



# **The PNC Financial Services Group, Inc.**

**PNC Bank, National Association**

**2015 Resolution Plan: Public Executive  
Summary**

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## I. Introduction and Executive Summary

The PNC Financial Services Group, Inc. (PNC) is a regional banking organization headquartered in Pittsburgh, Pennsylvania. PNC provides a range of traditional retail banking, corporate and institutional banking, asset management and residential mortgage banking products and services primarily through PNC Bank, National Association (PNC Bank), PNC's only insured depository institution subsidiary. PNC's business and organizational structure is built predominantly around PNC Bank. As of December 31, 2014, PNC had total consolidated assets of \$345.2 billion. PNC Bank had total consolidated assets of \$335.1 billion representing approximately 97% (before consolidating entries) of the total consolidated assets of PNC.

Because PNC and PNC Bank each have more than \$50 billion in total assets, PNC and PNC Bank — as well as other U.S. banking organizations that exceed this asset threshold — are required annually to develop and submit to U.S. banking regulators a resolution plan addressing how they hypothetically could be resolved in a rapid and orderly fashion if they were to fail or experience material financial distress. Because PNC has less than \$100 billion of total non-bank assets, PNC and PNC Bank are part of the “third wave” of resolution plan filers which must file their annual plans by December 31st of each year (beginning in 2013). Accordingly, PNC and PNC Bank recently submitted their third resolution plans (the 2015 Resolution Plans).

Importantly, both PNC and PNC Bank currently are not in financial distress or in danger of failing. As of September 30, 2015, both PNC and PNC Bank had regulatory capital ratios significantly in excess of the amount required to be considered “well capitalized” under U.S. banking regulations.<sup>1</sup> Specifically, PNC's transitional Basel III ratios were 10.6% for Common equity Tier 1, 12.0% Tier 1 risk-based, 14.8% Total risk-based and 10.2% for Leverage. As of that same date, PNC Bank's transitional Basel III ratios were 9.7% for Common equity Tier 1, 10.4% Tier 1 risk-based, 13.1% Total risk-based and 8.7% for Leverage.<sup>2</sup> PNC and PNC Bank also calculate and disclose their Basel III Supplementary Leverage Ratio (SLR). As of September 30, 2015, the SLR for PNC and PNC Bank was 8.6% and 7.3% respectively, well in excess of the

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<sup>1</sup> To qualify as “well capitalized” during 2015, PNC must have transitional Basel III capital ratios of at least 6% for Tier 1 risk-based capital and 10% for Total risk-based capital. PNC Bank must have transitional 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 transitional Basel III leverage ratio of at least 5% to qualify as well capitalized in 2015. See 12 C.F.R. § 6.4(c)(1) and 12 C.F.R. § 225.2(r)(1).

<sup>2</sup> As a result of the staggered effective dates of the final Basel III revised risk-based capital rules adopted by the U.S. banking agencies in July 2013 (Basel III rules), as well as the fact that PNC and PNC Bank remain in the parallel run qualification phase for the advanced approaches, PNC's and PNC Bank's regulatory capital ratios in 2015 are based on the definitions of, and deductions from, capital under the Basel III rules (as such definitions and deductions are phased-in for 2015) and risk-weighted assets determined in accordance with the Standardized Approach under the Basel III rules. Further details on PNC's transitional and fully phased-in Basel III regulatory capital ratios as of September 30, 2015, are included as part of Section IV. Summary Financial Information Regarding Assets, Liabilities, Capital and Major Funding Sources *infra*. We refer to the capital ratios calculated using the phased-in Basel III provisions as the transitional Basel III ratios.

3% minimum that becomes effective January 1, 2018. As of September 30, 2015, PNC's pro forma fully phased-in Basel III Common equity Tier 1 ratio was 10.1%.

Moreover, PNC Bank is core-deposit funded — meaning its activities primarily are funded by customer deposits, which are a relatively stable source of funding. PNC Bank's loan-to-deposit ratio at September 30, 2015, was 83.1%.<sup>3</sup> Core deposits totaled \$239.5 billion as of that same date. PNC monitors its liquidity position and funding need using a variety of measures and tools, including by reference to the Liquidity Coverage Ratio (LCR), a regulatory minimum liquidity requirement designed to ensure that covered banking organizations maintain an adequate level of liquidity to meet net liquidity needs over the course of a 30-day stress scenario. As of September 30, 2015, the LCR for PNC and PNC Bank exceeded 100%.<sup>4</sup> For more details on the capital and funding resources of PNC and PNC Bank, please see Section IV. Summary Financial Information Regarding Assets, Liabilities, Capital and Major Funding Sources.

The Resolution Plan submitted by PNC is governed by a regulation jointly issued by the Board of Governors of the Federal Reserve System (Federal Reserve) and the Federal Deposit Insurance Corporation (FDIC) pursuant to section 165(d) of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act) (the 165(d) Rule). Under the 165(d) Rule, PNC must, on an annual basis, file a resolution plan (the PNC Plan) that addresses how PNC hypothetically could be resolved under the Bankruptcy Code within a reasonable period of time and in a manner that substantially mitigates the potential for systemic risk. Bank holding companies that are required to file a resolution plan under the 165(d) Rule are referred to as "covered companies."

PNC Bank's Resolution Plan is governed by a separate regulation issued by the FDIC (the CIDI Rule). Under the CIDI Rule, PNC Bank also must, on an annual basis, file a resolution plan (the Bank Plan and, together with the PNC Plan, the Resolution Plans) that addresses how the FDIC could resolve PNC Bank in a hypothetical resolution scenario in a manner that ensures that depositors have access to their insured deposits within one business day of the bank's failure, maximizes the net present value return from the sale or disposition of the bank's assets, and minimizes the amount of any loss realized by creditors of the bank. Banks that are required to file resolution plans under the CIDI Rule are referred to as "covered insured depository institutions" or "CIDIs."

This public section provides an overview of the Resolution Plans submitted by PNC to the Federal Reserve and the FDIC and by PNC Bank to the FDIC. It describes, among other things, PNC's bank-centric organizational structure, four core business lines and limited number of material entities identified for resolution plan purposes. It also provides a high-level overview of

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<sup>3</sup> The loan-to-deposit ratio is calculated as the ratio of total loans and leases (net of unearned income and gross of reserve) over total deposits (including domestic and foreign deposits).

<sup>4</sup> For 2015, PNC and PNC Bank are required to calculate the LCR on a month-end basis and the minimum LCR that PNC and PNC Bank are required to maintain is 80%.



the resolution strategies for PNC and PNC Bank included in the Resolution Plans and includes certain other information related to the business of PNC and PNC Bank.

PNC believes that the resolution strategies included in the Resolution Plan would allow PNC and PNC Bank to be resolved in an orderly manner without threatening U.S. financial stability and without the need for any extraordinary government or taxpayer support. The Resolution Plans also take into account that the failure and resolution of PNC and PNC Bank could occur under macroeconomic conditions consistent with the baseline, adverse and severely adverse scenarios published by the Federal Reserve on October 23, 2014, for purposes of its annual stress tests.<sup>5</sup>

Consistent with the requirements of the applicable rules, all information included in this Public Summary is as of December 31, 2014, unless otherwise indicated.

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<sup>5</sup> Federal Reserve, 2015 Supervisory Scenarios for Annual Stress Tests Required under the Dodd-Frank Act Stress Testing Rules and the Capital Plan Rule (Oct. 23, 2014), [available at](http://www.federalreserve.gov/newsevents/press/bcreg/bcreg20141023a1.pdf) <http://www.federalreserve.gov/newsevents/press/bcreg/bcreg20141023a1.pdf>.

## II. Material Entities

PNC has identified only two entities within its organizational structure that, for purposes of its 2015 Resolution Plans, qualify as “material entities” — PNC and PNC Bank. Under the 165(d) Rule, a “material entity” is a subsidiary of the covered company that is significant to the activities of a core business line or critical operation<sup>6</sup> of the covered company. Under the CIDI Rule, a “material entity” is a company that is significant to a core business line or the activities of a critical service<sup>7</sup> of the CIDI. The Resolution Plans include strategies that could be used to ensure the orderly resolution of each material entity should the entity experience material financial distress or fail. The following provides a brief overview of PNC and PNC Bank:

### **The PNC Financial Services Group, Inc.**

The PNC Financial Services Group, Inc. is a bank holding company registered under the Bank Holding Company Act of 1956, as amended (BHC Act), and a financial holding company under the Gramm-Leach-Bliley Act. The company is incorporated in the Commonwealth of Pennsylvania and headquartered in Pittsburgh, Pennsylvania. PNC’s common stock is listed on the New York Stock Exchange and is traded under the ticker symbol “PNC.” PNC is the ultimate parent company within PNC’s organizational structure and the indirect owner of 100% of the outstanding stock of PNC Bank. PNC is the covered company (i.e., the bank holding company subject to the 165(d) Rule) for purposes of the PNC Plan and a material entity under the CIDI Rule.

### **PNC Bank, National Association**

PNC Bank, National Association is a national bank and its deposits are insured by the FDIC (up to, and in accordance with, applicable limitations and restrictions). PNC Bank is headquartered in Pittsburgh, Pennsylvania. PNC Bank is PNC’s only insured depository institution subsidiary. It is the entity through which PNC conducts the vast majority of its businesses and operations, including those of its four core business lines (Retail Banking, Corporate & Institutional Banking, the Asset Management Group and Residential Mortgage Banking). As of December 31, 2014, PNC Bank’s total consolidated assets represented approximately 97% of PNC’s total consolidated assets. As of that same date, PNC Bank had 2,697 branches in 19 states and the District of Columbia. The bank also services customers

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<sup>6</sup> Section III of this Public Summary includes the definition of a “core business line.” The 165(d) Rule defines a “critical operation” as an operation, including associated services, functions and support, of a covered company the failure or discontinuance of which, in the view of the covered company or as jointly directed by the Federal Reserve and the FDIC, would pose a threat to the financial stability of the United States. 12 C.F.R. § 243.2(g). PNC has no critical operations within the meaning of the 165(d) Rule.

<sup>7</sup> A “critical service” is defined by the CIDI Rule as a service or operation of the CIDI, such as servicing, information technology support and operations, and human resources and personnel, that are necessary to continue the day-to-day operations of the CIDI. 12 C.F.R. § 360.10(b)(5).

through a network of 8,605 ATMs, nationwide call centers and online and mobile banking platforms. PNC Bank is an indirect wholly-owned subsidiary of PNC and is a material entity for purposes of both the PNC Plan and the Bank Plan.

**Simplified Organizational Chart of Material Entities<sup>8</sup>**

**The PNC Financial Services Group, Inc.**

**PNC Bank, National Association**

- FDIC-insured National Bank
- Cornerstone of the PNC organization

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<sup>8</sup> The direct parent company of PNC Bank — PNC Bancorp, Inc. — is not considered a material entity and, therefore, is not included in this simplified organizational chart.

### III. Core Business Lines

PNC has businesses engaged in retail banking, corporate and institutional banking, asset management and residential mortgage banking. These business lines represent PNC's "core business lines" for purposes of the Resolution Plans. "Core business lines" are defined for these purposes as those business lines of the covered company or CIDI (including associated operations, service functions and support) that upon failure would result in a material loss of revenue, profit or franchise value to the covered company or CIDI, respectively.

The products and services of these business lines are mainly offered to customers in PNC's primary geographic markets (located in Pennsylvania, Ohio, New Jersey, Michigan, Illinois, Maryland, Indiana, North Carolina, Florida, Kentucky, the District of Columbia, Delaware, Alabama, Virginia, Georgia, Missouri, Wisconsin and South Carolina). Certain products and services are offered nationally, and, to a limited extent, internationally. The following provides a brief overview of PNC's four core business lines identified for resolution planning purposes.<sup>9</sup> All core business lines operate exclusively or primarily through PNC Bank.

#### **Retail Banking**

The Retail Banking core business line provides deposit, lending, brokerage, investment management and cash management services to individual consumers and small business customers. Retail Banking customers are serviced through PNC Bank's branch network, call centers, online banking and mobile channels. The branch network covers 19 states and the District of Columbia, and includes 2,697 branch locations and 8,605 ATMs.

#### **Corporate & Institutional Banking**

The Corporate & Institutional Banking (C&IB) core business line provides lending, treasury management and capital markets-related products and services to mid-sized and large corporations, as well as government and not-for-profit entities. Lending products include secured and unsecured loans, letters of credit and equipment leases. Treasury management services include cash and investment management, receivables management, disbursement services, funds transfer services, information reporting and global trade services. Capital markets-related products and services include foreign exchange, securities, loan syndications and mergers and acquisitions advisory, equity capital markets advisory, interest rate, foreign exchange and commodity derivatives and related services. C&IB also provides commercial loan servicing and real estate advisory and technology solutions for the commercial real estate finance industry. C&IB products and services are generally provided within PNC Bank's primary geographic

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<sup>9</sup> The core business lines identified for resolution planning purposes may differ in scope from the operating segments PNC uses for Securities and Exchange Commission (SEC) financial reporting purposes.



markets, with certain products and services offered nationally and, to a limited extent, internationally.

### **Asset Management Group**

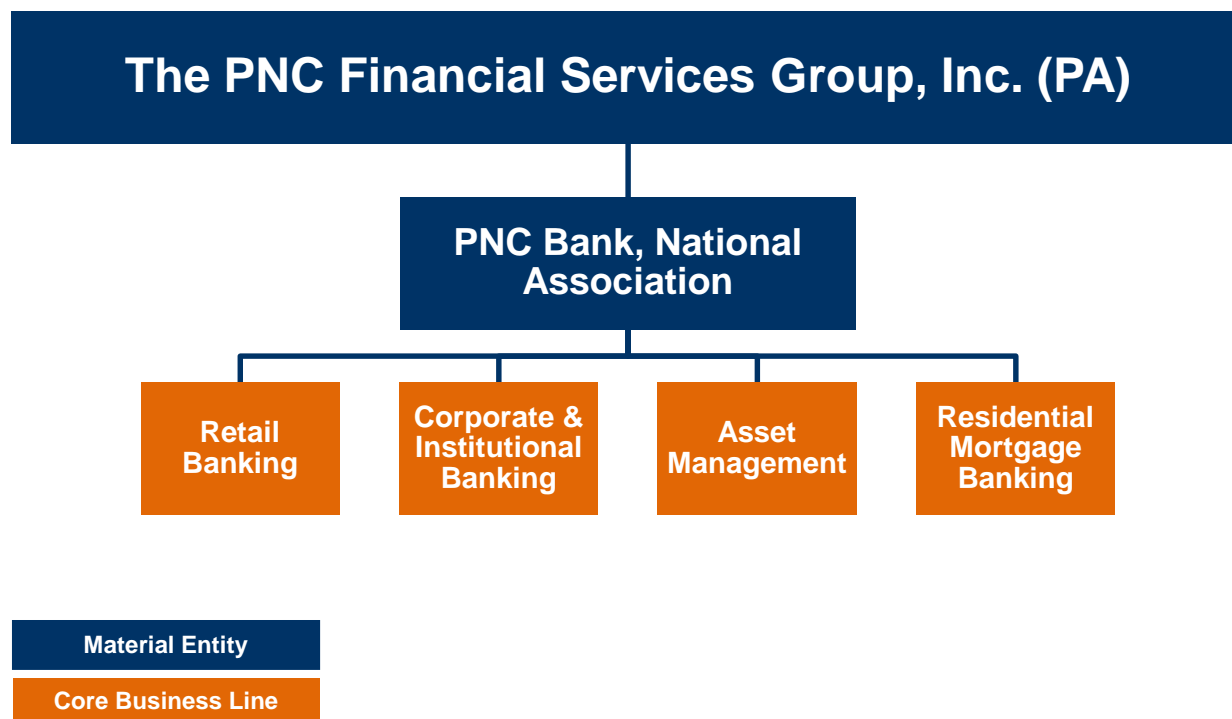
The Asset Management Group (AMG) core business line provides personal wealth management for high net worth and ultra-high net worth clients, as well as institutional asset management. Wealth management products and services include investment and retirement planning, customized investment management, private banking, tailored credit solutions and trust management and administration for individuals and their families. Hawthorn, a unit within the AMG core business line, provides multi-generational family planning including wealth strategy, investment management, private banking, tax and estate planning guidance, performance reporting and personal administration services to ultra-high net worth families. Institutional asset management provides investment management, custody administration and retirement administration services. Institutional clients include corporations, unions, municipalities, non-profits, foundations and endowments, primarily located in PNC Bank's geographic footprint.

### **Residential Mortgage Banking**

The Residential Mortgage Banking core business line directly originates primarily first-lien residential mortgage loans on a nationwide basis, with a significant presence within PNC's retail banking footprint. Residential mortgage loans represent loans collateralized by one-to-four-family residential real estate. These loans are typically underwritten to government agency and/ or third-party standards, and either sold, servicing retained, or held on PNC's balance sheet. Loan sales are primarily to secondary mortgage conduits of the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, the Federal Home Loan Banks and third-party investors, or are securitized and issued under the Government National Mortgage Association program. The mortgage servicing operation performs all functions related to servicing mortgage loans, primarily those in a first-lien position, for various investors and for loans owned by PNC.

**Graphical Representation of Core Business Lines**

The following chart illustrates a mapping of PNC's four Core Business Lines to the PNC Material Entities through which they predominantly operate:



All Core Business Lines operate predominantly through PNC Bank. Core Business Lines are not separate legal entities, although certain aspects of a Core Business Line may operate through one or more separate legal entities besides PNC Bank.

## **IV. Summary Financial Information Regarding Assets, Liabilities, Capital and Major Funding Sources**

The following provides summary financial information regarding PNC and PNC Bank derived from financial and regulatory reports as of December 31, 2014. A consolidated balance sheet for PNC — the top-tier bank holding company — is included along with a balance sheet for PNC Bank.

For detailed financial information with respect to PNC, please refer to PNC's annual, quarterly and current reports filed with the SEC which are available on the SEC's website at [www.sec.gov](http://www.sec.gov), including the Annual Report on Form 10-K for the year ended December 31, 2014. The information below regarding PNC Bank is based on PNC Bank's Consolidated Report of Condition and Income on FFIEC Form 031 for the year ended December 31, 2014, which is available on the FDIC's website at [www.fdic.gov](http://www.fdic.gov).



**CONSOLIDATED BALANCE SHEETS**  
December 31, 2014

\$ in millions	The PNC Financial Services Group, Inc. <sup>10</sup>	PNC Bank, N.A. (unaudited) <sup>11</sup>
<b>Assets</b>		
Cash and due from banks	\$4,360	\$4,357
Federal funds sold and resale agreements	1,852	2,434
Trading securities	2,353	3,555
Interest-earning deposits with banks	31,779	31,755
Loans held for sale	2,262	2,262
Investment securities	55,823	55,741
Loans	204,817	204,884
Allowance for loan and lease losses	(3,331)	(3,331)
Net loans	201,486	201,553
Goodwill	9,103	9,103
Other intangible assets	1,844	1,844
Equity investments	10,728	-
Other	23,482	22,456
<b>Total assets</b>	<b>\$345,072</b>	<b>\$335,060</b>
<b>Liabilities</b>		
Deposits		
Noninterest-bearing	\$73,479	\$74,318
Interest-bearing	158,755	165,110
Total Deposits	232,234	239,428
Borrowed funds		
Federal funds purchased and repurchase agreements	3,510	3,582
Federal Home Loan Bank borrowings	20,005	20,005
Bank notes and senior debt	15,750	-
Subordinated debt	9,151	7,308
Commercial Paper	4,995	-
Other	3,357	20,203
Total borrowed funds	56,768	51,098
Allowance for unfunded loan commitments and letters of credit	259	259
Accrued expenses	5,187	2,481
Other	4,550	2,549
<b>Total liabilities</b>	<b>\$298,998</b>	<b>\$295,815</b>
<b>Equity</b>		
Common stock - \$5 par value	\$2,705	\$240
Capital surplus - preferred stock	3,946	500
Capital surplus - common stock and other	12,627	27,816
Retained earnings	26,200	8,026
Accumulated other comprehensive income (loss)	503	566
Common stock held in treasury at cost	(1,430)	-
Total shareholders' equity	44,551	37,148
Noncontrolling interests	1,523	2,097
<b>Total equity</b>	<b>\$46,074</b>	<b>\$39,245</b>
<b>Total liabilities and equity</b>	<b>\$345,072</b>	<b>\$335,060</b>

<sup>10</sup> Source: The PNC Financial Services Group, Inc. 2014 Annual Report on Form 10-K.

<sup>11</sup> Source: PNC Bank Consolidated Report of Condition and Income as of December 31, 2014.

## Capital

PNC's primary capital management goal is to maintain a strong capital position both for PNC and PNC Bank. Doing so best positions PNC to satisfy the needs and objectives of its primary constituencies — shareholders, customers (including depositors), counterparties, regulators and rating agencies.

## Regulatory Capital

The following table provides information regarding the transitional Basel III regulatory capital ratios of PNC and PNC Bank as of December 31, 2014, and September 30, 2015.<sup>12</sup>

### Transitional Basel III Regulatory Capital Ratios

\$ in millions	December 31, 2014		September 30, 2015	
	Amount	Ratios	Amount	Ratios
Risk-Based				
Common equity Tier 1				
PNC	\$30,929	10.9%	\$31,402	10.6%
PNC Bank	27,133	9.9%	27,436	9.7%
Tier 1				
PNC	35,687	12.6%	35,415	12.0%
PNC Bank	29,328	10.7%	29,370	10.4%
Total				
PNC	44,782	15.8%	43,781	14.8%
PNC Bank	37,559	13.7%	37,204	13.1%
Leverage				
PNC	35,687	10.8%	35,415	10.2%
PNC Bank	29,328	9.2%	29,370	8.7%

As a result of the staggered effective dates of the final Basel III risk-based capital rules, as well as the fact that PNC and PNC Bank remain in the parallel run qualification phase for the advanced approaches, PNC's and PNC Bank's regulatory risk-based capital ratios in 2014 were based on the definitions of, and deductions from, capital under the Basel III rules (as these were phased-in for 2014) and risk-weighted assets determined in accordance with the Basel I rules (subject to certain adjustments as defined by the Basel III rules). As of December 31, 2014, both PNC and PNC Bank were "well capitalized". To qualify as "well capitalized" in 2014, regulators required insured depository institutions to maintain transitional Basel III regulatory capital ratios of at least 6% for Tier 1 risk-based, 10% for Total risk-based and 5% for Leverage,<sup>13</sup> and required

<sup>12</sup> Source: The PNC Financial Services Group, Inc., Consolidated Financial Statements for Holding Companies—FR Y-9C (Dec. 31, 2014) and PNC Bank, N.A. Consolidated Reports of Condition and Income—FFIEC 031 (Dec. 31, 2014). The PNC Financial Services Group, Inc., Consolidated Financial Statements for Holding Companies—FR Y-9C (Sep. 30, 2015) and PNC Bank, N.A. Consolidated Reports of Condition and Income—FFIEC 031 (Sep. 30, 2015)

<sup>13</sup> See 12 C.F.R. § 6.4(b)(1).

bank holding companies to maintain transitional Basel III regulatory capital ratios of at least 6% Tier 1 risk-based and 10% for Total risk-based.<sup>14</sup>

PNC's and PNC Bank's regulatory risk-based capital ratios in 2015 are based on the definitions of, and deductions from, capital under the Basel III rules (as these are phased-in for 2015) and risk-weighted assets determined in accordance with the Standardized Approach under the Basel III rules. As discussed in Section I of this Public Executive Summary, PNC and PNC Bank, were both considered "well capitalized," based on applicable U.S. regulatory capital ratio requirements as of September 30, 2015.

PNC and PNC Bank also calculate and disclose their Basel III SLR.<sup>15</sup> As of September 30, 2015, the SLR for PNC and PNC Bank was 8.6% and 7.3% respectively, well in excess of the 3% minimum that becomes effective January 1, 2018.

The following table provides PNC's pro forma fully phased-in Basel III Common equity Tier 1 capital ratio at December 31, 2014 and September 30, 2015.<sup>16</sup>

**Pro Forma Fully Phased-In Basel III Common Equity Tier 1 Capital Ratio as of December 31, 2014 and September 30, 2015**

	December 31, 2014	September 30, 2015
Pro forma fully phased-in Basel III Common equity Tier 1 ratio	10.0%	10.1%

PNC utilizes the pro forma fully phased-in Basel III Common equity Tier 1 capital ratio to assess its capital position (without the benefit of phase-ins), including comparison to similar estimates made by other financial institutions. The pro forma fully phased-in Basel III ratio is calculated using PNC's estimated Basel III standardized and advanced approaches risk-weighted assets.

**Stress Testing**

Sound stress testing practices and methodologies are a key component of PNC's capital adequacy assessment process. PNC conducts capital stress test activities on an enterprise-wide basis at least semi-annually, including for the Federal Reserve's annual Comprehensive Capital Assessment and Review exercise and the semi-annual company-run stress tests required under the Dodd-Frank Act. PNC makes summary results of its Dodd-Frank Act company-run stress test

<sup>14</sup> See 12 C.F.R. § 225.2(r)(1).

<sup>15</sup> Unlike the existing leverage ratio, the denominator of the SLR takes into account certain off-balance sheet items, including loan commitments and potential future exposure under derivative contracts.

<sup>16</sup> Source: The PNC Financial Services Group, Inc. 2014 Annual Report on Form 10-K and Quarterly Report on Form 10-Q as of September 30, 2015.



exercises publicly available on its website: <http://phx.corporate-ir.net/phoenix.zhtml?c=107246&p=irol-RegDisclosures>.

*Please see PNC's 2014 Annual Report on Form 10-K for additional information on PNC's capital management philosophy and practices.*

### **Funding Sources and Liquidity**

PNC Bank primarily is funded through its customer deposit base derived from its retail and commercial businesses. PNC Bank's loan-to-deposit ratio was 86.5% as of December 31, 2014.<sup>17</sup> In addition to the customer deposit base, which has historically provided the single largest source of relatively stable and low-cost funding, PNC Bank also obtains liquidity through the issuance of traditional forms of funding including long-term debt (for example, senior notes, subordinated debt and Federal Home Loan Bank advances) and short-term borrowings (such as Federal Funds purchased, securities sold under repurchase agreements, commercial paper issuances and other short-term borrowings). Liquid assets (including, for example, Federal Funds sold, resale agreements, trading securities and interest-earning deposits with other banks) and unused borrowing capacity from a number of sources also are available to maintain PNC Bank's liquidity position.

The principal source of parent company liquidity is the dividends received from PNC Bank. In addition to dividends from PNC Bank, other sources of parent company liquidity include cash and investments, dividends and loan repayments from other subsidiaries, and dividends or distributions from equity investments. PNC also can generate liquidity for itself and its non-bank subsidiaries through the issuance of debt or equity securities, including certain capital securities and commercial paper, in public or private markets. PNC has an effective shelf registration statement pursuant to which the company can issue additional debt, equity or other forms of capital instruments.

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<sup>17</sup> The loan-to-deposit ratio is calculated as the ratio of total loans and leases (net of unearned income and gross of reserve) over total deposits (including domestic and foreign deposits).



A summary overview of PNC's sources of funding (average balances for 2014) is included in the following table.

Average Deposits and Borrowed Funds Balances for 2014 <sup>18</sup>	Balance (\$ in millions)
Deposits	
Interest bearing deposits	
Money market	\$75,513
Demand	43,367
Savings	11,990
Retail certificate of deposit	19,636
Time deposits in foreign office and other time deposits	2,308
Interest bearing deposits (total)	152,814
Noninterest bearing deposits (total)	70,108
<b>Total Deposits</b>	<b>\$222,922</b>
Federal funds purchased and repurchase agreements	\$3,560
Federal Home Loan Bank borrowings	14,863
Bank notes and senior debt	14,114
Subordinated debt	8,559
Commercial paper	4,861
Other	2,860
<b>Total Borrowed Funds</b>	<b>\$48,817</b>

<sup>18</sup> Source: The PNC Financial Services Group, Inc. 2014 Annual Report on Form 10-K.



## **Liquidity Risk Management**

PNC manages liquidity risk at the consolidated company level (bank, parent company and non-bank subsidiaries combined) to help ensure that PNC can obtain cost-effective funding to meet current and future obligations under normal, “business as usual” circumstances and in times of financial stress, and to help ensure that PNC maintains an appropriate level of contingent liquidity.

Management monitors liquidity through a series of early warning indicators that may indicate a potential market, or PNC-specific, liquidity stress event. In addition, management performs a set of liquidity stress tests over multiple time horizons with varying levels of severity and maintains a contingency funding plan to address a potential stress event. In the most severe liquidity stress simulation, we assume that PNC’s liquidity position is under pressure, while the market in general is under systemic pressure. The simulation considers, among other things, the impact of restricted access to both secured and unsecured external sources of funding, accelerated run-off of customer deposits, valuation pressure on assets and heavy demand to fund contingent obligations. Parent company liquidity guidelines are designed to help ensure that sufficient liquidity is available to meet our parent company obligations over the succeeding 24-month period. Liquidity-related risk limits are established within our Enterprise Liquidity Management Policy and supporting policies. Management committees, including the Asset and Liability Committee, and the Board of Directors and its Risk Committee regularly review compliance with key established limits.

In addition to these liquidity monitoring measures and tools described above, PNC also monitors its liquidity by reference to the LCR, a new 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 30-day stress scenario. The LCR is calculated by dividing the amount of an institution’s high quality, unencumbered liquid assets, as defined and calculated in accordance with the haircuts and limitations of the LCR rules, by its estimated net cash outflow, with net cash outflows determined by applying assumed outflow factors in the LCR rules. The resulting quotient is expressed as a percentage. For PNC and PNC Bank, the LCR became effective January 1, 2015. The minimum required LCR will be phased-in over a period of years. For 2015, PNC and PNC Bank are required to calculate the LCR on a month-end basis and the minimum LCR that PNC and PNC Bank are required to maintain is 80%. As of September 30, 2015, the LCR for PNC and PNC Bank exceeded 100%.<sup>19</sup>

*Please see “Liquidity Risk Management” in the Risk Management section of PNC’s 2014 Annual Report on Form 10-K for additional information on PNC’s liquidity risk management.*

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<sup>19</sup>The LCR ratio and the underlying components are based on PNC’s current interpretation and understanding of the final LCR rules and are subject to, among other things, further regulatory guidance.

## V. Derivatives and Hedging Activities

PNC uses a variety of financial derivatives as part of the overall asset and liability risk management process to help manage its exposure to the interest rate, market and credit risks inherent in its business activities. Substantially all such instruments are used to manage risk related to changes in interest rates. Interest rate and total return swaps, interest rate caps and floors, swaptions, options, forwards and futures contracts are the primary instruments PNC uses for interest rate risk management. PNC also enters into derivatives with customers to facilitate their risk management activities. The financial derivatives that PNC enters into involve, to varying degrees, interest rate, market and credit risk. PNC manages these risks as part of its asset and liability management process and through credit policies and procedures. PNC seeks to minimize counterparty credit risk by entering into transactions with only high-quality institutions, establishing credit limits and generally requiring bilateral netting and collateral agreements.

As of December 31, 2014, the aggregate notional/ contractual amount of PNC's financial derivatives (including derivatives designated, and not designated, as hedges under GAAP) was \$340.3 billion with a net fair value (after collateral and master netting agreements) of approximately \$1.2 billion. To put PNC's limited derivatives exposure into perspective, the aggregate notional/ contractual amount of financial derivatives of the largest U.S. bank holding company was \$63.6 trillion (an amount approximately 187 times larger than PNC's exposure), as of the same date.

### **Customer Needs**

PNC may enter into derivatives with customers to facilitate their risk management activities. These derivatives primarily consist of interest rate swaps, interest rate caps, floors, swaptions, foreign exchange contracts and equity contracts. PNC primarily manages its market risk exposure from customer transactions by entering into a variety of hedging transactions with third-party dealers.

### **Hedging and Risk Mitigation**

Consistent with PNC's sound risk management practices, PNC dynamically manages risks that arise in the normal course of its banking activities, including, for example, lending and mortgage servicing activities. The types of risks PNC seeks to manage using derivatives primarily include interest rate risk, adverse changes in foreign exchange rates, risk related to residential and commercial mortgage banking activities, and the risk of economic loss on loan exposures. Examples of hedging products PNC employs include over-the-counter spot, forward, swap and option contracts as well as exchange traded futures and options on futures.

PNC enters into foreign currency forward contracts to hedge its non-U.S. Dollar net investments in foreign subsidiaries against adverse changes in foreign exchange rates.

PNC may use derivatives to manage risk related to residential and commercial mortgage banking activities. For example, PNC hedges interest rate risk with forward contracts to sell mortgage-backed securities, as well as U.S. Treasury and Eurodollar futures and options. Additionally, PNC may use forward loan sale contracts and interest rate swaps to manage its risks.

PNC's derivatives portfolio includes a limited amount of credit default swaps, which are used to mitigate the risk of economic loss on a portion of PNC's loan exposure. As of December 31, 2014, the net fair value of PNC's credit default swaps was zero with a notional value of \$110 million.

*Please see PNC's 2014 Annual Report on Form 10-K for additional information on its derivatives and hedging activities.*

## **VI. Memberships in Material Payment, Clearing and Settlement Systems**

PNC, through PNC Bank, participates and has memberships in a number of multilateral systems (often referred to as Financial Market Utilities or FMUs) that provide the infrastructure necessary to transfer, clear and settle payments, securities and other financial transactions. PNC's participation in these systems supports PNC's provision of banking and financial services to its customers and its risk management activities. For example, these systems allow PNC to provide payment services, serve as a broker-dealer for certain securities transactions and engage in other financial transactions needed to meet the needs of customers, manage risk and secure funding.

Set forth below is a list of PNC's memberships in material payment, clearing and settlement systems:

### **Electronic Payments Network (EPN)**

EPN is an electronic payments system that provides automated clearinghouse (ACH) services. The EPN system facilitates exchanges of batched debit and credit payments among business, consumer and government accounts. EPN processes pre-authorized recurring payments, e.g., payroll, Social Security, mortgage and utility payments and non-recurring payments such as telephone-initiated payments, and the conversion of checks into ACH payments at lockboxes and points of sale. EPN is owned and operated by The Clearing House Payments Company, L.L.C.

### **Small Value Payments Company L.L.C. (SVPCo)**

SVPCo is the check image exchange business of The Clearing House Payments Company, L.L.C., and provides check imaging and related services to financial institutions of all sizes. Members use SVPCo to distribute checks to other SVPCo members, including through an Image Payments Network that allows financial institutions to exchange images and share best practices amongst one another.

### **Depository Trust Company (DTC)**

DTC is a central securities depository providing depository and book-entry services for eligible securities and other financial assets to its participants, which principally are banks and broker-dealers. DTC processes the movement of securities for trades that are cleared and settled by its affiliate, National Securities Clearing Corporation. DTC is a subsidiary of The Depository Trust and Clearing Corporation (DTCC) which, in turn, is owned by its users, including major banks, broker-dealers and other financial institutions.

### **National Securities Clearing Corporation (NSCC)**

NSCC provides clearing, settlement, risk management, central counterparty services and a guarantee of completion for certain transactions for U.S. broker-to-broker trades involving equities, corporate and municipal debt, American Depositary Receipts, exchange-traded funds and unit investment trusts. NSCC is a subsidiary of DTCC.

### **Fixed Income Clearing Corporation (FICC)**

FICC operates two divisions, the Government Securities Division (GSD) and the Mortgage Backed Securities Division (MBSD). GSD provides real-time trade matching, clearing, risk management and netting for trades in U.S. Government debt issues, including repurchase agreements or repos. MBSD provides real-time automated and trade matching, trade confirmation, risk management, netting and electronic pool notification to the mortgage-backed securities market. FICC is a subsidiary of DTCC.

### **FedACH Services (FedACH)**

FedACH is an electronic payment system, owned and operated by the Federal Reserve System, that provides ACH services. The ACH system exchanges batched debit and credit payments among business, consumer and government accounts. The system processes pre-authorized recurring payments such as payroll, Social Security, mortgage and utility payments and non-recurring payments such as telephone-initiated payments and checks that are converted into ACH payments at lockboxes and points of sale.

### **Fedwire Funds Service (Fedwire Funds)**

Fedwire Funds provides a real-time gross settlement system in which more than 9,500 participants are able to initiate electronic funds transfers that are immediate, final and irrevocable. For example, depository institutions that maintain an account with a Federal Reserve Bank are eligible to use the service to send payments to, or receive payments from, other participants. Participants generally use Fedwire to handle large-value, time-critical payments, such as payments to settle interbank purchases and sales of federal funds; to purchase, sell or finance securities transactions; to disburse or repay large loans; and to settle real estate transactions. The Department of the Treasury, other federal agencies and government-sponsored enterprises also use Fedwire Funds to disburse and collect funds. Fedwire Funds is owned and operated by the Federal Reserve System.

### **Fedwire Securities Service (Fedwire Securities)**

Fedwire Securities provides safekeeping, transfer and settlement services for securities issued by the Department of the Treasury, other federal agencies, government-sponsored enterprises and certain international organizations. The Federal Reserve Banks perform these

services as fiscal agents for these entities. Securities are safekept in the form of electronic records of securities held in custody accounts and are transferred according to instructions provided by parties with access to the system. Access to Fedwire Securities is limited to depository institutions that maintain accounts with a Federal Reserve Bank, and certain other organizations, e.g., federal agencies, government-sponsored enterprises and state government treasurer's offices (designated by the Department of the Treasury to hold securities accounts). Other parties, such as brokers and dealers, hold and transfer securities through depository institutions that are Fedwire Securities participants and that provide specialized government securities clearing services.

### **Society for Interbank Financial Telecommunication (SWIFT)**

SWIFT provides a telecommunication platform for the exchange of standardized financial messages between financial institutions and corporations. SWIFT is neither a payment system nor a settlement system, though the SWIFT messaging standard is used in many payment and settlement systems. SWIFT's customers include banks, market infrastructures, broker-dealers, corporations, custodians and investment managers. SWIFT is a member-owned cooperative and is subject to oversight by the central banks of the Group of Ten countries.

## VII. Foreign Operations

PNC has only limited foreign operations and employees, with the vast majority of PNC's operations and employees being located in the United States. Of PNC's approximately 53,800 total employees as of December 31, 2014, only 93 were located outside of the United States. PNC's foreign operations are conducted through two foreign branches as well as certain subsidiaries. PNC Bank's only two foreign branches are located in Toronto, Canada and Nassau, Bahamas. PNC's principal foreign subsidiaries, both of which are indirect subsidiaries of PNC Bank, are:

- Harris Williams & Co. Ltd., which provides financial advisory services to companies in the European Union through offices located in London, United Kingdom and Frankfurt, Germany; and
- PNC Financial Services UK Ltd., which provides asset-backed commercial loans in the United Kingdom through offices located in London and several other locations in the U.K.

## VIII. Material Supervisory Authorities

PNC and its subsidiaries are subject to comprehensive supervision and examination by several regulatory bodies. As a bank holding company registered under the BHC Act, PNC is subject to comprehensive, consolidated regulation, supervision and examination by the Federal Reserve.

PNC's largest subsidiary, PNC Bank, is chartered as a national bank and is subject to regulation, supervision and examination by the Office of the Comptroller of the Currency. PNC Bank's foreign branches also are regulated by the relevant supervisory authorities in the host country. PNC Bank also is subject to oversight by the FDIC, which insures PNC Bank's deposits (up to, and in accordance with, applicable limitations and restrictions). PNC Bank is registered with the Commodity Futures Trading Commission (CFTC) as a swap dealer and is subject to CFTC requirements imposed on registered swap dealers.

The Consumer Financial Protection Bureau (CFPB) is responsible for examining PNC Bank and its affiliates (including PNC) for compliance with most consumer financial protection laws and for enforcing such laws with respect to PNC Bank and its affiliates.



## IX. Principal Officers

The principal executive officers of PNC and PNC Bank, current as of November 30, 2015, are listed in the table below:

PRINCIPAL OFFICERS	PNC	PNC BANK
William S. Demchak	Chairman, Chief Executive Officer and President	Chairman, Chief Executive Officer and President
Orlando C. Esposito	Executive Vice President	Executive Vice President
	Senior Vice Chairman	Senior Vice Chairman and Chief Executive Officer and President of PNC Mortgage
Joseph C. Guyaux		
Neil F. Hall	Executive Vice President	Executive Vice President and Head of Retail Banking
Michael J. Hannon	Executive Vice President and Chief Credit Officer	Executive Vice President and Chief Credit Officer
Vicki C. Henn	Executive Vice President and Chief Human Resources Officer	Executive Vice President and Chief Human Resources Officer
Gregory B. Jordan	General Counsel, Executive Vice President and Head of Regulatory and Government Affairs	General Counsel, Executive Vice President and Head of Regulatory and Government Affairs
Stacy Juchno	Executive Vice President	Executive Vice President
Gregory H. Kozich	Senior Vice President and Controller	Executive Vice President and Controller
Karen L. Larrimer	Executive Vice President and Chief Customer Officer	Executive Vice President
Michael P. Lyons	Executive Vice President	Executive Vice President
E William Parsley, III	Executive Vice President, Treasurer and Chief Investment Officer	Executive Vice President and Treasurer
Robert Q. Reilly	Executive Vice President and Chief Financial Officer	Executive Vice President and Chief Financial Officer
Joseph E. Rockey	Executive Vice President and Chief Risk Officer	Executive Vice President, Derivatives Chief Compliance Officer and Chief Risk Officer
Steven Van Wyk	Executive Vice President and Head of Technology and Operations	Executive Vice President and Head of Technology and Operations

## **X. Corporate Governance Structure and Processes Related to Resolution Planning**

PNC has developed and implemented a robust governance framework to ensure that resolution planning is appropriately integrated into the overall governance structure and processes for PNC and PNC Bank, and that all aspects of resolution planning receive the appropriate level of attention by management and the Boards of Directors of PNC and PNC Bank. The ultimate responsibility for approving the resolution plans of PNC and PNC Bank for submission to the regulators rests with each entity's respective Board of Directors.

In addition to the Boards of Directors, the following bodies are integral parts of PNC's overall resolution planning governance framework:

### **Executive Committee**

PNC's Executive Committee is responsible for developing enterprise-wide strategy and achieving PNC's strategic objectives and, in that capacity, provides strategic oversight with respect to PNC's resolution planning. The Executive Committee reviews the Resolution Plans and makes recommendations to the Boards of Directors for approval and submission of the Resolution Plans. The Executive Committee is a senior management-level corporate committee comprising senior executive management as well as senior leadership responsible for each of PNC's core business lines and key enterprise functions.

### **Executive Sponsor**

PNC's Chief Financial Officer serves as the Executive Sponsor of PNC's overall resolution planning initiatives and is designated as the senior management official primarily responsible for overseeing the development, maintenance, implementation and filing of both the PNC and Bank Resolution Plans.

### **Resolution Planning Steering Committee**

PNC's Resolution Planning Steering Committee (RPSC) is responsible for overseeing the development and submission of the Resolution Plans. The membership of the RPSC includes senior managers from key enterprise-level functional areas (including Finance, Asset & Liability Management, Information Technology and Risk Management). The RPSC is supported by members of the Legal Department, and a representative from Internal Audit attends the meetings of the RPSC. The RPSC developed and approved the project plan for the development and timely submission of the Resolution Plans, reviewed the Resolution Plans and recommended approval of the plans to the Executive Committee. The RPSC also is responsible for ongoing monitoring of developments with the potential to materially impact the Resolution Plans, and to ensure that the resolution plans are updated in accordance with applicable regulations.

To support the work of the RPSC, PNC established Resolution Planning Working Groups comprising members of PNC's lines of business and other key functional areas (including the Legal Department). The Resolution Planning Working Groups are responsible for collecting the data used directly in the Resolution Plans as well as collecting data and other information supporting the resolution strategies for PNC and PNC Bank.

## **XI. Material Management Information Systems**

The ability of PNC to identify, manage and monitor risk is critical to the safety and soundness of the company. PNC utilizes a variety of management information systems (MIS) in order for its businesses, management and Board of Directors to have timely access to management information and reports in areas of risk management, accounting, finance, operations and regulatory reporting.

### **Risk Management Systems**

PNC utilizes an enterprise-wide risk management framework, including strategies, policies, processes and systems, to identify, assess, measure and manage risks that may significantly affect its financial performance. Among the key risks managed by PNC are credit, liquidity, interest rate and market risks and operational risk. MIS applications are critical to providing the necessary data, reports and oversight mechanisms for the prudent management and control of these risks. Key MIS applications in place for these purposes include systems that provide aggregate counterparty exposures, information regarding credit concentrations and performance, simulations to examine interest rate risk and other analytics.

### **Accounting and Financial and Regulatory Reporting Tools**

MIS applications are used by accounting teams across the enterprise and centrally within the Finance Department to record transactions, reconcile general ledger balances, ensure the adequacy of financial controls and generate information necessary for the preparation of financial statements and SEC and regulatory reports.

### **Business Continuity and Disaster Recovery**

PNC maintains Business Continuity and Disaster Recovery plans for critical business functions, technology and the related infrastructure to ensure continuity of operations in the event of a business interruption. These business continuity measures are centrally managed through PNC's Business Continuity Program and tested to validate PNC's resiliency capabilities.

## XII. High-Level Resolution Strategy Overview

Consistent with applicable regulations, the Resolution Plans developed for PNC and PNC Bank include hypothetical strategies for their orderly resolution under the legal regimes relevant to each entity. Importantly, these resolution strategies:

- Would allow PNC and PNC Bank to be resolved in a manner that substantially mitigates the potential for systemic risk;
- Would not require extraordinary support from the U.S. government (or any other government); and
- Do not contemplate the use of any provisions of the Orderly Liquidation Authority established by Title II of the Dodd-Frank Act.

In the unlikely event that PNC Bank were to fail and need to be resolved, the Bank Plan contemplates that the FDIC would be appointed as receiver for PNC Bank. The Bank Plan includes multiple strategies that the FDIC could then follow to resolve PNC Bank under the FDI Act in a manner that (i) ensures that depositors have access to their insured deposits within one business day of the bank's failure, (ii) maximizes the net present value return from the sale or disposition of the bank's assets, (iii) minimizes the amount of any loss realized by creditors of the bank in the resolution, and (iv) is consistent with the least cost requirement established under section 13(c)(4) of the FDI Act. These strategies include:

- The prompt sale of PNC Bank to another owner after establishment of the receivership; and
- The establishment by the FDIC of a bridge bank to:
  - Carry on the operations of PNC Bank for a period of time until the sale of the bank's operations to another owner can be completed; or
  - Allow the strategic sale of a geographic portion of PNC Bank's business followed by an initial public offering and secondary offerings to return the remaining core banking franchise to private ownership.

Potential third-party purchasers of PNC Bank, or a geographic portion of its business, from a bridge bank would include a range of global, national or regional financial institutions.

To facilitate a least cost analysis of these resolution strategies, and consistent with guidance issued by the FDIC in December 2014,<sup>20</sup> the Bank Plan includes a liquidation strategy, which assumes that, after the FDIC is appointed receiver of PNC Bank, insured deposits would be paid and that the FDIC, as receiver, would liquidate PNC Bank's assets.

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<sup>20</sup> FDIC, Guidance for Covered Insured Depository Institution Resolution Plan Submissions (Dec. 17, 2014), available at <https://www.fdic.gov/news/news/press/2014/pr14109a.pdf>.



The PNC Plan contemplates that, in the unlikely event PNC were to fail and need to be resolved, PNC would seek protection under Chapter 11 of the Bankruptcy Code. Administered by a bankruptcy court and with PNC as the debtor-in-possession, a Chapter 11 bankruptcy proceeding would facilitate the orderly wind down and disposition of PNC's limited businesses and operations that are not conducted through PNC Bank. The hypothetical resolution strategies described in the PNC Plan would allow this proceeding to be accomplished within a reasonable amount of time and would not result in any serious adverse effects on U.S. financial stability.

Consistent with the requirements of the 165(d) Rule and the CIDI Rule, the 2015 Resolution Plans take into account that the hypothetical failure of both entities may occur under macroeconomic conditions consistent with the Federal Reserve's baseline, adverse and severely adverse supervisory scenarios released for purposes of its annual stress tests. For purposes of the 2015 Resolution Plans, PNC applied these macroeconomic scenarios consistent with guidance received from the agencies and their staff.