



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

**Liquidity Coverage Ratio Disclosure**

**March 31, 2021**

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**Introduction**

The PNC Financial Services Group, Inc. (PNC) is one of the largest diversified financial services companies in the United States (U.S.) and is headquartered in Pittsburgh, Pennsylvania. We have businesses engaged in retail banking, including residential mortgage, corporate and institutional banking and asset management, providing many of our products and services nationally. Our retail branch network is located primarily in markets across the Mid-Atlantic, Midwest and Southeast. We also have strategic international offices in four countries outside the U.S. At March 31, 2021, consolidated total assets, total deposits and total shareholders' equity were \$474.4 billion, \$375.1 billion and \$53.8 billion, respectively.

PNC is a bank holding company registered under the Bank Holding Company Act of 1956 and a financial holding company under the Gramm-Leach-Bliley Act. Our bank subsidiary is PNC Bank, National Association (PNC Bank), a national bank headquartered in Pittsburgh, Pennsylvania.

The Liquidity Coverage Ratio (LCR) disclosures are required by the LCR rules issued by the Board of Governors of the Federal Reserve System. These disclosures provide information about our LCR, liquidity risk management, sources of liquidity and contractual obligations and commitments and should be read in conjunction with our Securities and Exchange Commission (SEC) filings, including the Annual Report on Form 10-K for the year ended December 31, 2020 (2020 Form 10-K) and Quarterly Report on the Form 10-Q for the period ended March 31, 2021 (March 31, 2021 Form 10-Q). These SEC filings are available at [www.pnc.com/secfilings](http://www.pnc.com/secfilings). The LCR disclosures and other regulatory disclosures are available at [www.pnc.com/regulatorydisclosures](http://www.pnc.com/regulatorydisclosures).

Further, the financial information presented within this LCR disclosure may differ from similar information presented in the Consolidated Financial Statements and Notes To Consolidated Financial Statements on Form 10-K/Q. Unless specified otherwise, all amounts and information within are presented in conformity with the definitions and requirements of the LCR rules.

***Forward-Looking Statements***

This disclosure may contain forward-looking statements, which 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 and do not undertake 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. See the Cautionary Statement Regarding Forward-Looking Information in PNC's March 31, 2021 Form 10-Q for more information. Also see all risks and uncertainties disclosed in PNC's SEC filings, including its 2020 Form 10-K, and subsequent reports on Forms 10-K, 10-Q and 8-K, Proxy Statements on Schedule 14A, and, if applicable, its registration statements under the Securities Act of 1933, as amended, all of which are or will upon filing be accessible on PNC's website at [www.pnc.com/secfilings](http://www.pnc.com/secfilings) and on the SEC's website at [www.sec.gov](http://www.sec.gov).

## Liquidity Coverage Ratio

The LCR is a regulatory minimum liquidity requirement designed to ensure that covered banking organizations maintain an adequate level of unencumbered high quality liquid assets (HQLA) to meet net liquidity needs over the course of a hypothetical 30-day stress scenario. The LCR, for disclosure purposes, is calculated as the quarterly average of the daily amount of an institution's HQLA, as defined and calculated in accordance with the LCR rules, divided by its estimated net cash outflows, with net cash outflows determined by applying the prescribed outflow factors in the LCR rules. The resulting quotient is expressed as a percentage. The regulatory minimum LCR that we are required to maintain is 100%. PNC is required to calculate the LCR on a daily basis, and as of March 31, 2021, the LCR for PNC exceeded the requirement of 100%.

The following table summarizes PNC's average LCR for the three months ended March 31, 2021 based on the LCR rules:

**Table 1: Liquidity Coverage Ratio**

| Average weighted amount (in millions)         | Three Months Ended<br>March 31, 2021 |              |
|---|--------------------------------------|--------------|
| HQLA  | \$                                   | 86,799       |
| Estimated net cash outflows                   |                                      | 73,619       |
| <b>LCR</b>                                    |                                      | <b>118 %</b> |
| HQLA in excess of estimated net cash outflows | \$                                   | 13,180       |

PNC's average LCR for the three months ended March 31, 2021 was 118%, a 1% increase from the three months ended December 31, 2020. The increase is primarily driven by increased transferability of HQLA from PNC Bank.

HQLA consists of cash balances held with the Federal Reserve Bank of Cleveland and Level 1 and Level 2 securities. Estimated net cash outflows primarily relate to our deposits and lending-related commitments. Refer to Table 2: Liquidity Coverage Ratio and Related Components and Table 3: HQLA Composition for additional information.

The following table provides additional detail on PNC's average LCR, average unweighted and weighted amount of HQLA, cash outflows and cash inflows for the three months ended March 31, 2021:

**Table 2: Liquidity Coverage Ratio and Related Components**

| Dollars in millions               |  | Three months ended<br>March 31, 2021 |                                |
|-----------------------------------|--|--------------------------------------|--------------------------------|
|                                   |  | Average Unweighted<br>Amount         | Average Weighted<br>Amount (a) |
| <b>High Quality Liquid Assets</b> |  |                                      |                                |
| 1                                 | <b>Total eligible HQLA, of which:</b>  | <b>\$ 86,799</b>                     | <b>\$ 86,799</b>               |
| 2                                 | Eligible level 1 liquid assets   | 86,799                               | 86,799                         |
| 3                                 | Eligible level 2A liquid assets  |                                      |                                |
| 4                                 | Eligible level 2B liquid assets  |                                      |                                |
| <b>Cash Outflow Amounts</b>       |  |                                      |                                |
| 5                                 | <b>Deposit outflow from retail customers and counterparties, of which:</b>   | <b>\$ 215,701</b>                    | <b>\$ 12,475</b>               |
| 6                                 | Stable retail deposit outflow  | 146,081                              | 4,383                          |
| 7                                 | Other retail funding outflow   | 61,161                               | 6,268                          |
| 8                                 | Brokered deposit outflow   | 8,459                                | 1,824                          |
| 9                                 | <b>Unsecured wholesale funding outflow, of which:</b>  | <b>135,197</b>                       | <b>45,933</b>                  |
| 10                                | Operational deposit outflow  | 73,442                               | 18,128                         |
| 11                                | Non-operational funding outflow  | 61,413                               | 27,463                         |
| 12                                | Unsecured debt outflow   | 342                                  | 342                            |
| 13                                | <b>Secured wholesale funding and asset exchange outflow</b>  | <b>15,061</b>                        | <b>2,175</b>                   |
| 14                                | <b>Additional outflow requirements, of which:</b>  | <b>171,847</b>                       | <b>28,022</b>                  |
| 15                                | Outflow related to derivative exposures and other collateral requirements  | 3,112                                | 2,258                          |
| 16                                | Outflow related to credit and liquidity facilities including unconsolidated structured transactions and mortgage commitments | 168,735                              | 25,764                         |
| 17                                | <b>Other contractual funding obligation outflow</b>  | <b>281</b>                           | <b>281</b>                     |
| 18                                | <b>Other contingent funding obligations outflow</b>  | <b>5,010</b>                         | <b>150</b>                     |
| 19                                | <b>Total Cash Outflow</b>  | <b>\$ 543,097</b>                    | <b>\$ 89,036</b>               |
| <b>Cash Inflow Amounts</b>        |  |                                      |                                |
| 20                                | <b>Secured lending and asset exchange cash inflow</b>  | <b>\$ 721</b>                        | <b>\$ 21</b>                   |
| 21                                | <b>Retail cash inflow</b>  | <b>1,084</b>                         | <b>542</b>                     |
| 22                                | <b>Unsecured wholesale cash inflow</b>   | <b>2,626</b>                         | <b>1,401</b>                   |
| 23                                | <b>Other cash inflows, of which:</b>   | <b>2,392</b>                         | <b>2,392</b>                   |
| 24                                | Net derivative cash inflow   | 1,463                                | 1,463                          |
| 25                                | Securities cash inflow   | 929                                  | 929                            |
| 26                                | Broker-dealer segregated account inflow  |                                      |                                |
| 27                                | Other cash inflow  |                                      |                                |
| 28                                | <b>Total Cash Inflow</b>   | <b>\$ 6,823</b>                      | <b>\$ 4,356</b>                |
|                                   |  |                                      | Average Weighted<br>Amount (b) |
| 29                                | <b>HQLA Amount</b>   |                                      | <b>\$ 86,799</b>               |
| 30                                | <b>Total Estimated Net Cash Outflow Amount Excluding the Maturity Mismatch Add-on</b>  |                                      | <b>\$ 84,680</b>               |
| 31                                | <b>Maturity Mismatch Add-on</b>  |                                      | <b>1,930</b>                   |
| 32                                | <b>Total unadjusted net cash outflow amount</b>  |                                      | <b>\$ 86,610</b>               |
| 33                                | <b>Outflow adjustment percentage</b>   |                                      | <b>85 %</b>                    |
| 34                                | <b>Total net cash outflow amount</b>   |                                      | <b>\$ 73,619</b>               |
| 35                                | <b>Liquidity Coverage Ratio (%)</b>  |                                      | <b>118 %</b>                   |

(a) Average weighted amount represents the average balances after applying HQLA haircuts and outflow/inflow rates prescribed by the LCR rules.

(b) The amounts reported in this column may not equal the calculation of those amounts using component amounts reported in rows 1-28 due to technical factors such as the application of the level 2 asset caps, the total inflow cap, and for depository institution holding companies subject to subpart G, the application of the modification to total net cash outflows.

## High Quality Liquid Assets

HQLA is the amount of liquid assets that qualify for inclusion in the LCR. HQLA primarily consists of unencumbered cash and high quality liquid securities as defined in the LCR rules. The average weighted amount of HQLA was \$86.8 billion for the three months ended March 31, 2021.

The following table presents the composition of PNC's HQLA by asset class for the three months ended March 31, 2021:

**Table 3: HQLA Composition**

| (in millions)                        | Three Months Ended<br>March 31, 2021 |               |
|--------------------------------------|--------------------------------------|---------------|
|                                      | Average weighted amount              |               |
| <b>HQLA</b>                          |                                      |               |
| Eligible cash (a)                    | \$                                   | 85,185        |
| Eligible level 1 securities (b)      |                                      | 1,614         |
| <b>Total eligible Level 1 assets</b> |                                      | <b>86,799</b> |
| Eligible level 2a securities (c)     |                                      |               |
| Eligible level 2b securities         |                                      |               |
| <b>Total eligible Level 2 assets</b> |                                      |               |
| <b>Total HQLA</b>                    | <b>\$</b>                            | <b>86,799</b> |

(a) Cash represents balances held with the Federal Reserve Bank of Cleveland.

(b) Level 1 securities are U.S. Treasuries and securities guaranteed by sovereign entities with no prescribed HQLA haircut under the LCR rules.

(c) Level 2 securities are primarily securities guaranteed by a U.S. government sponsored enterprise, sovereign entity, or multilateral development bank net of prescribed HQLA haircuts under the LCR rules.

## Funding Sources

Our largest source of liquidity on a consolidated basis is the customer deposit base generated by our banking businesses. These deposits provide relatively stable and low-cost funding. We also obtain liquidity through various forms of funding, including long-term debt (senior notes, subordinated debt and Federal Home Loan Bank (FHLB) borrowings) and short-term borrowings (securities sold under repurchase agreements, commercial paper and other short-term borrowings).

PNC Bank maintains additional secured borrowing capacity with the FHLB-Pittsburgh and through the Federal Reserve Bank discount window. The Federal Reserve Bank, however, is not viewed as a primary means of funding our routine business activities, but rather as a potential source of liquidity in a stressed environment or during a market disruption. At March 31, 2021, our unused secured borrowing capacity at the FHLB-Pittsburgh and the Federal Reserve Bank totaled \$81.8 billion.

For additional information on funding sources and sources of liquidity, refer to the Funding Sources section of the Consolidated Balance Sheet Review and the Liquidity and Capital Management section of Risk Management in Part I, Item 2 of our March 31, 2021 Form 10-Q.

## Net Cash Outflows

Total net cash outflows are defined as the total expected cash outflows minus the total expected cash inflows in the hypothetical 30-day stress scenario. Cash outflows and cash inflows are calculated by multiplying unweighted balances of PNC's funding, assets and obligations by prescribed rates that are defined in the LCR rules. As detailed in Table 2, our largest average weighted cash outflows for the three months ended March 31, 2021 were deposits and credit and liquidity facilities related to unfunded commitments which are discussed in further detail below. Other cash outflows, including outflows associated with unsecured debt, secured wholesale funding, derivatives, and other contractual/contingent funding obligations, as well as cash inflows associated with secured lending, retail lending, unsecured wholesale lending, derivatives and securities composed the remainder of the average weighted net cash outflows for the three months ended March 31, 2021, excluding the maturity mismatch add-on.

**Deposits**

As noted previously, our largest source of liquidity on a consolidated basis is our customer deposit base, which provides a relatively stable source of funding and limits our reliance on wholesale funding markets. The majority of PNC's deposits are retail or wholesale operational, which are both considered to be stable sources of liquidity. For the three months ended March 31, 2021, PNC had total average retail deposits of \$215.7 billion and average associated weighted cash outflows of \$12.5 billion, resulting in an implied cash outflow rate of 6%. PNC also had for the three months ended March 31, 2021, total average operational wholesale deposits of \$73.4 billion, with average associated weighted cash outflows of \$18.1 billion, which resulted in an implied cash outflow rate of 25%. Additionally, PNC had total average non-operational wholesale deposits of \$61.4 billion, with average associated weighted cash outflows of \$27.5 billion, which resulted in an implied cash outflow rate of 45%. The prescribed outflow rates for non-operational wholesale funding are higher than the outflow rates for other deposit sources under the LCR rules.

**Commitments**

The LCR rules require us to apply prescribed outflow rates against off-balance sheet obligations and transactions. In the normal course of business, we have various commitments outstanding, such as commitments to extend credit, net outstanding standby letters of credit and other commitments. Commitments to extend credit represent arrangements to lend funds or provide liquidity subject to specified contractual conditions to commercial and consumer customers. Net outstanding standby letters of credit, including those issued by other financial institutions where we share the risk, support obligations of our customers to third parties, such as insurance agreements and the facilitation of transactions involving capital markets product execution. For additional information refer to Note 8 Commitments in our March 31, 2021 Form 10-Q and Note 11 Commitments in the Notes to Consolidated Financial Statements in Item 8 of our 2020 Form 10-K.

**Maturity Mismatch Add-on**

The maturity mismatch add-on identifies gaps between the contractual inflows and outflows of liquidity during the period, specifically when there are early outflows and late inflows in the 30-day stress period. In Table 2, the quarterly average for the maturity mismatch add-on did not have a material impact on the total estimated net cash outflow amount.

**Liquidity Risk Management**

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 liquidity stress event. In the most severe liquidity stress simulation, we assume that our 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 runoff of customer deposits, valuation pressure on assets and heavy demand to fund committed obligations. 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.

For discussion of Enterprise Risk Management, including our Risk Culture, Enterprise Strategy, Risk Governance and Framework, Risk Identification, Risk Assessment, Risk Controls and Monitoring, and Risk Aggregation and Reporting, see the Risk Management section in Item 7 of our 2020 Form 10-K.