

Company Name: PNC Financial Services Group, Inc. (NYSE: PNC)

Current Price: 92.32

Beta: 1.28

Target Price: \$119.27

Market Cap: \$47.48B

52 Week H/L: \$124.45/\$85.50

P/E: 13.17

Dividend Yield: 2.17%

Company Background: PNC Financial Services Group, Inc. is a diversified financial services company. It is the 6th largest U.S. bank by total assets. The Company provides regional banking, wholesale banking, and asset management services nationally and in the Company's primary regional markets.

Competitive Advantage: We feel as though PNC's main competitive advantage is that it survived and thrived, and fared better than other banks during the mortgage crisis. It was able to acquire companies that fed its expansion.

Investment Thesis: We feel as though PNC is a viable long term investment due to its consistent operating history in its five segments and growing long-term projects, including acquisitions, expansion in southeast, and its environmentally friendly business practices. Its 20% ownership stake in BlackRock provides diversification to PNC's portfolio of services, and makes it unique from its competitors (other regional banks). Given its attractive valuation at this time, we recommend buying \$180,000 stake in this company.

Compared to wholesale banks, it has low exposure to high yield market and derivative.

Compared to other regional banks, it is well diversified due to its investments in BlackRock and Visa and has a relatively low P/B ratio and Debt ratio. In addition, its mortgage-banking model is differentiated in that it's focused exclusively on higher-margin retail originations, not third-party production channels. This enables its above-average margins per mortgage sold, or gain-on-sale margin.

Business Segments:

- Retail Banking:** provides deposit, lending, cash management and investment services to more than 6 million customers across 19 states with 2,700 branches, 9000 ATM machines and online and mobile services.
- Corporate & Institutional Banking:** a top Treasury Management provider in the US. Provides lending, treasury management, and capital markets-related products and services to midsized and large corporations, government and not-for-profit entities.
- Asset Management Group:** one of the top 10 bank wealth managers according to Barron's. Provides investment and retirement planning, customized investment management, private banking, tailored credit solutions, and trust management and administration for individuals and their families.
- Residential Mortgage Banking:** directly originates first lien residential mortgage loans on a nationwide basis. These loans are typically underwritten to government agency and third-party standards.
- BlackRock (BLK):** PNC owns approximately 20% of BlackRock, the world's largest publicly traded asset management firm.

Risks: The major risks that PNC faces are the monetary policies and statements by the Federal Reserve. Net interest income growth is going to be challenging until rates begin to move up. Further, banks mainly make money from the spread from the interest they receive from loans and fee based businesses. If loan defaults increase, banks reduction in provision for loan losses will trigger large decreases in net income.

Valuation Assumptions:

WACC: 9.2%

Terminal Growth Rate: 3.3%

Key Financials:

ROA: 1.20

Net Income Margin: 27.95

5 Year CAGR- Revenue: 3.68%

5 Year CAGR- Operating Income: 6.33%

5 Year CAGR- FCF: 2.22%

Corporate Social Responsibility:

ESG Disclosure Score: 35.96 (Avg: 18.45)

Environmental Disclosure Score: 17.83 (Avg: 16.28)

Governance Disclosure Score: 55.36 (Avg: 53.41)

% Women on the Board: 18.18% (Avg: 15.90%)

ESG Linked to Compensation: Yes

Human Rights Policy: Yes

Water Intensity/Sales: 98.85 (Avg:111.65)

Equal Opportunity Policy: Yes

Industry Analysis:

Segment	Revenue %	Metric	PNC	Low	Comp Range	High
Whole Firm	100%	Est Price/Book Curr	1.12	0.67		2.66
Banks	78%	Est P/E Current Yea	12.34	10.80		18.34
Mortgage Finance	10%	Net Interest Margin	2.75	2.61		3.43
Wealth Management	8%	Return on Equity (%)	9.51	3.58		14.28
Investment Management	5%	Efficiency Ratio (%)	60.96	35.07		75.53

Name (BI Peers)	Mkt Cap (USD)	Last Px (USD)	Chg Pct	Chg Pct 1M	Rev - 1 Yr Gr:Y	EPS - 1 Yr Gr:Y	P/E	ROE	Dvd 12M Yld
Average	32.62B	52.31	0.44%	5.49%	2.24%	7.22%	15.53	9.35%	2.30%
[W] PNC FINANCIAL SERVICE	47.48B	92.45	0.78%	4.87%	-3.50%	-0.13%	13.17	9.51%	2.17%
[H] WELLS FARGO & CO	279.29B	54.68	-0.42%	6.67%	0.34%	5.57%	13.21	12.97%	2.70%
[I] US BANCORP	75.19B	42.70	0.05%	4.79%	1.55%	2.65%	13.65	14.28%	2.34%
[J] BBOT CORP	29.61B	37.95	0.43%	6.15%	-4.96%	25.68%	12.72	8.64%	2.69%
[K] SUNTRUST BANKS INC	22.03B	42.86	0.70%	11.94%	1.22%	34.16%	12.23	8.08%	2.05%
[L] M & T BANK CORP	21.27B	119.65	-0.37%	2.56%	-1.79%	-9.56%	16.50	8.58%	2.34%
[M] FIFTH THIRD BANCORP	15.86B	19.60	0.41%	4.90%	-9.68%	-18.05%	10.97	9.49%	2.65%
[N] CITIZENS FINANCIAL GR	13.01B	24.67	1.11%	5.36%	4.07%	--	15.56	4.18%	1.62%
[O] REGIONS FINANCIAL COR	12.75B	9.62	0.84%	7.97%	-4.52%	0.00%	12.82	5.71%	2.29%
[P] KEYCORP	10.74B	12.86	0.67%	-0.92%	-0.80%	12.90%	11.76	8.86%	2.18%
[Q] FIRST REPUBLIC BANK/	9.31B	65.69	0.23%	5.02%	12.56%	-1.56%	21.54	10.75%	0.90%