

Committee on Banking, Housing, and Urban Affairs

U.S. Senate

Written Statement of William S. Demchak

Chairman, President and CEO

The PNC Financial Services Group, Inc.

September 22, 2022

Chairman Brown, Ranking Member Toomey and distinguished members of the Committee, I am pleased to be here today on behalf of The PNC Financial Services Group, Inc. (PNC) to discuss PNC's commitment to the communities we serve.

PNC's Main Street Bank Business Model

PNC is a Main Street banking organization focused on traditional banking activities, including retail banking, consumer and residential mortgage lending, corporate and institutional banking, and asset management. We firmly believe that our success is directly tied to the success of our customers and communities, and our business model is focused on serving the needs of our customers and the communities in which our customers and employees work and live. We work to become embedded in the local communities we serve, with Regional Presidents in each of our major markets who are responsible for delivering the whole bank locally, and ensuring PNC understands—and supports—the local community development and banking needs of our communities. PNC's commitment to our communities is reflected in our Outstanding rating under the Community Reinvestment Act (CRA); in fact, we are proud that PNC has received an Outstanding CRA rating in *every* CRA evaluation since the CRA was enacted in 1977.

PNC also is financially strong and resilient. As of June 30, 2022, our Common Equity Tier 1 (CET1) ratio was 9.6 percent and our Supplementary Leverage Ratio was 7.0 percent, in each case more than twice the regulatory minimum. We consistently perform well through the Federal Reserve's supervisory stress tests, reflecting the strength of our balance sheet and conservative, through-the-cycle approach to credit risk management. We also have limited capital markets, derivative and foreign operations, and the vast majority of our operations are

conducted through our single national bank subsidiary, PNC Bank, National Association (PNC Bank). As a result of our simple organizational structure and Main Street bank focus, PNC is not a globally systemically important bank (GSIB), and our estimated GSIB score (Method 1) was only 38 as of December 31, 2021, far below the 130 level necessary to be classified as a GSIB.

Serving Retail Consumers and Our Employees

We are committed to serving the banking and credit needs of retail consumers, and offer a wide range of checking, savings, and money market deposit products, as well as residential mortgage, home equity, auto, credit card, student and other unsecured consumer loans. Our retail customers have access to more than 2,500 PNC branches and more than 9,000 PNC ATMs across our footprint, as well as surcharge-free access to an additional 51,000 ATMs nationwide. Our ATMs support interactions in multiple languages, and we offer support in over 240 languages via interpretation services available through our branches and our toll-free Customer Service Center. We maintain a designated Customer Care Center line (1-866-HOLA-PNC) for Spanish speaking customers, and our mobile banking application and website are available in Spanish. We regularly assess our product and service offerings, as well as fees charged, to help ensure that they are responsive to consumer needs as well as fair and reasonable.

I know that overdraft fees have received a lot of attention recently, and for good reason. Data demonstrates that, within the industry as a whole, a small percentage of customers bear a large percentage of all overdraft fees. And some small and mid-size banks receive a significant percentage of their revenue from overdraft and related non-sufficient fund (NSF) fees. At PNC, however, overdraft fees have traditionally been a small percentage of our overall revenue. For example, in 2019, overdraft and NSF fees represented less than 2.5 percent of our total revenue, based on Call Report data. This is likely due to the fact that, consistent with our customer-centric business model, PNC employees, managers and executives do *not* have performance targets, or receive bonuses or other types of incentive compensation, based on the number or percentage of customers who “opt-in” for overdraft coverage for ATM transactions and one-time debit transactions.¹

¹ Regulation E permits banks to provide consumers overdraft coverage for checks, Automated Clearing House (ACH) transactions, and recurring electronic debits without obtaining the customer’s affirmative consent. As the

Nevertheless, I challenged the leadership of our Retail Bank to develop a solution to provide consumers even greater control and transparency with respect to overdraft fees. As a result, I am proud to note that PNC was the first mover among large banks in modifying our overdraft practices and providing relief to consumers. Specifically, in January 2021 PNC began rolling out Low Cash ModeSM—a unique set of features that provides consumers greater control over their finances and the ability to avoid overdraft fees—to all of our Virtual Wallet[®] customers. Importantly, our research indicates that consumers value the ability to have important payments—such as a rent or auto loan bill—paid by their financial institution, even if the consumer does not have sufficient funds in their account to cover the item at the time it is presented. Returning the payment in such circumstances may well have adverse and costly consequences for the consumer, such as late fees imposed by the biller and adverse credit reporting impacts. In addition, eliminating or greatly limiting the availability of overdraft services may well cause consumers who experience a short-term shortage of funds to turn to more costly, and possibly predatory, alternatives, such as payday or title lenders.

Thus, Low Cash Mode does not eliminate the ability of consumers to incur an overdraft when doing so is the best financial option available to them. Rather, it provides consumers unprecedented transparency into their transactions and control over whether they incur an overdraft. It does so by offering consumers three key features:

- **Real-Time, Intelligent Alerts.** Low Cash Mode’s Real-Time, Intelligent Alerts (i) allow customers to set their own “low cash” threshold, and (ii) sends the consumer an alert, via smartphone and email, whenever their checking account balance is below their established “low cash” threshold, as well as when an item brings their balance below zero. They are then able to decide whether they can and want to take action to avoid overdrawing their checking account, such as by making a mobile or branch deposit, transferring in funds from another source, or delaying discretionary payments. We send out *millions of Intelligent Alerts* each month.
- **Extra Time.** If a consumer’s transactions do take an account negative, Low Cash Mode’s Extra Time feature provides at least 24 hours (and approximately 51 hours on average) for the consumer to cure the negative balance *before* any

Federal Reserve Board observed when it adopted Regulation E, participants in consumer testing generally indicated that they were more likely to pay important bills using checks, ACH, and recurring debits, and that they would prefer to have these items paid by their financial institution, even if there was not sufficient funds in the consumer’s account to cover the item. *See* 74 Fed. Reg. 59033 at 59040. PNC reserves the right to pay such overdrafts for consumers at our discretion.

overdraft fee is assessed. Importantly, we display how much Extra Time is remaining to the consumer in the PNC Mobile Banking smartphone app, so that they have complete transparency as to when the Extra Time for each item expires. In our experience, approximately *65 percent of account holders are able to cure a negative balance within the Extra Time that Low Cash Mode provides*. This confirms that for many consumers a negative balance event often is the result of a short-term, cash-flow imbalance, which can be remedied if just provided a little extra time.

PNC also provides all consumers a \$5 overdraft cushion or tolerance, which means we do not charge an overdraft fee—even after any Extra Time has expired—if the consumer’s negative balance is \$5 or less. While this tolerance is helpful in preventing small charges by a consumer from generating an overdraft fee, our customer data shows that the average transaction size that takes a consumer negative is approximately \$250. This data confirms that most customers use overdraft services to timely make more substantial payments, such as loan and utility payments. PNC has chosen to allow customers to overdraft their account to pay these items where possible, and we believe that our customers’ financial health is the better for it.

- **Payment Control.** Lastly, Low Cash Mode’s Payment Controls are unique in the industry and provide our customers unequalled control over their accounts. With Payment Control, customers can choose whether to pay or return certain ACH and check payments when their balance is negative. The Payment Control dashboard is intuitive and gives our customers the ability to control their payments item by item in a way that no other financial institution does. The Payment Control dashboard also allows customers to make a transfer from a linked account with no additional fee or make a mobile deposit to help bring the account positive.

With the phased rollout of Low Cash Mode, PNC also completely eliminated NSF fees across the entire line of our consumer checking accounts, and reduced the maximum number of overdraft fees that can be assessed per day to one for our Low Cash Mode customers (regardless of the number of items paid into overdraft during the day).

Together these actions have provided significant financial benefits to our retail consumers, while still allowing them to have important items paid when needed. For example, since Low Cash Mode launched in 2021:

- Overdraft fees have dropped by nearly 50 percent;
- In dollar terms, Low Cash Mode has saved PNC customers more than \$130 million in fees between April 2021 and May 2022;
- PNC has paid more than 17 million items, totaling more than \$3.1 billion, that resulted in a negative account balance without the consumer incurring an overdraft fee; and

- Customer complaints regarding overdraft fees have dropped by more than 50 percent.

Building Low Cash Mode was neither simple nor cheap, but we did it because we felt that it was the right thing to do for our customers. We continue to believe that the availability of overdraft services, when conducted in a responsible fashion, is important, as it can help customers meet their short-term liquidity needs at a reasonable price. Eliminating or significantly restricting overdraft services (such as allowing overdrafts only up to a low dollar threshold)—a step taken by some of our competitors—can cause additional harm for consumers. Uniformly returning all items that would cause a consumer’s account to go into overdraft by more than \$50 or \$100 can, at best, result in some important consumer bills going unpaid, resulting late fees and/or negative credit reporting by the biller. At worst, it can force the consumer to turn to expensive payday or title lenders to solve their low cash moments.

That said, PNC also has designed products specifically for consumers who may not want the flexibility to overdraft their account. In fact, PNC is the only bank to offer two “Bank On” certified, low-cost, no overdraft products: the PNC Foundation Checking account and the PNC SmartAccess prepaid Visa® card.² A Foundation Checking Account can be opened with as little as \$25, bears a low (\$5) monthly service fee (which is waived for customers over 62), and is designed for consumers who may not qualify for a traditional checking account. The account also comes with a Foundation Savings account with no monthly service charge for the first year. The SmartAccess prepaid card, which bears a low \$5 monthly fee, is easily reloadable and can be used anywhere Visa debit cards are accepted. Overdrafts are not permitted with either product, but customers continue to have access to PNC’s award-winning online banking service, as well as our extensive branch and ATM network.

We also have taken other actions to assist our retail banking customers. For example, we have eliminated overdraft protection transfer fees and continuous overdraft fees across our entire line of consumer checking accounts. In addition, we have eliminated ACH and check representment fees, which could occur when such items are represented for payment after initially being rejected for insufficient funds. These actions have saved PNC customers nearly

² “Bank On” is a certification provided by the Cities for Financial Empowerment Fund to transaction account products that meet certain standards for affordability, customer service and functionality. For more information about the Bank On certification, visit [About – BankOn \(joinbankon.org\)](http://joinbankon.org).

an additional \$90 million in fees, and reflect our ongoing commitment to provide our customers easy and accessible banking services at a reasonable cost.

Delivering Innovative Payment Technology While Protecting Consumers from Fraud

Consumers are increasingly looking to make payments faster, easier and more cheaply. To enable that, PNC along with the other owner banks of Early Warning Services, LLC (EWS) developed and rolled-out Zelle[®], a real-time, person-to-person (P2P) payment platform. Zelle allows consumers to send money to individuals and businesses throughout the United States using the sender's U.S. mobile phone number or email address. More than 3.3 million PNC consumers and small business customers are currently enrolled in Zelle. PNC does not charge a fee to use Zelle, giving our customers a convenient, accessible and low-cost way to send and receive payments.

Unfortunately, bad actors have sought to use the near real-time feature of P2P payment services, such as Zelle, Cash App and PayPal, as part of schemes to defraud consumers. At PNC, we take seriously our obligation to protect consumers from fraud. We have engaged in extensive activities to educate consumers on how to identify and prevent payment scams. For example, we educate and alert customers to payment scams in the PNC Mobile app experience by presenting "Scam Alerts." We also were a prime mover in encouraging the American Bankers Association to develop its national anti-phishing/smishing campaign "Banks Never Ask That," a campaign that has included more than 2000 participating banks since its launch in 2020.³ We also are planning additional efforts through various communication channels in the near future to drive customer awareness on how to identify and avoid bad actors targeting P2P digital payment services.

In addition, we have built features into the Zelle experience in the PNC Mobile app designed to help customers protect themselves. For example, when customers send a Zelle payment in the PNC Mobile app, they are presented with the opportunity to review the mobile number or email address of the intended recipient, as well as the first and last name of the enrolled user associated with the mobile number or email address. Moreover, in instances where a PNC customer is sending a Zelle payment to a recipient for the first time, the sender is required

³ More information on the Banks Never Ask That campaign is *available at* <https://www.aba.com/advocacy/community-programs/banksneveraskthat#>.

to enter their ATM PIN number prior to completing the payment in order to reconfirm that the sender intends to complete and authorizes the transaction. Our PNC Mobile app experience also warns customers to use Zelle only for transactions with people they know and trust, that, once a payment is sent, it cannot be cancelled, and to be aware for payment scams.

And we utilize multi-layered and comprehensive fraud detection systems, both within PNC and at EWS, to help detect and prevent fraud and remove bad actors from the Zelle Network. For example, we—

- Have implemented real-time automated fraud screening that helps PNC flag and prevent fraudulent incoming and outgoing Zelle transactions;
- Have implemented machine learning for outgoing Zelle transactions that has allowed us to establish new fraud rules to identify and interdict payment scams;
- Migrated PNC Online Banking and the PNC Mobile app to a stronger authentication platform – which includes enhanced two-factor authentication and device intelligence and binding features – to help enhance customer security while delivering a seamless experience;
- Utilize mobile authentication risk scoring to help detect suspicious mobile app sign-on sessions and prompt additional authentication measures;
- Have established daily and monthly transaction limits on Zelle transactions to help limit the potential for fraud;
- Prevent customers from enrolling in Zelle with a phone number or email address that has been identified as fraudulent or previously associated with known fraud, based on records within PNC or EWS;
- Developed an internal Zelle Administrative Portal (ZAP) that is used by PNC employees to service PNC customers and assist in conducting fraud investigations. ZAP increases our ability to identify and flag certain accounts or transactions based on patterns of fraudulent activity. Accounts that are identified as having fraudulent activity through ZAP can be prevented from having the ability to send, request, or split money with Zelle; and
- Use Risk Insights for Zelle, a service provided by EWS that allows PNC to incorporate EWS-provided fraud attributes into its system to help identify and prevent potentially risky transactions more quickly and effectively.

PNC and our peer institutions also have employed a coordinated approach to how we detect, prevent, and mitigate fraud on the Zelle Network. For example, each participating financial institution is required to promptly report to EWS any activity that is indicative of fraud or payment scams on the platform, and these reports are used to determine whether a user's access to Zelle should be restricted or terminated.

Due to these and other measures, fraud on the Zelle Network is relatively rare. Monthly reporting from the first half of 2022 indicates that less than 0.027 percent of total Zelle transactions performed by PNC customers were disputed as unauthorized. In fact, Zelle has a much lower rate of disputes compared to other P2P digital payment services used by our customers. For example, in the first half of 2022, the PNC customer dispute rate for unauthorized transactions on Cash App and PayPal was more than 1,280 percent and 210 percent, respectively, above the Zelle rate.

Nevertheless, when consumers do dispute a Zelle transaction as fraudulent, we investigate the dispute and disposition it in accordance with the robust set of rights provided consumers under the Electronic Funds Transfer Act and Regulation E. In acting on disputes, we follow all applicable regulatory requirements and guidance, including the Consumer Financial Protection Bureau's (CFPB) recent guidance on the types of payment scams that are considered "unauthorized" for purposes of Regulation E, such as when a consumer is fraudulently induced to provide their access credentials to a bad actor who then uses the credentials to access the consumer's account.⁴

PNC, in partnership with EWS and our peer institutions, will continue to improve our systems and tools to identify and prevent fraud and educate consumers on how to avoid payment scams. However, many of the tools bad actors use to dupe consumers into making payments are outside the banking system perimeter and effective fraud reduction efforts may require the action of policymakers and others. For example, PNC would support policies that reduce the ability of bad actors to use social engineering to target customers, a common tactic used in P2P payment scams, such as by requiring social media firms to more expeditiously remove or block scammer

⁴ See CFPB, Electronic Fund Transfer FAQs, *available at* <https://www.consumerfinance.gov/compliance/compliance-resources/deposit-accounts-resources/electronic-fund-transfers/electronic-fund-transfers-faqs/>.

content, requiring search engines to remove or block spoofed websites, and preventing telephone companies from allowing spoofed telephone numbers or caller IDs.

Protecting Consumer Financial Information

Maintaining the security of consumer information also is critical to preventing payment scams, account takeover and other malicious activity. Scammers often use consumer information that is available as the result of prior data breaches to dupe customers into trusting them or to “engineer” identities that can then be used for fraudulent purposes.

At PNC, we work hard to maintain the privacy and security of the confidential financial and personal information that consumers share with us, or that are the result of the consumer’s transactions with PNC. We have invested heavily in our cyber-security and information security infrastructure in recent years, and are regularly examined by our federal bank supervisors for compliance with the information security requirements under the Gramm-Leach-Bliley Act (GLBA).

We are concerned, however, that gaps in the consumer financial data ecosystem currently place consumer information and the financial system at considerable risk. Specifically, many data aggregators that power third party financial technology applications continue to rely on credential-based, “screen scraping” methodologies to gather consumer financial information from financial institutions, including banks. By requiring consumers to share their bank credentials (e.g., online banking log-in ID and password), these data aggregators create significant risk to consumers’ financial health, including the potential for account takeover, unauthorized payment transactions and identity theft. This is especially true because data aggregators generally are *not* subject to examination and supervision by the federal banking authorities or CFPB for cyber-security and information security purposes, even though some data aggregators report holding the financial data of tens of millions of U.S. consumers.

Screen scraping also permits data aggregators to effectively harvest *all* of the data that might be available through a consumer’s online banking portal—even if this data has nothing to do with the financial app that the customer is using, or pertains to other individuals (such as the consumer’s minor children or spouse) who may have accounts “linked” to the consumer’s online banking account. Moreover, this data harvesting is occurring largely unbeknownst to the

consumer. A 2021 survey conducted by The Clearing House Association (TCH) found that 73 percent of financial app users were not aware that the apps or third parties may store their bank account username and password, and 80 percent were not aware that apps may use third parties to access their personal and financial information.⁵

Let me be clear, PNC fully supports our customer’s access to their financial data and their use of the financial applications of their choice. But we believe that consumer financial information should be safe and secure regardless of who holds it, that informed consumer consent should be a precondition to any sharing of consumer financial information, and that the consumer should have effective control over the type and amount of information that is shared. That is why we have urged the CFPB to use its rulemaking authority under Section 1033 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) to mandate the end of screen-scraping and adopt rules consistent with these principles. It is also why we have been working with the other owners of TCH to stand-up Akoya, a utility-like entity that can facilitate the safe, secure and consumer-permissioned sharing of consumer financial information using Application Program Interfaces (APIs), the tokenization of customer data, and common industry standards, rather than through screen scraping. Importantly, Akoya would be available to all financial institutions, greatly reducing the costs of consumer-permissioned data sharing for financial institutions, financial apps and their third party data aggregators. Through arrangements like Akoya, we can bring an end to the dangerous practice of screen scraping and create a safer financial system for consumers and financial institutions.

There is another gap in the current regulatory framework that also poses a threat to consumers and the financial system—the so-called industrial loan company (ILC) loophole. This loophole allows any type of company—including a large technology or commercial firm—to acquire a full-service, FDIC-insured bank *without* being subject to the type of consolidated supervision and regulation that Congress has mandated for all other corporate owners of full-service, insured banks. This loophole, for example, would allow a large technology company to acquire an FDIC-insured bank, but avoid the consolidated capital and liquidity requirements established for bank holding companies, the cyber-security and information security

⁵ The Clearing House, “Data Privacy and Financial App Usage,” p. 3 (Dec. 2021), *available at* https://www.theclearinghouse.org/-/media/new/tch/documents/data-privacy/2021-tch-consumersurveyreport_final.pdf.

examinations of the federal banking agencies, and the Community Reinvestment Act obligations adopted in the GLBA. We believe it is time for Congress to close this anachronistic and dangerous loophole.

BBVA USA and Our \$88 Billion Community Benefits Plan

In June 2021, PNC acquired BBVA USA, the Birmingham, Alabama-based bank subsidiary of Banco Bilbao Vizcaya Argentaria, S.A., a global Spanish bank. In October 2021, we successfully merged BBVA USA into PNC Bank and, contemporaneously, converted BBVA USA's approximately 2.6 million customers into PNC products and systems. The transaction had numerous positive impacts for PNC and our customers. For example, the transaction accelerated PNC's growth into the South and Southwest, providing additional geographic diversification to our banking business and access to some of the most vibrant local economies in the U.S. In addition, BBVA USA's retail transaction accounts were converted to PNC Virtual Wallet accounts, giving these customers the benefit of Low Cash Mode and the other financial management tools available in Virtual Wallet.

While this combination expanded PNC's branch network and operations into the South and Southwest, it did *not* change our Main Street bank business model, our approach to serving our communities, or our non-systemic risk profile.⁶ Moreover, in connection with the transaction, PNC announced a new \$88 billion, 4-year Community Benefits Plan covering both PNC's legacy markets and the new markets brought into our footprint through the BBVA USA acquisition. At the time of announcement, this was the largest Community Benefits Plan ever announced in connection with a bank acquisition. To develop the Plan, PNC engaged in listening sessions with more than 150 community groups from across the country, including members of the National Community Reinvestment Coalition, the National Diversity Coalition, the Greenlining Coalition, and the California Reinvestment Coalition.

The Plan is comprehensive, with expansive goals for loans, investments and other financial support to assist our communities, including low- to moderate-income (LMI)

⁶ The acquisition increased PNC's GSIB score by only 1 point, confirming that the transaction posed no threat to the financial stability of the United States. See Federal Reserve Board Order 2021-04, at p. 21, available at [Order Approving the Acquisition of a Bank Holding Company -- The PNC Financial Services Group, Inc. \(federalreserve.gov\)](https://www.federalreserve.gov/monetarypolicy/2021-04-order-approving-the-acquisition-of-a-bank-holding-company--the-pnc-financial-services-group-inc).

individuals and neighborhoods, people and communities of color, and other underserved individuals and communities. The following highlights only some of the most important aspects of the Plan.

- Home Lending: The Plan calls for PNC to originate at least **\$47 billion** in residential and home equity loans to LMI and minority borrowers and in LMI and majority-minority census tracts over the Plan’s 4-year period (2022 – 2025). In connection with these efforts, PNC also will increase its home lending outreach in LMI and majority-minority communities, increase the availability of PNC’s affordable home lending products, and reduce the minimum credit score needed for low-income borrowers to qualify for PNC’s affordable Community Mortgage product and Federal Housing Administration (FHA) mortgage loans.
- Small Business Lending: In recognition of the critical role that small businesses play in the U.S. economy, the Plan calls for PNC to originate at least **\$26.5 billion** in loans to small businesses during the Plan period. This includes at least (i) **\$11.5 billion** in loans to small businesses in LMI communities, (ii) **\$10 billion** in loans to businesses with revenues of less than \$1 million and small farms, and (iii) **\$5 billion** in loans to small businesses in majority-minority census tracts. PNC also plans to increase its Small Business Association (SBA) lending, by both dollar volume and units, across its footprint and increase the availability of technical assistance for LMI, minority-, and women-owned small businesses.
- Community Development Loans, Investments and Services. Building on our status as a leader in community development activities, the Plan calls for PNC to make at least **\$14.5 billion** in community development loans and investments over the Plan period. This includes the financing or syndication of **\$4 billion** in Low Income Housing Tax Credits (LIHTC) and New Markets Tax Credits (NMTC), and the investment of at least **\$400 million** in Community Development Financial Institutions (CDFIs) that assist traditionally underserved communities.
- Charitable Giving and Community Support. PNC has a long history of strengthening and enriching the communities we serve through charitable support from PNC and the PNC Foundation. During the Plan period, PNC expects to increase its charitable giving to at least **\$500 million**, and we will honor all of BBVA USA’s multi-year grants and charitable commitments.

PNC is also extending our signature *Grow Up Great*[®] program into our new markets. *Grow Up Great*[®] (also known as PNC *Crezca con Éxito*) is our \$500 million, multi-year, bilingual initiative focused on improving early childhood education. Since the program’s launch in 2004, PNC has provided \$368 million in support for early education. The program has supported more than 7 million children—particularly underserved children—throughout 25 states and the District of Columbia. Employees have volunteered over 1,000,000 hours and

have donated more than 1.4 million items for use in preschool classrooms or for the personal well-being of young children.

- Branches. Access to physical locations remains an important part of PNC's retail banking delivery model. To help ensure our products remain accessible to all customer segments and populations, PNC plans to open at least 20 new branches and 25 ATMs in LMI communities over the Plan period.

PNC has also been a leader in deploying mobile branches as a way to ensure in-person banking services remain available in areas that have traditionally been underserved or in geographies that can no longer economically support a brick-and-mortar branch. Our mobile branches visit partnering nonprofits and allow residents to deposit and withdraw funds, open bank accounts, apply for loans and speak with PNC bankers. Today, we have 16 mobile branches deployed across our footprint, including in the cities of Baltimore, Chicago, Detroit and Dallas/Ft. Worth, and we plan to have 10 mobile banking units that are primarily dedicated to serving LMI communities. We also regularly deploy our mobile branches to assist communities affected by natural disasters, which can frequently result in damage or disruption to local banking facilities. For example, we deployed our mobile branches to assist residents of Florida affected by Hurricane Michael (2018), residents of Delaware and North Carolina affected by Hurricane Florence (2018), and residents of Kentucky affected by tornadoes in 2021.

We believe our multi-year Community Benefits Plan demonstrates our commitment to helping all populations and communities move forward financially, including our newly acquired markets and traditionally underserved communities and populations throughout our footprint. Importantly, we are off to a strong start under the Plan. Through June 2022, we have already provided more than \$3.4 billion in home loans to LMI borrowers and to borrowers in LMI census tracts, and nearly \$10 billion to minority borrowers and to borrowers in majority minority census tracts. In addition, through June 2022, we have provided more than \$2.7 billion in small business financing within our Plan goals, and more than \$1.3 billion in community development financing, including more than \$700 million for affordable housing. Moreover, in July 2022, we hosted the first meeting of the Community Advisory Council that we formed under the Plan. The 17-member Council includes representatives from national, regional and local community organizations from across our footprint and is designed to assist PNC in identifying and addressing emerging areas of community needs, as well as monitoring our progress under the Community Benefits Plan.

Besides working to do the right thing for our retail customers, we also constantly evaluate our employee benefit and compensation programs to ensure they are competitive, provide

employee's at least a living wage, and are consistent with our corporate values. I'm pleased to note that in November 2021, we raised our minimum wage to at least \$18 per hour for employees, more than double the federal minimum wage of \$7.25 per hour and a 20 percent increase from our previous minimum wage rate. Employees in certain high-cost jurisdictions, such as California, Chicago and New Jersey, qualify for a slightly higher minimum wage. Importantly, beyond cash compensation, PNC offers full-time employees a broad range of employee benefits, including a 401(k) plan with a company match, a defined benefit pension plan, Health Savings Accounts, a Dependent Care Reimbursement Plan, tax benefits for commuting costs, educational assistance, and competitive health, dental, vision benefits. Taking these additional benefits into account, our lowest wage full-time workers receive more than \$46,500 in total value each year, on average.

Assisting Customers Through the Pandemic

The Covid-19 pandemic had a dramatic effect on the U.S. economy, consumers and businesses, and particularly small businesses, beginning in early 2020. We applaud Congress, in combination with the Administration and Federal Reserve, for taking significant and forceful action to ameliorate the effects of the pandemic and provide critical assistance to consumers and small businesses.

At PNC, throughout the pandemic we remained focused on assisting our customers and communities that were negatively impacted. For example, following passage of Coronavirus Aid, Relief and Economic Security Act (CARES Act), we quickly mobilized our technology teams to build an online portal to accept applications from small businesses for Paycheck Protection Program (PPP) loans. Thousands of PNC personnel also volunteered to take on new assignments to assist with PPP application processing; in all, more than 4,000 PNC employees rallied to accept, review and process PPP applications in accordance with SBA guidance. More recently, our employees have been working diligently to assist our PPP customers obtain forgiveness of their PPP loans, again in accordance with SBA rules. PPP involved a massive and sustained effort by the entire enterprise. We participated in the program, and have continued to support our customers throughout the process, because we know how important small businesses are to the communities we serve.

Due to the dedication of our employees, PNC successfully registered more than 149,000 PPP loans with the SBA, totaling \$21.3 billion, making PNC the 3rd largest PPP lender by dollar volume. We worked to process every PPP application as quickly as possible, regardless of the borrower's size. The vast majority (89 percent) of the PPP applications we processed and registered were from our Business Banking clients, which is our business segment that services business clients (including non-profits, sole proprietors and independent contractors) with less than \$5 million in annual revenues. Our efforts to fairly serve our entire small business customer base is reflected in the loan amounts of the PPP loans registered by PNC. Approximately 83 percent of the PPP loans that we registered with the SBA were for amounts of \$150,000 or less, and approximately 49 percent of these loans were for amounts of \$25,000 or less. An additional 7.8 percent of the loans we registered were for amounts of \$300,000 or less (but more than \$150,000). Although the statutory maximum PPP loan size per business was \$10 million, only 0.2 percent of our registered PPP loans were for amounts above \$5 million. In total, the average loan amount for our SBA registered loans was only approximately \$142,000.

In addition, because we know that small businesses operating in LMI communities face special challenges and non-profits often support vulnerable communities, we took special care to ensure that small businesses in LMI geographies and non-profits who applied for PPP loans were not left behind. I am pleased to note that, as a result of these efforts, PNC registered approximately 34,000 loans, aggregating more than \$5.5 billion, from small businesses located in LMI census tracts, and approximately 8,000 loans, totaling more than \$1.9 billion from non-profit organizations. In March 2020, we also committed more than \$45 million to eight CDFIs to support their own origination of PPP loans in potentially underserved geographies and sectors.

We have continued to work with customers throughout the PPP process and have been actively assisting them in applying for forgiveness, to the extent permitted by SBA rules. To date, more than 95 percent of our PPP loans by number, and 94 percent of loans by dollar volume, have successfully obtained forgiveness from the SBA. Of the remaining loans, approximately 36 percent by dollar volume are awaiting forgiveness decisions from the SBA, and we continue outreach to those customers that have not yet applied for forgiveness.

We also took numerous other actions to support our customers and communities during the pandemic. For example, from the start of the pandemic through June 30, 2022, PNC

provided COVID-19 related modifications to more than 430,000 loan customers, with balances totaling more than \$18.2 billion. Student loan borrowers represented the largest segment by number of modifications (approximately 156,900), while mortgage modifications represented the largest segment in terms of balances (approximately \$10.6 billion). Other loan segments with significant COVID-19 modification activity include auto (more than 111,500 modifications affecting \$2.7 billion in balances), credit card (more than 53,000 modifications affecting \$380 million in balances), and home equity (more than 16,600 modifications affecting \$1.6 billion in balances). I'm pleased to report that more than 98 percent of our loan customers who received COVID-19-related modifications have exited assistance, and more than 90 percent of active customers who have exited assistance are making timely payment as agreed, demonstrating that the vast majority of consumers benefitted from the temporary forbearance or other concessions granted as part of these modifications.

We also took action to help ensure that our customers, as well as non-customers, could receive full access to their Economic Impact Payments (EIP) from the Federal government, which provided critical assistance to qualifying individuals during the pandemic. Specifically, we provided temporary credits to deposit customers who had a negative balance in their account prior to receipt of their EIPs from the Treasury Department, thereby ensuring that the customer had full access to their stimulus payments. We also waived all fees for non-customers seeking to cash EIP checks at PNC branches. We also exempted EIP and similar stimulus payments from potential garnishment by third-party creditors to the fullest extent permitted by law. Taken as a whole, we believe our actions during the pandemic were responsive to the needs of our customers and communities, and helped provide important assistance during this period of unprecedented economic disruption.

Supporting Diversity, Inclusion and Racial Equity

Diversity and Inclusion is one of our core values, and we are strongly committed to diversity and inclusion in all aspects of our business. We recognize that embracing diversity and inclusion is not just the right thing to do, it also is a business imperative. We know that to most effectively compete in the market, our company must reflect the diversity of our customers and suppliers, as well as the communities in which we operate.

PNC's commitment to diversity and inclusion starts at the top of the organization. Today, nearly 50 percent of the independent directors on our Board of Directors are women or people of color, and 50 percent of the executives that report directly to me and who are members of our management Executive Committee are women or people of color. We also have increased diversity at all levels within our organization over the past 5 years, including at senior levels. For example, female representation at our senior level has increased 44 percent over the past 5 years, and people of color representation at our senior level has increased more than 55 percent over the same period.

I am firmly committed to advancing diversity and inclusion further within PNC and our society, and I co-chair PNC's Corporate Diversity Council (CDC) along with our Chief Diversity Officer. The CDC identifies, leads and monitors enterprise-wide strategic initiatives that integrate diversity and inclusion into PNC's processes and culture. It consists of 29 senior leaders from across the organization who help champion the integration of diversity and inclusion into all PNC business practices. Many of these leaders also serve as sponsors for PNC's numerous employee business resource groups (EBRGs), which serve as important forums for PNC's employees, including our African American, Latino, Asian-American, veteran, multicultural, LGBTQ+ and female employees.

Recognizing the importance of diversity and inclusion to the success of our company, we have embedded an "Includes Intentionally" objective within our Leadership Standards for all managers. We also are focused on increasing our recruitment from diverse segments and populations. We have a dedicated Diversity Recruitment team that helps build a pipeline of diverse candidates through partnerships with organizations focused on diverse segments including, for example, National Black MBA, Association of Latino Professionals for America, National Center for Women & Information Technology, Recruit Military, American Association of People with Disabilities and Out & Equal Workplace Advocates.

In addition, PNC maintains a robust Supplier Diversity Program that guides our efforts to purchase value-added products and services from diverse-owned business enterprises, maintain a diverse supplier base and gain exposure to the varied perspectives, unique skills and innovative thinking that ultimately enhances our competitiveness and allows us to better serve our evolving customer base. Through our Supplier Diversity Program, we maintain alliances with such

organizations as the National Minority Supplier Development Council, the Women’s Business Enterprise National Council, the National Veteran-Owned Business Association, the National Gay & Lesbian Chamber of Commerce, the US Hispanic Chamber of Commerce, and the US Pan Asian Chamber of Commerce. As part of our Community Benefits Plan, we expect to increase our spending with diverse suppliers by at least 20 percent by the end of 2025.

As a result of our demonstrated commitment to diversity and inclusion, PNC is regularly recognized by diversity organizations. Examples of recent honors include:

- Top 70 Companies for Executive Women (National Association for Female Executives, 2021);
- 50 Out Front Best Places to Work for Women & Diverse Managers (Diversity MBA Magazine, 2021);
- Best Places to Work for LGBTQ Equality (Human Rights Campaign, for 10 consecutive years, 2022);
- Best-of-the-Best Top Veteran-Friendly Supplier-Diversity Programs (U.S. Veterans Magazine, 2021); and
- 100% Score on Disability Equality Index[®] (DEI[®]) (Best Places to Work[™], 2021).

PNC also is committed to addressing systemic racism and promoting social justice, both within the financial services industry and more broadly in our economy. Once again, our Board of Directors has been deeply involved in our actions, forming a Special Committee on Equity and Inclusion in 2020 that provides direction and oversight of our actions in this important area. The Special Committee is responsible for overseeing the progress under our Community Benefits Plan.

A major element of that commitment is fostering minority entrepreneurship and business opportunities as a way of assisting minority business owners build wealth and address the persistent wealth gap between minorities and other Americans. Consistent with that goal, in April 2022 our Retail Bank launched a new Minority Business Development Group to deliver products, solutions and resources focused on advancing the financial wellness of emerging minority businesses. The Group is comprised of bankers and advocacy partners that will help prepare minority-owned businesses for effective growth, development and sustainability. The

Group will work in close collaboration with PNC's Community Development Banking and Corporate Responsibility Groups, as well as the bank's Regional Presidents across the country to establish and deepen relationships with minority-owned business clients and prospects.

In conjunction with the formation of the Minority Business Development Group, we also launched a PNC Certified Minority Business Advocate (cMBA) program. The program is a voluntary advocacy training program available to PNC employees interested in providing enhanced support for minority business decision makers. The new certificate program focuses on helping PNC employees understand the unique challenges facing diverse businesses, ultimately supporting PNC's brand purpose of leveraging the power of our resources to help all move forward financially. cMBAs will have the opportunity to serve as PNC ambassadors in their communities, strengthening community engagement through volunteerism, mentorship and technical support.

To further support minority business owners, in October 2021, we announced a five-year, \$16.8 million grant to create The Howard University and PNC National Center for Entrepreneurship. The center will support expanded opportunities for Black entrepreneurship with enhanced educational, leadership and capacity-building resources and programs nationwide. More recently, we announced a \$2 million grant to 5 historically Black colleges and universities (HBCUs) in North Carolina (Elizabeth City State University, Fayetteville State University, North Carolina Central University, Johnson C. Smith University and Winston-Salem State University) to enrich the future of Black entrepreneurship and create workforce opportunities.

These actions build on the strong relationships we have developed with HBCUs across our footprint as part of our effort to identify and hire diverse talent. We actively recruit from Howard University, Hampton University, Clark Atlanta University, Morehouse College, Florida A&M, as well as other HBCUs. We also have a full-time Campus Recruiting Diversity Specialist who partners with universities of all types to identify a diverse pipeline of candidates for our Development Program. As a result of these and other actions, the diversity of our intern and Development Program associates—both key channels to a career at PNC—has increased significantly, with a majority of both our 2022 intern class and 2022 Development Program class being diverse across gender, race and ethnicity characteristics.

As part of PNC's continuing commitment to diversity and inclusion, PNC conducts ongoing review and analysis of how we treat our employees and customers, including along the

diversity dimensions of race/ethnicity, gender, veteran, disability, and LGBTQ+. In 2021, PNC retained outside consultants to perform a racial equity audit and regularly conducts ongoing updates of these metrics as we continue our efforts to advance inclusion and equity in our workforce. PNC also conducts regular assessments of compensation, retention, and advancement of our employees across various diversity dimensions, including regular reviews of our pay practices to ensure our employees are being compensated fairly and consistently. These assessments indicate that, on average among PNC employees, minorities are paid 100 percent of what non-minorities are paid within like roles, taking into account factors such as time in job, performance, and geography.

While we are proud of our accomplishments with respect to diversity, inclusion, and promoting racial equity, we are committed to continuously improving our contributions in these areas. We also recognize that the road ahead of us remains long, and we look forward to continuing to work with our community partners, the industry, and policymakers to make steady and meaningful progress in these areas in the years ahead.

Supporting the Transition to a Low Carbon Economy

We recognize that continued greenhouse gas emissions by economies around the world are contributing to climate change, which threatens the goals established by the Paris Agreement to limit global warming to below 2° Celsius, and preferably to less than 1.5° Celsius, compared to pre-industrial levels. While the need for action is clear, climate change itself is a complex problem that will require collaboration and cooperation across sectors, institutions and nations, as well as continued significant and transformative technological advancements. No individual corporation or bank can itself address climate change, and managing the transition to a lower carbon environment will require the careful balancing of several important policy interests, including the need to reduce greenhouse gas emissions while continuing to ensure that energy remains affordable, reliable and safe. Compromising on these latter objectives may weaken the necessary public resolve to address climate change as aggressively as possible, and have significant repercussions for the economy and communities, including economically vulnerable segments.

At PNC, we believe we can have the greatest positive impact by taking tangible action to lower our own carbon footprint and by assisting and financing our clients' own transition to a low-carbon economy. Our journey started with a focus on our own buildings. In 2000, we

opened Firstside Center in Pittsburgh, Pennsylvania, which was the first building certified under the Leadership in Energy and Environmental Design (LEED) 2.0 standard, and the largest LEED-certified building at the time. Today, we have more than 300 LEED-certified buildings, we pursue LEED certifications on all new buildings and major renovation projects, and our corporate headquarters carries the highest LEED certification for new buildings (Platinum).

Building on these efforts, in 2017 we announced aggressive plans to reduce our Scope 1 (direct) and Scope 2 (indirect) carbon emissions and energy usage by 75 percent by 2035, compared to 2009 levels, and reduce our water usage by 50 percent by 2035, compared to 2012 levels. In 2019, we joined RE100 and announced plans use 100 percent renewable energy in our operations by 2025. I am very pleased to report that we are well on our way to meet—or exceed—these ambitious objectives. We have already reduced our direct and indirect carbon emissions by 66 percent (compared to 2009 levels), our energy usage by 50 percent (compared to 2009 levels), and our water usage by 55 percent (compared to 2012 levels).

We also have made significant strides in the use of renewable energy for our operations. In 2021, PNC purchased approximately 150 million kilowatt-hours (kWh) of green power, which is enough green power to meet 46 percent of the company's purchased electricity use. And in July 2022 we announced a long-term renewable energy supply agreement with a leading clean energy company. Under the agreement, PNC will receive 148 million kWh of renewable energy, sufficient to power nearly 50 percent of our operations in Pennsylvania, Ohio, Maryland, New Jersey, Delaware, the District of Columbia, and parts of Illinois. The agreement will help PNC reduce its carbon footprint by more than 55,000 metric tons annually, the equivalent emissions of nearly 12,000 passenger vehicles, according to comparative data from the Environmental Protection Agency.

We also are investing significantly in sustainable finance initiatives. For example:

- We are signatories to the Green Bond Principles and, in October 2019, issued our first Green Bond. This offering raised \$650 million for initiatives that support the transition to a low-carbon economy and offer sustainability benefits, such as renewable energy, energy efficiency and green buildings.
- In 2019, we created a sustainable finance practice. The practice is focused on counseling clients through their own climate transition strategies, goals and approaches, and curates bespoke banking products to support clients' corporate environmental, social and governance (ESG) efforts. The sustainable finance practice works across lines of business at PNC to assist with structuring loans and

debt issuances that incorporate preferential pricing tied to a green or social use of proceeds, or the achievement of a client's environmental or social key performance indicators.

- In 2021, we committed to mobilize \$20 billion in environmental financing, such as green buildings, renewable energy, clean transportation, and environmental sustainability-linked bonds and loans. We are positioned to reach this goal within our five-year time frame, having achieved nearly 47 percent of our commitment just one year into our plan, as a result of a 70 percent year-over-year increase in sustainable finance activity. Our progress includes more than \$900 million in investments in renewable energy projects, including \$875 million in 10 solar tax equity partnerships, which developed more than 2,000 megawatts (MWs) of new solar assets, as well as a \$54 million loan to a new solar portfolio, which will develop 362 MWs of solar assets.
- In 2021, we joined the Partnership for Carbon Accounting Financials (PCAF), a global partnership of financial institutions that works together to develop and implement a harmonized approach to assess and disclose the greenhouse gas emissions associated with loans and investments.
- Also in 2021 we published our first Task Force for Climate-Related Financial Disclosures (TCFD) report.⁷ The TCFD was formed by the international Financial Stability Board (FSB) to assist financial institutions in providing relevant and decision-useful information to investors and other stakeholders regarding climate risks and opportunities. The TCFD's disclosure recommendations are structured around four thematic areas: governance, strategy, risk management, and metrics and targets.

In addition, we are incorporating climate risk into our risk management practices and Enterprise Risk Management framework. We support the principles-based approach outlined by the Office of the Comptroller of the Currency (OCC) for climate-related financial risk management⁸ and look forward to working with our bank supervisors as their guidance on climate risk management evolves. As part of our efforts, we developed a carbon intensity score, designed to provide a top-down indication of where climate risk resides within our loan portfolio to facilitate high-level benchmarking and the assessment of portfolio trends. We also have analyzed the effect that rising sea levels and chronic flooding could have on our residential real

⁷ Available at https://www.pnc.com/content/dam/pnc-com/pdf/aboutpnc/CorporateResponsibilityReports/PNC_TCFD_Report_2020.pdf.

⁸ OCC, Principles for Climate-Related Financial Risk Management for Large Banks, OCC Bulletin 2021-61 (Dec. 16, 2021), available at <https://www.occ.gov/news-issuances/bulletins/2021/bulletin-2021-62a.pdf>.

estate portfolio through scenario analysis. Evaluating similar scenarios will enable us to better prepare for the possibility of these risks becoming more prevalent in the future. And, we utilize an Environmental and Social Risk Management (ESRM) Rapid Risk Screen in our Corporate & Institutional Bank to help us better identify and mitigate environmental risks that may be present in transactions. Transactions identified as having elevated levels of environmental risk are escalated to leaders in the business and underwriting groups for further analysis and decisioning.

We also are diligently analyzing and preparing for the climate disclosures recently proposed by the Securities and Exchange Commission (SEC). While we believe some climate risk disclosures are appropriate by public companies, we are concerned that aspects of the proposal go beyond what is practically feasible given data limitations and the traditional filing schedule for public company reports, depart from traditional concepts of materiality that have long guided public company disclosures, and could result in disclosures that are not useful to investors. We are particularly concerned with the proposed requirement to disclose, within the financial statement notes, the impact of physical or transition-related climate events if such events had a 1 percent or greater impact on the relevant financial line item. The 1 percent threshold is well below the level at which impacts are typically considered material for financial disclosure purposes and it may be difficult, or impossible, to assess and isolate the relationship between a physical or transition-related climate event (e.g., a change in a regulation affecting the economy) and individual line items within a bank's financial statements. Similarly, we believe the required disclosure of all upstream and downstream emissions within a public company's value chain (Scope 3 emissions) is impractical at this time, given the very limited emissions information available for large segments of the economy, and could be particularly burdensome for smaller suppliers and customers of banks.

In closing, PNC's climate "4+1" climate action strategy is designed to set us on a pathway to finance the transition to a low-carbon economy. Our approach is intended to be iterative and flexible, allowing for necessary course corrections in response to future regulatory, political and technological developments. The strategy is based on four areas for immediate action: (i) engaging our employees, (ii) collaborating for long-term solutions, (iii) understanding and supporting our customers' transition plans, and (iv) executing on our own ambitious operational sustainability goals. We're also focused on the foundational work necessary to begin aligning our portfolio with the goals of the Paris Agreement. Initial steps in this "+1" category

include calculating and disclosing our financed emissions according to the PCAF methodology, and we expect to issue our first PCAF disclosures in 2024.

Closing

Thank you for the opportunity to discuss how PNC is seeking to improve the lives of our retail customers and our communities. I am immensely proud of the work our nearly 60,000 employees do every day to help customers, make new loans, assist customers open new accounts or solve issues, and deliver for our local communities. I know that there are many challenges facing consumers and our communities, especially traditionally underserved communities, but we remain committed to working with you and our community partners in finding solutions to those challenges. I welcome any questions that you may have.