%	8%	37%
Total	32%	21%	46%

- Commercial deposit betas represent C&IB interest-bearing non-maturity deposits
- Consumer deposit betas represent Retail Banking interest-bearing non-maturity deposits (personal and non-personal)
- Current Beta (Dec. 2017 to 1Q18) represents the beta from the December 2017 rate hike through 1Q18
- Cumulative Beta (Dec. 2015 to 1Q18) represents the average beta from the December 2015 rate hike through 1Q18
- Stated Beta represents PNC's long-term expectation for deposit betas based on historical rate performance and future rate expectations

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# Expanding our Leading Banking Franchise

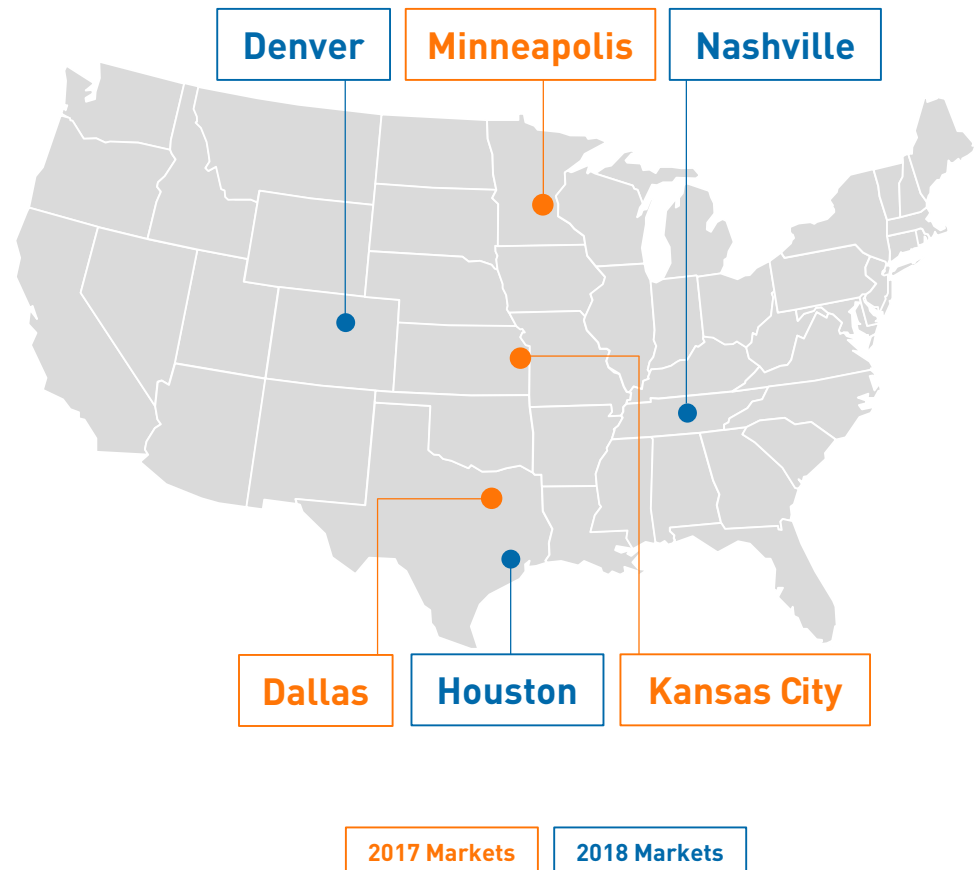
## National Middle Market Expansion



### Action Plan

- Pursuing multi-year expansion of our Middle Market business
  - Underpenetrated in the top 50 U.S. metropolitan markets
- Delivering our full suite of commercial products and services
- Leveraging Regional Presidents model
- Combining internal talent with local hires

### New Markets



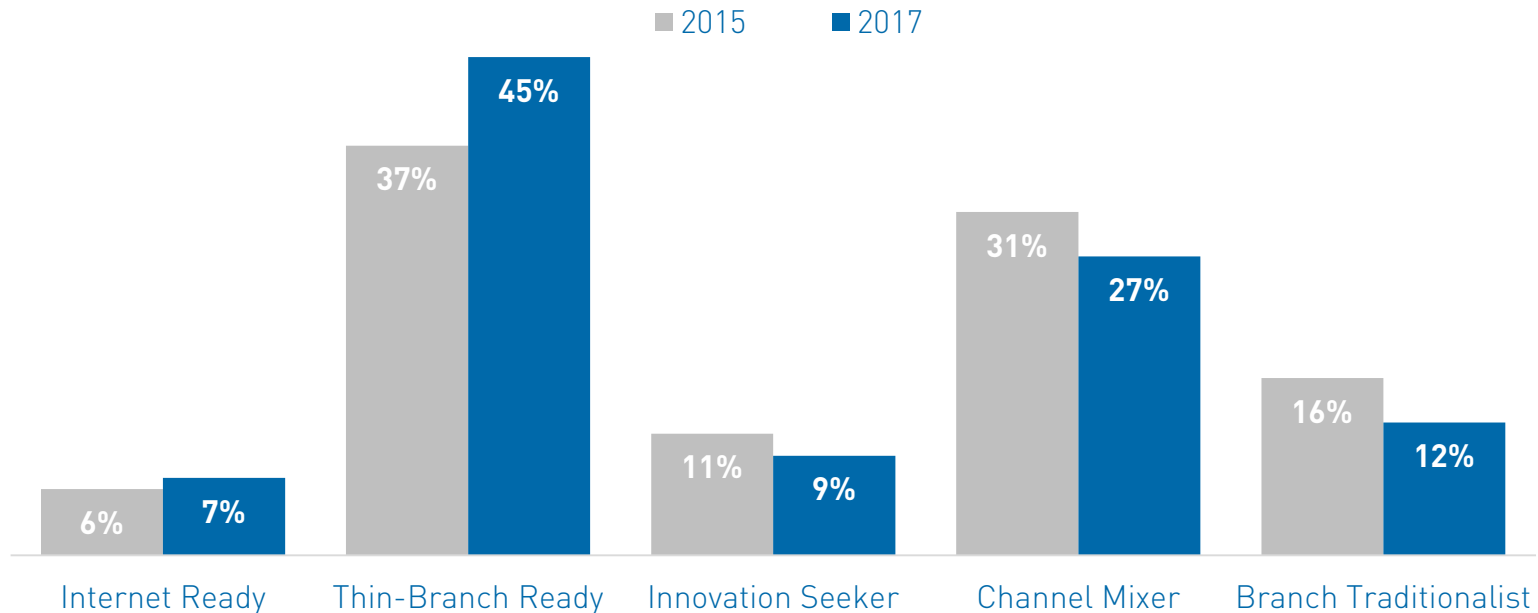
# Expanding our Leading Banking Franchise

## National Retail Digital Strategy



- Grow our retail bank with digitally-led banking
- Lead with high yield savings account
- Launch in 2018 outside of our existing primary geographic markets
- Leverage strength of PNC brand and marketing

### Shifting U.S. Customer Preferences



# Enhance Consumer Lending

## Origination, Fulfillment and Product



### **Credit Card** **\$5.7 billion**

- Expand thin credit, student offerings
- Customized offers
- New Cash Rewards card
- Pre-selected student card in mobile app



### **Home Lending** **\$45.2 billion**

- Mobile rates lookup
- Mortgage advanced lead form
- Planner affordability, pre-qualify tool
- Digitize origination



### **Unsecured Installment** **\$1.0 billion**

- Scale pre-approved offers
- Automate from 3 days to next day funding
- Enable pre-selected offers
- Mobile enable



### **Small Business** **\$6.6 billion**

- Apply online, e-signature
- < \$100k term, line of credit
- Streamline processes for next day
- Automate booking



### **Direct Auto** **\$1.5 billion**

- Mobile Check Ready application
- True Car integration
- Digital identity



### **Private Education** **\$1.6 billion**

- Mobile shopping experience
- Online private education refinance loan



# Leveraging Technology and Infrastructure

## Delivering a Superior and Differentiated Experience

- Built key foundational capabilities of greater speed, security and stability
- Pivoting infrastructure capital spend to customer facing, digital initiatives

### Easy



Delivering a superior banking experience:

- Anticipate customer needs
- Provide issue-free banking
- Enable seamless integration across all channels

### Innovate



Driving innovation at a faster pace to fundamentally change the way we bank:

- Innovative incubators
- API ecosystem
- Intelligent automation

### Trust



Integrated cyber protection and fraud prevention as critical success factors:

- Digital identity
- Fraud management
- Security maturity - continuing to strengthen risk practices

## Appendix: **Cautionary Statement Regarding Forward-Looking Information**



This presentation includes “snapshot” information about PNC used by way of illustration and is not intended as a full business or financial review. It should not be viewed in isolation but rather in the context of all of the information made available by PNC in its SEC filings.

We also make statements in this presentation, and we may from time to time make other statements, regarding our outlook for earnings, revenues, expenses, tax rates, capital and liquidity levels and ratios, asset levels, asset quality, financial position, and other matters regarding or affecting PNC and its 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 subject to numerous assumptions, risks and uncertainties, which change over time. Forward-looking statements speak only as of the date made. We do not assume any duty 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.

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

- Our businesses, financial results and balance sheet values are affected by business and economic conditions, including the following:
  - Changes in interest rates and valuations in debt, equity and other financial markets.
  - Disruptions in the U.S. and global financial markets.
  - Actions by the Federal Reserve Board, U.S. Treasury and other government agencies, including those that impact money supply and market interest rates.
  - Changes in customer behavior due to newly enacted tax legislation, changing business and economic conditions or legislative or regulatory initiatives.
  - Changes in customers’, suppliers’ and other counterparties’ performance and creditworthiness.
  - Slowing or reversal of the current U.S. economic expansion.
  - Commodity price volatility.

## Appendix: **Cautionary Statement Regarding Forward-Looking Information**



- 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 current view that U.S. economic growth will accelerate somewhat in 2018, in light of stimulus from corporate and personal income tax cuts passed in late 2017 that are expected to support business investment and consumer spending, respectively. We expect an increase in federal government spending will also support economic growth in 2018. Further gradual improvement in the labor market this year, including job gains and rising wages, is another positive for consumer spending. Other sources of growth for the U.S. economy in 2018 will be the global economic expansion and the housing market, although trade restrictions are a downside risk to the forecast. Although inflation slowed in 2017, it should pick up as the labor market continues to tighten. Short-term interest rates and bond yields are expected to rise throughout 2018; after the Federal Open Market Committee raised the federal funds rate in March, our baseline forecast is for two additional rate hikes in June and December 2018, pushing the fed funds rate to a range of 2.00 to 2.25 percent by the end of the year. Longer-term rates are also expected to increase as the Federal Reserve slowly reduces the size of its balance sheet and the federal government borrows more. Long-term rates will rise more slowly than short-term rates, so we anticipate that the yield curve will flatten but not invert.
- PNC's ability to take certain capital actions, including returning capital to shareholders, is subject to review by the Federal Reserve Board as part of PNC's comprehensive capital plan for the applicable period in connection with the Federal Reserve Board's Comprehensive Capital Analysis and Review (CCAR) process and to the acceptance of such capital plan and non-objection to such capital actions by the Federal Reserve Board.
- 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 (particularly those implementing the international regulatory capital framework developed by the Basel Committee on Banking Supervision (Basel Committee), 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 approval 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 resulting from legislative and regulatory reforms, including changes affecting oversight of the financial services industry, consumer protection, pension, bankruptcy and other industry aspects, and changes in accounting policies and principles.
  - Changes to regulations governing bank capital and liquidity standards, including due to the Dodd-Frank Act and initiatives of the Basel Committee.
  - 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.

## Appendix: **Cautionary Statement Regarding Forward-Looking Information**



- 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.
- Business and operating results also include impacts relating to our equity interest in BlackRock, Inc. and rely to a significant extent on information provided to us by BlackRock. Risks and uncertainties that could affect BlackRock are discussed in more detail by BlackRock in its SEC filings.
- We grow our business in part through acquisitions. Acquisition risks and uncertainties include those presented by the nature of the business acquired, 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.
- 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 2017 Form 10-K, including in the Risk Factors and Risk Management sections and the Legal Proceedings and Commitments Notes of the Notes To Consolidated Financial Statements in that report, and in our subsequent SEC filings. Our forward-looking statements may also be subject to other risks and uncertainties, including those we may discuss elsewhere in this presentation or in our SEC filings, accessible on the SEC's website at [www.sec.gov](http://www.sec.gov) and on our corporate website at [www.pnc.com/secfilings](http://www.pnc.com/secfilings). We have included these web addresses as inactive textual references only. Information on these websites is not part of this document.

Any annualized, pro forma, estimated, third party or consensus numbers in this presentation are used for illustrative or comparative purposes only and may not reflect actual results. Any consensus earnings estimates are calculated based on the earnings projections made by analysts who cover that company. The analysts' opinions, estimates or forecasts (and therefore the consensus earnings estimates) are theirs alone, are not those of PNC or its management, and may not reflect PNC's or other company's actual or anticipated results.

**Fee Income (Non-GAAP)**

<i>\$ in millions</i>	For the three months ended			% Change	
	<b>1Q18</b>	<b>4Q17</b>	<b>1Q17</b>	<b>1Q18 vs. 4Q17</b>	<b>1Q18 vs. 1Q17</b>
Asset management	\$455	\$720	\$403	(37%)	13%
Consumer services	357	366	332	(2%)	8%
Corporate services	429	458	414	(6%)	4%
Residential mortgage	97	29	113	234%	(14%)
Service charges on deposits	167	183	161	(9%)	4%
Total fee income	\$1,505	\$1,756	\$1,423	(14%)	6%
Other, including net securities gains	245	159	301	54%	(19%)
Total noninterest income, as reported	\$1,750	\$1,915	\$1,724	(9%)	2%