PNC FINANCIAL SERVICES GROUP, INC.
Form 10-Q
November 01, 2018

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2018

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission file number 001-09718

The PNC Financial Services Group, Inc.
(Exact name of registrant as specified in its charter)

| | |
|---|---|
| Pennsylvania | 25-1435979 |
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |

The Tower at PNC Plaza, 300 Fifth Avenue, Pittsburgh, Pennsylvania 15222-2401
(Address of principal executive offices, including zip code)
(888) 762-2265
(Registrant's telephone number including area code)

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No
Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer", "accelerated filer", "smaller reporting company", and "emerging growth company" in Rule 12b-2 of the Exchange Act.

| | |
|---|---|
| Large accelerated filer | Accelerated filer |
| Non-accelerated filer | Smaller reporting company |
| | Emerging growth company |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 7(a)(2)(B)

of the Securities Act.
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes No
As of October 19, 2018, there were 461,424,528 shares of the registrant's common stock ($5 par value) outstanding.

THE PNC FINANCIAL SERVICES GROUP, INC.
Cross-Reference Index to Third Quarter 2018 Form 10-Q

THE PNC FINANCIAL SERVICES GROUP, INC.
Cross-Reference Index to Third Quarter 2018 Form 10-Q (continued)

MD&A TABLE REFERENCE

THE PNC FINANCIAL SERVICES GROUP, INC.
Cross-Reference Index to Third Quarter 2018 Form 10-Q (continued)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS TABLE REFERENCE

FINANCIAL REVIEW
THE PNC FINANCIAL SERVICES GROUP, INC.

This Financial Review, including the Consolidated Financial Highlights, should be read together with our unaudited Consolidated Financial Statements and unaudited Statistical Information included elsewhere in this Quarterly Report on Form 10-Q (the Report or Form 10-Q) and with Items 6, 7, 8 and 9A of our 2017 Annual Report on Form 10-K (2017 Form 10-K). We have reclassified certain prior period amounts to conform with the current period presentation, which we believe is more meaningful to readers of our consolidated financial statements. For information regarding certain business, regulatory and legal risks, see the following: the Risk Management section of this Financial Review and of Item 7 in our 2017 Form 10-K; Item 1A Risk Factors included in our 2017 Form 10-K; and the Legal Proceedings and Commitments Notes of the Notes To Consolidated Financial Statements included in Item 1 of this Report and Item 8 of our 2017 Form 10-K. Also, see the Cautionary Statement Regarding Forward-Looking Information section in this Financial Review and the Critical Accounting Estimates And Judgments section in this Financial Review and in our 2017 Form 10-K for certain other factors that could cause actual results or future events to differ, perhaps materially, from historical performance and from those anticipated in the forward-looking statements included in this Report. See Note 14 Segment Reporting in the Notes To Consolidated Financial Statements included in this Report for a reconciliation of total business segment earnings to total PNC consolidated net income as reported on a generally accepted accounting principles (GAAP) basis. In this Report, “PNC”, “we” or “us” refers to The PNC Financial Services Group, Inc. and its subsidiaries on a consolidated basis (except when referring to PNC as a public company, its common stock or other securities issued by PNC, which just refer to The PNC Financial Services Group, Inc.). References to The PNC Financial Services Group, Inc. or to any of its subsidiaries are specifically made where applicable.

Table 1: Consolidated Financial Highlights

| Dollars in millions, except per share data<br>Unaudited | Three months ended September 30 | | Nine months ended September 30 | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| Financial Results (a) | | | | |
| Revenue | | | | |
| Net interest income | $2,466 | $2,345 | $7,240 | $6,763 |
| Noninterest income | 1,891 | 1,780 | 5,552 | 5,306 |
| Total revenue | 4,357 | 4,125 | 12,792 | 12,069 |
| Provision for credit losses | 88 | 130 | 260 | 316 |
| Noninterest expense | 2,608 | 2,456 | 7,719 | 7,337 |
| Income before income taxes and noncontrolling interests | $1,661 | $1,539 | $4,813 | $4,416 |
| Net income | $1,400 | $1,126 | $3,995 | $3,297 |
| Less: | | | | |
| Net income attributable to noncontrolling interests | 11 | 12 | 31 | 39 |
| Preferred stock dividends | 63 | 63 | 181 | 181 |
| Preferred stock discount accretion and redemptions | 1 | 1 | 3 | 24 |
| Net income attributable to common shareholders | 1,325 | 1,050 | 3,780 | 3,053 |
| Less: | | | | |
| Dividends and undistributed earnings allocated to participating securities | 6 | 5 | 16 | 15 |
| Impact of BlackRock earnings per share dilution | 2 | 3 | 7 | 8 |
| Net income attributable to diluted common shares | $1,317 | $1,042 | $3,757 | $3,030 |
| Diluted earnings per common share | $2.82 | $2.16 | $7.96 | $6.21 |
| Cash dividends declared per common share | $.95 | $.75 | $2.45 | $1.85 |
| Effective tax rate (b) | 15.7 % | 26.8 % | 17.0 % | 25.3 % |
| Performance Ratios | | | | |

| | | | | |
|---|---|---|---|---|
| Net interest margin (c) | 2.99 % | 2.91 % | 2.95 % | 2.84 % |
| Noninterest income to total revenue | 43 % | 43 % | 43 % | 44 % |
| Efficiency | 60 % | 60 % | 60 % | 61 % |
| Return on: | | | | |
| Average common shareholders’ equity | 12.32 % | 9.89 % | 11.83 % | 9.76 % |
| Average assets | 1.47 % | 1.20 % | 1.42 % | 1.19 % |

(a) The Executive Summary and Consolidated Income Statement Review portions of this Financial Review section provide information regarding items impacting the comparability of the periods presented.

(b) The effective income tax rates are generally lower than the statutory rate due to the relationship of pretax income to tax credits and earnings that are not subject to tax. Amounts for the 2018 periods reflected the change in the statutory federal income tax rate from 35% to 21%, effective as of January 1, 2018, as a result of the new federal tax legislation.

(c) Calculated as annualized taxable-equivalent net interest income divided by average interest-earning assets. To provide more meaningful comparisons of net interest margins, we use net interest income on a taxable-equivalent basis in calculating net interest margin by increasing the interest income earned on tax-exempt assets to make it fully equivalent to interest income earned on taxable investments. This adjustment is not permitted under GAAP in the Consolidated Income Statement. For additional information, see Reconciliation of Taxable-Equivalent Net Interest Income (Non-GAAP) in the Statistical Information (Unaudited) section in Item 1 of this Report.

Table 1: Consolidated Financial Highlights (Continued) (a)

| Unaudited | September 30 2018 | December 31 2017 | September 30 2017 |
|---|---|---|---|
| Balance Sheet Data (dollars in millions, except per share data) | | | |
| Assets | $380,080 | $380,768 | $375,191 |
| Loans | $223,053 | $220,458 | $221,109 |
| Allowance for loan and lease losses | $2,584 | $2,611 | $2,605 |
| Interest-earning deposits with banks (b) | $19,800 | $28,595 | $24,713 |
| Investment securities | $80,804 | $76,131 | $74,994 |
| Loans held for sale | $1,108 | $2,655 | $1,764 |
| Equity investments (c) | $12,446 | $11,392 | $11,009 |
| Mortgage servicing rights | $2,136 | $1,832 | $1,854 |
| Goodwill | $9,218 | $9,173 | $9,163 |
| Other assets | $28,851 | $27,894 | $28,454 |
| Noninterest-bearing deposits | $74,736 | $79,864 | $79,967 |
| Interest-bearing deposits | $190,148 | $185,189 | $180,768 |
| Total deposits | $264,884 | $265,053 | $260,735 |
| Borrowed funds | $57,955 | $59,088 | $57,564 |
| Total shareholders’ equity | $47,058 | $47,513 | $46,388 |
| Common shareholders’ equity | $43,076 | $43,530 | $42,406 |
| Accumulated other comprehensive income (loss) | $(1,260) | $(148) | $(22) |
| Book value per common share | $93.22 | $91.94 | $89.05 |
| Period-end common shares outstanding (in millions) | 462 | 473 | 476 |
| Loans to deposits | 84% | 83% | 85% |
| Client Assets (in billions) | | | |
| Discretionary client assets under management | $159 | $151 | $146 |
| Nondiscretionary client assets under administration | 134 | 131 | 129 |
| Total client assets under administration | 293 | 282 | 275 |
| Brokerage account client assets | 51 | 49 | 48 |
| Total client assets | $344 | $331 | $323 |
| Capital Ratios | | | |
| Basel III (d) (e) (f) | | | |
| Common equity Tier 1 | 9.3% | N/A | N/A |
| Tier 1 risk-based | 10.5% | N/A | N/A |
| Total risk-based capital | 12.7% | N/A | N/A |
| Leverage | 9.2% | N/A | N/A |
| Supplementary leverage | 7.7% | N/A | N/A |
| Fully Phased-In Basel III (Non-GAAP) (f) (g) | | | |
| Common equity Tier 1 | N/A | 9.8% | 9.8% |
| 2017 Transitional Basel III (d) (f) | | | |
| Common equity Tier 1 | N/A | 10.4% | 10.3% |
| Tier 1 risk-based | N/A | 11.6% | 11.6% |
| Total risk-based capital | N/A | 13.7% | 13.7% |
| Leverage | N/A | 9.9% | 9.9% |
| Common shareholders’ equity to total assets | 11.3% | 11.4% | 11.3% |
| Asset Quality | | | |
| Nonperforming loans to total loans | .76% | .85% | .85% |

| | | | |
|---|---|---|---|
| Nonperforming assets to total loans, OREO, foreclosed and other assets | .82 % | .92 % | .93 % |
| Nonperforming assets to total assets | .48 % | .53 % | .55 % |
| Net charge-offs to average loans (for the three months ended) (annualized) | .16 % | .22 % | .19 % |
| Allowance for loan and lease losses to total loans | 1.16 % | 1.18 % | 1.18 % |
| Allowance for loan and lease losses to total nonperforming loans | 153 % | 140 % | 139 % |
| Accruing loans past due 90 days or more (in millions) | $619 | $737 | $678 |

(a) The Executive Summary and Consolidated Balance Sheet Review portions of this Financial Review provide information regarding items impacting the comparability of the periods presented.

(b) Amounts include balances held with the Federal Reserve Bank of Cleveland (Federal Reserve Bank) of $19.6 billion, $28.3 billion and $24.3 billion as of September 30, 2018, December 31, 2017 and September 30, 2017, respectively.

(c) Amounts include our equity interest in BlackRock. On January 1, 2018, $.6 billion of trading and available for sale securities, primarily money market funds, were reclassified to Equity investments in accordance with the adoption of Accounting Standards Update (ASU) 2016-01. See the Recently Adopted Accounting Standards portion of Note 1 Accounting Policies in the Notes To Consolidated Financial Statements in our first quarter 2018 Quarterly Report on Form 10-Q (First Quarter 2018 Form 10-Q) for additional detail on this adoption.

(d) All ratios are calculated using the regulatory capital methodology applicable to PNC during each period presented and calculated based on the standardized approach.

(e) The 2018 Basel III ratios for Common equity Tier 1 capital, Tier 1 risk-based capital, Leverage and Supplementary leverage reflect the full phase-in of all Basel III adjustments to these metrics applicable to PNC. The 2018 Basel III Total risk-based capital ratio includes $80 million of nonqualifying trust preferred capital securities that are subject to a phase-out period that runs through 2021.

(f) See Basel III Capital discussion in the Capital Management portion of the Risk Management section of this Financial Review and the capital discussion in the Banking Regulation and Supervision section of Item 1 Business and Item 1A Risk Factors in our 2017 Form 10-K. See also the Transitional Basel III and Fully Phased-In Basel III Common Equity Tier 1 Capital Ratios (Non-GAAP) table in the Statistical Information (Unaudited) section in Item 1 of this Report for a reconciliation of the September 30, 2017 ratios.

(g) 2017 Fully Phased-in Basel III results are presented as pro forma estimates.

EXECUTIVE SUMMARY

The PNC Financial Services Group, Inc. is one of the largest diversified financial services companies in the United States 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 primary geographic markets are located in the Mid-Atlantic, Midwest and Southeast. We also provide certain products and services internationally.

Key Strategic Goals

At PNC we manage our company for the long term. We are focused on the fundamentals of growing customers, loans, deposits and revenue and improving profitability, while investing for the future and managing risk, expenses and capital. We continue to invest in our products, markets and brand, and embrace our commitments to our customers, shareholders, employees and the communities where we do business.

We strive to expand and deepen customer relationships by offering a broad range of deposit, credit and fee-based products and services. We are focused on delivering those products and services to our customers with the goal of addressing their financial objectives and putting customers' needs first. Our business model is built on customer loyalty and engagement, understanding our customers' financial goals and offering our diverse products and services to help them achieve financial well-being. Our approach is concentrated on organically growing and deepening client relationships across our businesses that meet our risk/return measures.

We are focused on our strategic priorities, which are designed to enhance value over the long term, and consist of:

- Expanding our leading banking franchise to new markets and digital platforms;
- Deepening customer relationships by delivering a superior banking experience and financial solutions; and
- Leveraging technology to innovate and enhance products, services, security and processes.

Our capital priorities are to support client growth and business investment, maintain appropriate capital in light of economic conditions, the Basel III framework, and other regulatory expectations, and return excess capital to shareholders. For more detail, see the Capital Highlights portion of this Executive Summary and the Liquidity and Capital Management portion of the Risk Management section of this Financial Review and the Supervision and Regulation section in Item 1 Business of our 2017 Form 10-K.

Income Statement Highlights

Net income for the third quarter of 2018 increased 24% to $1.4 billion, or $2.82 per diluted common share, compared to $1.1 billion, or $2.16 per diluted common share, for the third quarter of 2017.

- Total revenue increased $232 million, or 6%, to $4.4 billion.
- Net interest income increased $121 million, or 5%, to $2.5 billion.
- Net interest margin increased to 2.99% compared to 2.91% for the third quarter of 2017.
- Noninterest income increased $111 million, or 6%, to $1.9 billion.
- Provision for credit losses was $88 million compared to $130 million for the third quarter of 2017.
- Noninterest expense increased $152 million, or 6%, to $2.6 billion.
- Income tax expense decreased to $261 million compared to $413 million for the third quarter of 2017, as the effective tax rate was 15.7% in the third quarter of 2018 compared with 26.8% in third quarter 2017.
- Federal tax reform legislation, the Tax Cuts and Jobs Act, lowered the statutory federal income tax rate for corporations to 21% from 35% effective January 1, 2018.

For additional detail, see the Consolidated Income Statement Review section in this Financial Review.

Balance Sheet Highlights

Our balance sheet was strong and well positioned at September 30, 2018 and December 31, 2017. In comparison to December 31, 2017:

- Total assets declined $.7 billion to $380.1 billion.
- Total loans increased $2.6 billion, or 1%, to $223.1 billion.
- Total commercial lending grew $2.0 billion, or 1%.
- Total consumer lending increased $.6 billion, or 1%.
- Investment securities increased $4.7 billion, or 6%, to $80.8 billion.
- Interest-earning deposits with banks decreased $8.8 billion, or 31%, to $19.8 billion.
- Total deposits declined $.2 billion to $264.9 billion.

For additional detail, see the Consolidated Balance Sheet Review section of this Financial Review.

Credit Quality Highlights

Overall credit quality remained strong.

- At September 30, 2018 compared to December 31, 2017:
- Nonperforming assets decreased $210 million, or 10%, to $1.8 billion.
- Overall loan delinquencies decreased $92 million, or 6%, to $1.4 billion.
- Net charge-offs were $91 million in the third quarter of 2018 compared to $106 million for the third quarter of 2017.

For additional detail, see the Credit Risk Management portion of the Risk Management section of this Financial Review.

Capital Highlights

We maintained a strong capital position and continued to return capital to shareholders.

- The Basel III common equity Tier 1 capital ratio, which includes the full phase-in of all Basel III adjustments and became effective for PNC as of January 1, 2018, was 9.3% at September 30, 2018, compared with 9.8% at December 31, 2017, calculated on the same basis.
- In the third quarter of 2018, we returned $.9 billion of capital to shareholders through repurchases of 3.3 million common shares for $.5 billion and dividends on common shares of $.4 billion.

See the Liquidity and Capital Management portion of the Risk Management section of this Financial Review for more detail on our 2018 liquidity and capital actions as well as our capital ratios.

Our ability to take certain capital actions, including plans to pay or increase common stock dividends or to repurchase shares under current or future programs, is subject to the results of the supervisory assessment of capital adequacy undertaken by the Board of Governors of the Federal Reserve System (Federal Reserve) as part of the Comprehensive Capital Analysis and Review (CCAR) process. For additional information, see the Supervision and Regulation section in Item 1 Business of our 2017 Form 10-K.

Business Outlook

Our forward-looking financial statements are based on our view that U.S. economic growth has accelerated over the past two years and will remain above its long-run trend for the remainder of 2018 and into 2019, in light of stimulus from corporate and personal income tax cuts passed in late 2017 that are expected to support business investment and consumer spending, respectively. We expect an increase in federal government spending will also support economic growth for the remainder of 2018 and into 2019. Further gradual improvement in the labor market this year and next, including job gains and rising wages, is another positive for consumer spending. Trade restrictions are a growing downside risk to the forecast. Inflation has accelerated to close to the Federal Open Market Committee’s 2% objective. Short-term interest rates and bond yields are expected to rise throughout the remainder of 2018 and into 2019; after the Federal Open Market Committee raised the federal funds rate in September, our baseline forecast is for one additional rate hike in December 2018, pushing the rate to a range of 2.25% to 2.50% by the end of the year. PNC expects two 25 basis point increases in the fed funds rate in 2019 (in June and September); this would take the fed funds rate to a range of 2.75% to 3.00% by the end of next year.

For the fourth quarter of 2018 compared to the third quarter of 2018, we expect:

- Loans to be up modestly;
- Net interest income to increase by low single digits, on a percentage basis;
- Fee income to increase by low single digits, on a percentage basis. Fee income consists of asset management, consumer services, corporate services, residential mortgage and service charges on deposits;

- Provision for credit losses to be between $100 million and $150 million; and
- Noninterest expense to increase by low single digits, on a percentage basis.

We expect the quarterly run rate for other noninterest income to be in the range of $225 million to $275 million, excluding net securities gains (losses) and Visa activity.

We expect our full year 2018 effective tax rate to be approximately 17%.

See the Cautionary Statement Regarding Forward-Looking Information section in this Financial Review and Item 1A Risk Factors in our 2017 Form 10-K for other factors that could cause future events to differ, perhaps materially, from those anticipated in these forward-looking statements.

CONSOLIDATED INCOME STATEMENT REVIEW

Our Consolidated Income Statement is presented in Part I, Item 1 of this Report.

Net income for the third quarter of 2018 was $1.4 billion, or $2.82 per diluted common share, an increase of 24% compared to $1.1 billion, or $2.16 per diluted common share, for the third quarter of 2017. For the first nine months of 2018, net income was $4.0 billion, or $7.96 per diluted common share, an increase of 21% compared to $3.3 billion, or $6.21 per diluted common share, for the first nine months of 2017.

Net income increased in both comparisons driven by an increase in revenue from higher net interest income and noninterest income and a lower effective tax rate, partially offset by an increase in noninterest expense.

Net Interest Income

Table 2: Summarized Average Balances and Net Interest Income (a)

| Three months ended September 30<br>Dollars in millions | 2018<br>Average Balances | Average Yields/ Rates | | Interest Income/ Expense | 2017<br>Average Balances | Average Yields/ Rates | | Interest Income/ Expense |
|---|---|---|---|---|---|---|---|---|
| Assets | | | | | | | | |
| Interest-earning assets | | | | | | | | |
| Investment securities | $80,766 | 2.92 | % | $591 | $74,406 | 2.77 | % | $516 |
| Loans | 223,342 | 4.36 | % | 2,474 | 219,218 | 3.92 | % | 2,179 |
| Interest-earning deposits with banks | 19,151 | 1.97 | % | 95 | 23,859 | 1.26 | % | 75 |
| Other | 7,114 | 5.19 | % | 92 | 9,024 | 3.47 | % | 80 |
| Total interest-earning assets/interest income | $330,373 | 3.89 | % | 3,252 | $326,507 | 3.45 | % | 2,850 |
| Liabilities | | | | | | | | |
| Interest-bearing liabilities | | | | | | | | |
| Interest-bearing deposits | $186,320 | .71 | % | 336 | $180,508 | .37 | % | 170 |
| Borrowed funds | 59,838 | 2.76 | % | 421 | 57,016 | 1.93 | % | 280 |
| Total interest-bearing liabilities/interest expense | $246,158 | 1.21 | % | 757 | $237,524 | .75 | % | 450 |
| Net interest margin/income (Non-GAAP) | | 2.99 | % | 2,495 | | 2.91 | % | 2,400 |
| Taxable-equivalent adjustments | | | | (29 ) | | | | (55 ) |
| Net interest income (GAAP) | | | | $2,466 | | | | $2,345 |

| Nine months ended September 30<br>Dollars in millions | 2018<br>Average Balances | Average Yields/ Rates | | Interest Income/ Expense | 2017<br>Average Balances | Average Yields/ Rates | | Interest Income/ Expense |
|---|---|---|---|---|---|---|---|---|
| Assets | | | | | | | | |
| Interest-earning assets | | | | | | | | |
| Investment securities | $77,656 | 2.87 | % | $1,674 | $75,330 | 2.71 | % | $1,535 |
| Loans | 222,385 | 4.23 | % | 7,091 | 215,974 | 3.81 | % | 6,197 |
| Interest-earning deposits with banks | 21,921 | 1.74 | % | 286 | 23,530 | 1.03 | % | 182 |
| Other | 7,305 | 4.74 | % | 259 | 9,058 | 3.46 | % | 236 |
| Total interest-earning assets/interest income | $329,267 | 3.75 | % | 9,310 | $323,892 | 3.34 | % | 8,150 |
| Liabilities | | | | | | | | |
| Interest-bearing liabilities | | | | | | | | |
| Interest-bearing deposits | $184,716 | .59 | % | 810 | $178,810 | .32 | % | 433 |
| Borrowed funds | 59,481 | 2.60 | % | 1,173 | 56,502 | 1.86 | % | 793 |
| Total interest-bearing liabilities/interest expense | $244,197 | 1.08 | % | 1,983 | $235,312 | .69 | % | 1,226 |
| Net interest margin/income (Non-GAAP) | | 2.95 | % | 7,327 | | 2.84 | % | 6,924 |

| | | |
|---|---|---|
| Taxable-equivalent adjustments | (87 ) | (161 ) |
| Net interest income (GAAP) | $7,240 | $6,763 |

(a) Interest income calculated as taxable-equivalent interest income. To provide more meaningful comparisons of interest income and yields for all interest-earning assets, as well as net interest margins, we use interest income on a taxable-equivalent basis in calculating average yields and net interest margins by increasing the interest income earned on tax-exempt assets to make it fully equivalent to interest income earned on taxable investments. This adjustment is not permitted under GAAP on the Consolidated Income Statement. For more information, see Reconciliation of Taxable-Equivalent Net Interest Income (Non-GAAP) in the Statistical Information (Unaudited) section of this Report.

Changes in net interest income and margin result from the interaction of the volume and composition of interest-earning assets and related yields, interest-bearing liabilities and related rates paid, and noninterest-bearing sources of funding. See the Statistical

Information (Unaudited) – Average Consolidated Balance Sheet And Net Interest Analysis section of this Report for additional information.

Net interest income increased by $121 million, or 5%, and $477 million, or 7%, for the third quarter and first nine months of 2018, respectively, compared to the same periods in 2017. The increase in both comparisons was driven by higher loan and securities balances and yields partially offset by increases in deposit and borrowing costs. Net interest margin increased in both comparisons reflecting the impact of higher interest rates.

Average investment securities increased $6.4 billion, or 9%, in the quarterly comparison and $2.3 billion, or 3%, in the year-to-date comparison. Net purchase activity of agency residential mortgage-backed and U.S. Treasury and government agencies securities was partially offset by declines in commercial mortgage-backed and other securities. These comparisons included the impact of the January 1, 2018 reclassification of $.6 billion of available for sale securities to equity investments in accordance with the adoption of ASU 2016-01. See the Recently Adopted Accounting Standards portion of Note 1 Accounting Policies in the Notes To Consolidated Financial Statements in our First Quarter 2018 Form 10-Q for additional detail on this adoption.

Average investment securities increased to 24% of average interest-earning assets for the third quarter and first nine months of 2018 compared to 23% for the respective 2017 periods.

Average loans grew $4.1 billion, or 2%, and $6.4 billion, or 3%, in the quarterly and year-to-date comparisons, respectively. Loan growth was driven by increases in average commercial lending of $3.1 billion and $5.7 billion in the respective comparisons reflecting broad-based growth in the Corporate Banking, Business Credit and Equipment Finance businesses in our Corporate & Institutional Banking segment.

Average consumer lending increased $1.0 billion and $.7 billion in the quarterly and year-to-date comparisons, respectively. Growth in residential real estate, automobile and credit card loans was partially offset by declines in home equity and education loans. Lower home equity loans reflected paydowns and payoffs exceeding new originated volume. In addition, run-off in the non-strategic consumer loan portfolios of brokered home equity and government guaranteed education loans contributed to the declines. Average loans represented 68% of average interest-earning assets for the third quarter and first nine months of 2018 compared to 67% for the same periods of 2017.

Average interest-bearing deposits grew $5.8 billion, or 3%, and $5.9 billion, or 3%, in the respective quarterly and year-to-date comparisons, reflecting overall deposit and customer growth. Additionally, the increases reflect a shift from noninterest-bearing deposits, which declined $2.8 billion to $76.2 billion and $1.5 billion to $76.7 billion in the respective comparisons, to interest-bearing deposits as deposit rates have risen.

Average savings deposits increased $9.1 billion in both comparisons due in part to a shift to relationship-based savings products from money market deposits, which decreased $6.8 billion and $6.1 billion in the quarterly and year-to-date comparisons, respectively. Additionally, average interest-bearing demand deposits grew $3.4 billion in the quarterly comparison and $3.0 billion in the year-to-date comparison. Average interest-bearing deposits remained stable at 76% of average interest-bearing liabilities in both the quarterly and year-to-date comparisons.

Further details regarding average loans and deposits are included in the Business Segments Review section of this Financial Review.

Average borrowed funds increased $2.8 billion, or 5%, and $3.0 billion, or 5%, in the quarterly and year-to-date comparisons, respectively, primarily due to higher bank notes and senior debt and Federal Home Loan Bank borrowings, partially offset by a decline in subordinated debt. See the Consolidated Balance Sheet Review portion of this Financial Review for additional detail on the level and composition of borrowed funds.

Noninterest Income

Table 3: Noninterest Income

| | Three months ended September 30 | | | | Nine months ended September 30 | | | |
|---|---|---|---|---|---|---|---|---|
| | | | Change | | | | Change | |
| Dollars in millions | 2018 | 2017 | $ | % | 2018 | 2017 | $ | % |
| Noninterest income | | | | | | | | |
| Asset management | $486 | $421 | $65 | 15 % | $1,397 | $1,222 | $175 | 14 % |
| Consumer services | 377 | 357 | 20 | 6 % | 1,115 | 1,049 | 66 | 6 % |
| Corporate services | 465 | 404 | 61 | 15 % | 1,381 | 1,284 | 97 | 8 % |
| Residential mortgage | 76 | 104 | (28 ) | (27)% | 257 | 321 | (64 ) | (20)% |
| Service charges on deposits | 186 | 181 | 5 | 3 % | 522 | 512 | 10 | 2 % |
| Other | 301 | 313 | (12 ) | (4 )% | 880 | 918 | (38 ) | (4 )% |
| Total noninterest income | $1,891 | $1,780 | $111 | 6 % | $5,552 | $5,306 | $246 | 5 % |

Noninterest income as a percentage of total revenue was 43% for both of the third quarters in 2018 and 2017. The comparable ratios for the year-to-date periods were 43% and 44%, respectively.

Growth in asset management revenue reflected higher earnings from our equity investment in BlackRock which benefited from the lower federal statutory income tax rate as well as stronger equity markets. PNC's discretionary client assets under management increased to $159 billion at September 30, 2018 compared with $146 billion at September 30, 2017.

Increases in consumer services revenue in the quarterly and year-to-date comparisons were primarily due to growth in debit and credit card fees totaling $12 million and $42 million, respectively, reflecting continued momentum in customer activity in both transaction trends and customer growth. Brokerage fees increased in both comparisons by $10 million and $30 million, respectively, as a result of growth in brokerage assets under management.

Higher corporate services revenue in both comparisons was primarily driven by growth in merger and acquisition advisory fees of $35 million and $50 million and treasury management fees of $20 million and $54 million, in the respective comparisons. Additionally, the year-to-date comparison included a $12 million increase in operating lease income related to the commercial and vendor finance business acquired in the second quarter of 2017 and a $15 million lower benefit from commercial mortgage servicing rights valuation, net of economic hedge.

Residential mortgage revenue decreased due to loan sales revenue declines of $18 million and $46 million in the quarterly and year-to-date comparisons, as well as lower servicing revenue and a lower benefit from mortgage servicing rights valuation, net of economic hedge. The declines in loan sales revenue reflected lower gain on sales margins as a result of increased competition in the marketplace and a shift in mix away from refinancing to purchases.

The decline in other noninterest income in the year-to-date comparison was largely attributable to a $35 million decline in revenue from equity investments, which included the impact of first quarter 2017 positive valuation adjustments related to the Volcker Rule provisions of the Dodd-Frank Act, and net securities losses in the 2018 period compared with gains in the 2017 period, partially offset by a net $25 million benefit in the comparison from derivative fair value adjustments related to Visa Class B common shares.

In the first quarter of 2018, and in connection with the commercial and vendor finance business we acquired in the second quarter of 2017, we reclassified operating lease income to corporate services noninterest income from other noninterest income on the Consolidated Income Statement, including operating lease income of $34 million and $86 million for the three and nine months ended September 30, 2017, respectively. Operating lease income was $32 million and $98 million for the three and nine months ended September 30, 2018, respectively.

Provision For Credit Losses

The provision for credit losses decreased $42 million to $88 million in the third quarter of 2018 compared to the third quarter of 2017 and decreased $56 million to $260 million for the first nine months of 2018 compared to the same period in 2017 reflecting a lower provision for commercial loans, partially offset by a higher provision for consumer loans.

The Credit Risk Management portion of the Risk Management section of this Financial Review includes additional information regarding factors impacting the provision for credit losses.

Noninterest Expense

Table 4: Noninterest Expense

| | Three months ended September 30 | | | | Nine months ended September 30 | | | |
|---|---|---|---|---|---|---|---|---|
| | | | Change | | | | Change | |
| Dollars in millions | 2018 | 2017 | $ | % | 2018 | 2017 | $ | % |
| Noninterest expense | | | | | | | | |
| Personnel | $1,413 | $1,286 | $127 | 10 % | $4,123 | $3,819 | $304 | 8 % |
| Occupancy | 195 | 204 | (9 ) | (4 )% | 616 | 628 | (12 ) | (2)% |
| Equipment | 264 | 259 | 5 | 2 % | 818 | 791 | 27 | 3 % |
| Marketing | 71 | 62 | 9 | 15 % | 201 | 184 | 17 | 9 % |
| Other | 665 | 645 | 20 | 3 % | 1,961 | 1,915 | 46 | 2 % |
| Total noninterest expense | $2,608 | $2,456 | $152 | 6 % | $7,719 | $7,337 | $382 | 5 % |

Noninterest expense increased in both comparisons attributable to our ongoing business investments, including technology and staffing. The increases in personnel expense included higher variable compensation related to revenue growth, our announced increase in the minimum hourly pay rate for eligible employees and enhanced employee benefits. Marketing expense was higher in support of business growth. In addition, the year-to-date comparison reflects operating expense related to the second quarter 2017 acquisition of a commercial and vendor finance business.

PNC continued to focus on disciplined expense management. As of September 30, 2018, we were on track to achieve our full-year 2018 goal of $250 million in cost savings through our continuous improvement program, which we expect will continue to help fund a portion of our strategic investments.

Effective Income Tax Rate

The effective income tax rate was 15.7% in the third quarter of 2018 compared to 26.8% in the third quarter of 2017 and 17.0% in the first nine months of 2018 compared to 25.3% in the same period of 2017. Both comparisons reflected the change in the statutory federal income tax rate from 35% to 21%, effective as of January 1, 2018, as a result of the new federal tax legislation.

CONSOLIDATED BALANCE SHEET REVIEW

Table 5: Summarized Balance Sheet Data

| | September 30 | December 31 | Change | |
|---|---|---|---|---|
| Dollars in millions | 2018 | 2017 | $ | % |
| Assets | | | | |
| Interest-earning deposits with banks | $19,800 | $28,595 | $(8,795) | (31)% |
| Loans held for sale | 1,108 | 2,655 | (1,547 ) | (58)% |
| Investment securities | 80,804 | 76,131 | 4,673 | 6 % |
| Loans | 223,053 | 220,458 | 2,595 | 1 % |
| Allowance for loan and lease losses | (2,584 ) | (2,611 ) | 27 | 1 % |
| Mortgage servicing rights | 2,136 | 1,832 | 304 | 17 % |
| Goodwill | 9,218 | 9,173 | 45 | — |
| Other, net | 46,545 | 44,535 | 2,010 | 5 % |
| Total assets | $380,080 | $380,768 | $(688 ) | — |
| Liabilities | | | | |
| Deposits | $264,884 | $265,053 | $(169 ) | — |
| Borrowed funds | 57,955 | 59,088 | (1,133 ) | (2 )% |

| | | | | |
|---|---|---|---|---|
| Other | 10,139 | 9,042 | 1,097 | 12 % |
| Total liabilities | 332,978 | 333,183 | (205 ) | — |
| Equity | | | | |
| Total shareholders' equity | 47,058 | 47,513 | (455 ) | (1 )% |
| Noncontrolling interests | 44 | 72 | (28 ) | (39)% |
| Total equity | 47,102 | 47,585 | (483 ) | (1 )% |
| Total liabilities and equity | $380,080 | $380,768 | $(688 ) | — |

The summarized balance sheet data in Table 5 is based upon our Consolidated Balance Sheet in Part 1, Item 1 of this Report.

Our balance sheet was strong and well positioned at both September 30, 2018 and December 31, 2017.

- Total assets were relatively stable as higher investment securities and loan growth were funded by lower interest-earning deposits with banks;
- Total liabilities were stable, as lower borrowed funds were mostly offset by an increase in other liabilities;
- Total equity decreased slightly as higher retained earnings driven by net income was more than offset by share repurchases and lower accumulated other comprehensive income (AOCI) related to net unrealized securities losses.

The following discussion provides additional information about the major components of our balance sheet. Information regarding our capital and regulatory compliance is included in the Liquidity and Capital Management portion of the Risk Management section in this Financial Review and in Note 18 Regulatory Matters in the Notes To Consolidated Financial Statements included in our 2017 Form 10-K.

Loans

Table 6: Loans

| Dollars in millions | September 30 2018 | December 31 2017 | Change $ | Change % |
|---|---|---|---|---|
| Commercial lending | | | | |
| Commercial | $113,671 | $110,527 | $3,144 | 3 % |
| Commercial real estate | 28,563 | 28,978 | (415) | (1)% |
| Equipment lease financing | 7,214 | 7,934 | (720) | (9)% |
| Total commercial lending | 149,448 | 147,439 | 2,009 | 1 % |
| Consumer lending | | | | |
| Home equity | 26,628 | 28,364 | (1,736) | (6)% |
| Residential real estate | 18,203 | 17,212 | 991 | 6 % |
| Credit card | 5,979 | 5,699 | 280 | 5 % |
| Other consumer | | | | |
| Automobile | 14,309 | 12,880 | 1,429 | 11 % |
| Education | 3,954 | 4,454 | (500) | (11)% |
| Other | 4,532 | 4,410 | 122 | 3 % |
| Total consumer lending | 73,605 | 73,019 | 586 | 1 % |
| Total loans | $223,053 | $220,458 | $2,595 | 1 % |

Commercial loans increased primarily driven by growth from our Business Credit and Corporate Banking businesses within our Corporate & Institutional Banking segment. In Business Credit, higher utilization and new production resulted in an increase in commercial loans of $1.4 billion, or 8%. In Corporate Banking, commercial loans increased $.7 billion, or 1%, largely due to strong growth in asset-backed finance securitizations, partially offset by lower public finance lending. In the third quarter of 2018, commercial loan growth was moderated by payoffs and paydowns and lower line of credit utilization.

For commercial loans by industry and commercial real estate loans by geography, see Loan Portfolio Characteristics and Analysis in the Credit Risk Management portion of the Risk Management section in this Financial Review.

Consumer lending balances increased as growth in automobile and residential real estate loans were partially offset by lower home equity and education loans.

The growth in automobile loans was due in part to continued expansion in the Southeast and new markets. Residential real estate loans increased as a result of originations of loans that are nonconforming, both nationwide and within our branch network. Nonconforming residential mortgage loans are loans that do not meet government agency standards, such as a maximum loan amount, property type or credit requirements, among other factors.

Home equity loans declined as paydowns and payoffs exceeded new originated volume. In addition, the declines in both home equity and education loans included the continued runoff in our non-strategic brokered home equity and government guaranteed education loan portfolios.

For information on home equity and residential real estate loans, including by geography, and automobile loans, see Loan Portfolio Characteristics and Analysis in the Credit Risk Management portion of the Risk Management section in this Financial Review.

See the Credit Risk Management portion of the Risk Management section of this Financial Review, Note 3 Asset Quality and Note 4 Allowance for Loan and Lease Losses in our Notes To Consolidated Financial Statements included in this Report, and Note 1 Accounting Policies in our 2017 Form 10-K for additional information regarding our loan portfolio.

Investment Securities

Table 7: Investment Securities

| | September 30, 2018 | | December 31, 2017 | | Ratings (a) as of September 30, 2018 | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Dollars in millions | Amortized Cost | Fair Value | Amortized Cost | Fair Value | AAA/ AA | A | BBB | BB and Lower | No Rating |
| U.S. Treasury and government agencies | $17,808 | $17,586 | $15,173 | $15,286 | 100 % | | | | |
| Agency residential mortgage-backed | 44,656 | 43,297 | 40,037 | 39,847 | 100 % | | | | |
| Non-agency residential mortgage-backed | 2,189 | 2,507 | 2,610 | 2,932 | 12 % | | 3 % | 65 % | 20 % |
| Agency commercial mortgage-backed | 2,214 | 2,128 | 2,367 | 2,315 | 100 % | | | | |
| Non-agency commercial mortgage-backed (b) | 3,063 | 3,040 | 3,141 | 3,161 | 86 % | 6 % | | | 8 % |
| Asset-backed (c) | 5,732 | 5,779 | 5,531 | 5,598 | 86 % | 3 % | 4 % | 7 % | |
| Other debt (d) | 5,838 | 5,895 | 6,279 | 6,459 | 74 % | 16 % | 7 % | | 3 % |
| Other (e) | | | 587 | 585 | | | | | |
| Total investment securities (f) | $81,500 | $80,232 | $75,725 | $76,183 | 94 % | 2 % | 1 % | 2 % | 1 % |

(a) Ratings percentages allocated based on amortized cost.

(b) Collateralized primarily by retail properties, office buildings, lodging properties and multi-family housing.

(c) Collateralized primarily by corporate debt, government guaranteed education loans and other consumer credit products.

(d) Includes state and municipal securities.

(e) On January 1, 2018, $.6 billion of available for sale securities, primarily money market funds, were reclassified to equity investments in accordance with the adoption of ASU 2016-01. See the Recently Adopted Accounting Standards portion of Note 1 Accounting Policies in our First Quarter 2018 Form 10-Q for additional detail on this adoption.

(f) Includes available for sale and held to maturity securities, which are recorded on our balance sheet at fair value and amortized cost, respectively.

Investment securities increased $4.7 billion to $80.8 billion at September 30, 2018 compared to December 31, 2017, driven by net purchase activity of agency residential mortgage-backed securities of $4.0 billion and U.S. Treasury and government agencies securities of $2.3 billion. These increases were partially offset by the reclassification of $.6 billion of available for sale securities, primarily money market funds, to equity investments as part of the adoption of ASU 2016-01. See the Recently Adopted Accounting Standards portion of Note 1 Accounting Policies in our First Quarter 2018 Form 10-Q for additional detail on the adoption of this ASU.

The level and composition of the investment securities portfolio fluctuates over time based on many factors including market conditions, loan and deposit growth, and balance sheet management activities. We manage our investment securities portfolio to optimize returns, while providing a reliable source of liquidity for our banking and other activities, considering the Liquidity Coverage Ratio (LCR) and other internal and external guidelines and constraints.

Table 7 presents the distribution of our investment securities portfolio by credit rating. We have included credit ratings information because we believe that the information is an indicator of the degree of credit risk to which we are exposed, which could affect our risk-weighted assets and, therefore, our risk-based regulatory capital ratios under the regulatory capital rules. Changes in credit ratings classifications could indicate increased or decreased credit risk and could be accompanied by a reduction or increase in the fair value of our investment securities portfolio.

At least quarterly, we conduct a comprehensive security-level impairment assessment on all securities. If economic conditions, including home prices, were to deteriorate from current levels, and if market volatility and liquidity were to deteriorate from current levels, or if market interest rates were to increase or credit spreads were to widen appreciably, the valuation of our investment securities portfolio would likely be adversely affected and we could incur additional other than temporary impairment (OTTI) credit losses that would impact our Consolidated Income Statement.

The duration of investment securities was 3.6 years at September 30, 2018. We estimate that at September 30, 2018 the effective duration of investment securities was 3.7 years for an immediate 50 basis points parallel increase in interest rates and 3.5 years for an immediate 50 basis points parallel decrease in interest rates.

Based on expected prepayment speeds, the weighted-average expected maturity of the investment securities portfolio (excluding other) was 5.6 years at September 30, 2018 compared to 5.2 years at December 31, 2017.

Table 8: Weighted-Average Expected Maturities of Mortgage and Other Asset-Backed Debt Securities

| September 30, 2018 | Years |
|---|---|
| Agency residential mortgage-backed | 6.8 |
| Non-agency residential mortgage-backed | 6.5 |
| Agency commercial mortgage-backed | 3.7 |
| Non-agency commercial mortgage-backed | 2.7 |
| Asset-backed | 2.3 |

Additional information regarding our investment securities is included in Note 5 Investment Securities and Note 6 Fair Value in the Notes To Consolidated Financial Statements included in this Report.

Funding Sources

Table 9: Details of Funding Sources

| | September 30 | December 31 | Change | |
|---|---|---|---|---|
| Dollars in millions | 2018 | 2017 | $ | % |
| Deposits | | | | |
| Noninterest-bearing | $74,736 | $79,864 | $(5,128) | (6 )% |
| Interest-bearing | | | | |
| Money market | 55,662 | 59,735 | (4,073 ) | (7 )% |
| Demand | 62,354 | 61,213 | 1,141 | 2 % |
| Savings | 53,678 | 46,980 | 6,698 | 14 % |
| Time deposits | 18,454 | 17,261 | 1,193 | 7 % |
| Total interest-bearing deposits | 190,148 | 185,189 | 4,959 | 3 % |
| Total deposits | 264,884 | 265,053 | (169 ) | — |
| Borrowed funds | | | | |
| Federal Home Loan Bank (FHLB) borrowings | 20,036 | 21,037 | (1,001 ) | (5 )% |
| Bank notes and senior debt | 26,676 | 28,062 | (1,386 ) | (5 )% |
| Subordinated debt | 5,764 | 5,200 | 564 | 11 % |
| Other | 5,479 | 4,789 | 690 | 14 % |
| Total borrowed funds | 57,955 | 59,088 | (1,133 ) | (2 )% |
| Total funding sources | $322,839 | $324,141 | $(1,302) | — |

Total deposits declined slightly in the comparison as growth in interest-bearing deposits was more than offset by a decrease in noninterest-bearing deposits. Noninterest-bearing deposits decreased mainly due to the impact of rising interest rates, reflecting a shift of primarily commercial noninterest-bearing deposits to interest-bearing. The increase in interest-bearing deposits also was driven by growth in savings deposits reflecting, in part, a shift from consumer money market to relationship-based savings products.

Borrowed funds decreased in the comparison as declines in bank notes and senior debt and FHLB borrowings were partially offset by increases in repurchase agreements and subordinated debt. The level and composition of borrowed funds fluctuates over time based on many factors including market conditions, loan, investment securities and deposit growth, and capital considerations. We manage our borrowed funds to provide a reliable source of liquidity for our banking and other activities, considering our LCR and other internal and external guidelines and constraints.

See the Liquidity and Capital Management portion of the Risk Management section of this Financial Review for additional information regarding our 2018 liquidity and capital activities.

Shareholders' Equity

Total shareholders’ equity was $47.1 billion at September 30, 2018, a decrease of $.5 billion compared to December 31, 2017. The decrease resulted from common share repurchases of $2.0 billion, common and preferred dividends of $1.3 billion and lower AOCI related to net unrealized securities losses of $1.1 billion, partially offset by net income of $4.0 billion.

Common shares outstanding were 462 million and 473 million at September 30, 2018 and December 31, 2017, respectively, as repurchases of 13.8 million shares during the period were partially offset by stock-based compensation activity and share issuances from treasury stock related to warrants exercised.

BUSINESS SEGMENTS REVIEW

We have four reportable business segments:
- Retail Banking
- Corporate & Institutional Banking
- Asset Management Group
- BlackRock

Business segment results and a description of each business are included in Note 14 Segment Reporting included in the Notes To Consolidated Financial Statements in this Report. Certain amounts included in this Business Segments Review differ from those amounts shown in Note 14, primarily due to the presentation in this Financial Review of business net interest income on a taxable-equivalent basis.

Net interest income in business segment results reflects our internal funds transfer pricing methodology. Assets receive a funding charge and liabilities and capital receive a funding credit based on a transfer pricing methodology that incorporates product repricing characteristics, tenor and other factors.

Retail Banking
(Unaudited)

Table 10: Retail Banking Table

| Nine months ended September 30 | | | Change | |
|---|---|---|---|---|
| Dollars in millions, except as noted | 2018 | 2017 | $ | % |
| Income Statement | | | | |
| Net interest income | $3,800 | $3,436 | $364 | 11 % |
| Noninterest income | 1,935 | 1,891 | 44 | 2 % |
| Total revenue | 5,735 | 5,327 | 408 | 8 % |
| Provision for credit losses | 254 | 198 | 56 | 28 % |
| Noninterest expense | 4,287 | 4,060 | 227 | 6 % |
| Pretax earnings | 1,194 | 1,069 | 125 | 12 % |
| Income taxes | 285 | 394 | (109) | (28)% |
| Earnings | $909 | $675 | $234 | 35 % |
| Average Balance Sheet | | | | |
| Loans held for sale | $662 | $791 | $(129) | (16)% |
| Loans | | | | |
| Consumer | | | | |
| Home equity | $24,188 | $25,394 | $(1,206) | (5 )% |
| Automobile | 13,643 | 12,285 | 1,358 | 11 % |
| Education | 4,208 | 4,921 | (713) | (14)% |
| Credit cards | 5,746 | 5,180 | 566 | 11 % |
| Other | 1,794 | 1,767 | 27 | 2 % |
| Total consumer | 49,579 | 49,547 | 32 | — |
| Commercial and commercial real estate | 10,397 | 10,852 | (455) | (4 )% |
| Residential mortgage | 13,767 | 11,999 | 1,768 | 15 % |
| Total loans | $73,743 | $72,398 | $1,345 | 2 % |
| Total assets | $89,259 | $88,589 | $670 | 1 % |
| Deposits | | | | |
| Noninterest-bearing demand | $30,555 | $29,600 | $955 | 3 % |
| Interest-bearing demand | 42,172 | 40,959 | 1,213 | 3 % |

| | | | | |
|---|---|---|---|---|
| Money market | 30,656 | 37,492 | (6,836) | (18)% |
| Savings | 46,091 | 37,881 | 8,210 | 22 % |
| Certificates of deposit | 11,957 | 13,331 | (1,374) | (10)% |
| Total deposits | $161,431 | $159,263 | $2,168 | 1 % |
| Performance Ratios | | | | |
| Return on average assets | 1.36 % | 1.02 % | | |
| Noninterest income to total revenue | 34 % | 35 % | | |
| Efficiency | 75 % | 76 % | | |

| Nine months ended September 30 | | | Change | |
|---|---|---|---|---|
| Dollars in millions, except as noted | 2018 | 2017 | $ | % |
| Supplemental Noninterest Income Information | | | | |
| Consumer services | $837 | $800 | $37 | 5 % |
| Brokerage | $260 | $231 | $29 | 13 % |
| Residential mortgage | $257 | $321 | $(64) | (20)% |
| Service charges on deposits | $503 | $491 | $12 | 2 % |
| Residential Mortgage Information | | | | |
| Residential mortgage servicing statistics (in billions, except as noted) (a) | | | | |
| Serviced portfolio balance (b) | $127 | $129 | $(2 ) | (2 )% |
| Serviced portfolio acquisitions | $10 | $18 | $(8 ) | (44)% |
| MSR asset value (b) | $1.4 | $1.2 | $.2 | 17 % |
| MSR capitalization value (in basis points) (b) | 108 | 95 | 13 | 14 % |
| Servicing income: (in millions) | | | | |
| Servicing fees, net (c) | $132 | $142 | $(10) | (7 )% |
| Mortgage servicing rights valuation, net of economic hedge | $22 | $30 | $(8 ) | (27)% |
| Residential mortgage loan statistics | | | | |