

PNC FINANCIAL SERVICES GROUP, INC.
Form DEF 14A
March 12, 2019
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the Securities

Exchange Act of 1934 (Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

CONFIDENTIAL, FOR USE OF THE COMMISSION ONLY (AS PERMITTED BY RULE 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material under §240.14a-12

THE PNC FINANCIAL SERVICES GROUP, INC.

(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

- (1) Title of each class of securities to which transaction applies:
- (2) Aggregate number of securities to which transaction applies:
- (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
- (4) Proposed maximum aggregate value of transaction:
- (5) Total fee paid:

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

- (1) Amount Previously Paid:
- (2) Form, Schedule or Registration Statement No.:
- (3) Filing Party:
- (4) Date Filed:

Table of Contents

Table of Contents

**Letter from the Chairman and
Chief Executive Officer to Our
Shareholders**

Dear Shareholder,

We invite you to attend the 2019 Annual Meeting of Shareholders of The PNC Financial Services Group, Inc. on Tuesday, April 23, 2019.

The meeting will be held in the James E. Rohr Auditorium in The Tower at PNC Plaza, 300 Fifth Avenue, Pittsburgh, Pennsylvania 15222, beginning at 11:00 a.m., Eastern Time.

We will consider the matters described in the proxy statement and also review significant developments since last year's annual meeting of shareholders.

We are again making our proxy materials available to you electronically. We hope this continues to offer you convenience while allowing us to reduce the number of copies we print.

The proxy statement contains important information and you should read it carefully. Your vote is important and we strongly encourage you to vote your shares using one of the voting methods described in the proxy statement. Please see the notice that follows for more information.

If you are unable to attend the annual meeting in person, you will be able to listen to the meeting by webcast or conference call.

We look forward to your participation and thank you for your support of PNC.

March 12, 2019

Sincerely,

William S. Demchak

Chairman, President and Chief Executive Officer

Table of Contents**PARTICIPATE IN THE FUTURE OF PNC PLEASE CAST YOUR VOTE**

Your vote is important to us and we want your shares to be represented at the annual meeting. Please cast your vote on the proposals listed below.

Under New York Stock Exchange rules, if you hold your shares through a broker, bank or other nominee (referred to as holding your shares in street name) and you do not provide any voting instructions, your broker has discretionary authority to vote on your behalf only with respect to proposals that are considered routine items. The only routine item on this year's ballot is the ratification of our auditor selection. **If an item is non-routine and you do not provide voting instructions, no vote will be cast on your behalf with respect to that item.**

Proposals requiring your vote

		More	Board	Routine
		information	recommendation	item?
Item 1	<u>Election of 13 nominated directors</u>	Page 11	FOR	No
			each nominee	
Item 2	<u>Ratification of independent registered public accounting firm for 2019</u>	Page 84	FOR	Yes
Item 3	<u>Advisory approval of the compensation of PNC's named executive officers (say-on-pay)</u>	Page 87	FOR	No

With respect to each item, a majority of the votes cast will be required for approval. Abstentions will not be included in the total votes cast and will not affect the results.

Vote your shares

Please read the proxy statement with care and vote right away. We offer a number of ways for you to vote your shares. Voting instructions are included in the Notice of Internet Availability of Proxy Materials and the proxy card. If you hold shares in street name, you will receive information on how to give voting instructions to your broker, bank or other nominee. For registered holders, we offer the following methods to vote your shares and give us your proxy:

www.envisionreports.com/PNC

Follow the instructions
on the proxy card.

Complete, sign and date the proxy
card

and return it in the envelope provided.

Attend our 2019 Annual Meeting of Shareholders

**Directions to attend the annual meeting
are available at
www.pnc.com/annualmeeting**

**Tuesday, April 23, 2019 at 11:00 a.m.
The Tower at PNC Plaza James E. Rohr Auditorium
300 Fifth Avenue
Pittsburgh, Pennsylvania 15222**

4 THE PNC FINANCIAL SERVICES GROUP, INC. - *2019 Proxy Statement*

Table of Contents

PROXY STATEMENT SUMMARY

Proxy Statement Summary

To assist you in reviewing the proposals to be acted upon at the annual meeting, we have included a summary of certain relevant information. This summary does not contain all of the information you should consider. You should review the entire proxy statement and the 2018 Annual Report before you vote.

You may read the proxy statement and the 2018 Annual Report at www.envisionreports.com/PNC.

Who can vote (page 90)

You are entitled to vote if you were a PNC shareholder on the record date of February 1, 2019.

Voting methods (page 91)

We offer our shareholders a number of ways to vote, including by Internet, telephone or mail. Shareholders may also vote in person at the annual meeting.

Items of business

Item 1: Election of 13 nominated directors (page 11)

The proxy statement contains important information about the experience, qualifications, attributes and skills of the 13 nominees to our Board of Directors (the Board). The Board's Nominating and Governance Committee performs an annual assessment to confirm that our directors continue to have the skills and experience necessary to serve PNC, and that the Board and its committees continue to be effective in carrying out their duties.

The Board recommends that you vote **FOR** all 13 director nominees.

Item 2: Ratification of independent registered public accounting firm for 2019 (page 84)

Each year, the Board's Audit Committee selects our independent registered public accounting firm. For 2019, the Audit Committee selected PricewaterhouseCoopers LLP (PwC) to fulfill this role.

The Board recommends that you vote **FOR** the ratification of the Audit Committee's selection of PwC as our independent registered public accounting firm for 2019.

Item 3: Say-on-pay (page 87)

Each year, we ask our shareholders to cast a non-binding advisory vote on the compensation of our named executive officers known generally as the say-on-pay vote. We have offered an annual say-on-pay vote since 2009. Last year, over 97% of the votes cast by our shareholders approved the compensation of our named executive officers, and we have averaged over 95% support in say-on-pay votes over the past five years.

We recommend that you read the *Compensation Discussion and Analysis* beginning on page 40, which explains how and why the Board's Personnel and Compensation Committee made its executive compensation decisions for 2018.

The Board recommends that you vote **FOR** the approval, on a non-binding advisory basis, of the compensation of our named executive officers.

Table of Contents

PROXY STATEMENT SUMMARY

2018 PNC performance (page 40)

PNC had a successful year in 2018, with net income of \$5.3 billion, or \$10.71 per diluted common share. Our return on average assets was 1.41% and our return on average common equity was 11.83%. At December 31, 2018, our tangible book value was \$75.42 per common share.

We grew loans and deposits, and generated record total revenue, net interest income and fee income.

We generated positive operating leverage in 2018 by growing revenue and reducing noninterest expense, and we achieved our \$250 million continuous improvement program savings goal for the year.

We returned \$4.4 billion of capital to our shareholders through share repurchases of \$2.8 billion and common stock dividends of \$1.6 billion, including raising the quarterly common stock dividend to \$0.95 per share, an increase of 27%.

Although our stock price at December 31, 2018 decreased from year-end 2017, we compared favorably to our peers with a total shareholder return that was above the peer median for 2018, slightly below the top quartile of peers over the past three years, and in the top quartile of peers during the five-year period ended December 31, 2018.

We successfully expanded our corporate banking business into new markets (Denver, Houston and Nashville).

We launched our national retail digital strategy in markets outside of our existing retail branch network.

We continued to focus on the strategies of transforming the customer experience in our Retail Banking segment and enhancing product and service offerings within our Corporate & Institutional Banking segment.

We made additional significant progress in leveraging technology to innovate and enhance our products, services, security and processes.

We significantly strengthened the company's risk management framework.

2018 compensation decisions (page 47)

The table below shows, for each named executive officer, the incentive compensation target for 2018 and the actual annual cash incentive and long-term equity-based incentives awarded in 2019 for 2018 performance.

	William S. Demchak	Robert Q. Reilly	Michael P. Lyons	E William Parsley, III	Joseph E. Rockey
Incentive compensation target	\$ 11,500,000	\$ 3,800,000	\$ 7,300,000	\$ 7,300,000	\$ 3,250,000
Incentive compensation awarded for 2018 performance	\$ 12,650,000	\$ 4,000,000	\$ 8,050,000	\$ 8,050,000	\$ 4,000,000
<i>Annual cash incentive portion</i>	<i>\$ 4,400,000</i>	<i>\$ 1,650,000</i>	<i>\$ 2,800,000</i>	<i>\$ 2,800,000</i>	<i>\$ 1,750,000</i>
<i>Long-term incentive portion</i>	<i>\$ 8,250,000</i>	<i>\$ 2,350,000</i>	<i>\$ 5,250,000</i>	<i>\$ 5,250,000</i>	<i>\$ 2,250,000</i>
Incentive compensation disclosed in the Summary compensation table⁽¹⁾	\$ 13,880,000	\$ 4,012,500	\$ 7,900,000	\$ 8,500,000	\$ 3,750,000
<i>Annual cash incentive portion (2018 performance)</i>	<i>\$ 4,400,000</i>	<i>\$ 1,650,000</i>	<i>\$ 2,800,000</i>	<i>\$ 2,800,000</i>	<i>\$ 1,750,000</i>
<i>Long-term incentive portion (2017 performance)</i>	<i>\$ 9,480,000</i>	<i>\$ 2,362,500</i>	<i>\$ 5,100,000</i>	<i>\$ 5,700,000</i>	<i>\$ 2,000,000</i>

(1) Under SEC regulations, the incentive compensation amounts disclosed in the Summary compensation table on page 60 include the cash incentive award paid in 2019 for 2018 performance (the *Non-Equity Incentive Plan Compensation* column) and the long-term incentive award granted in 2018 for 2017 performance (the *Stock Awards* column). The amounts shown in the *Stock Awards* column of the Summary compensation table differ slightly from the amounts shown in the table above due to the impact of fractional shares, which are not included in the *Stock Awards* column as they are paid out in cash.

PNC corporate governance (page 18)

The entire Board is elected each year; we have no staggered elections.

The election of directors is subject to a majority voting requirement; any director who does not receive a majority of the votes cast in an uncontested election must tender his or her resignation to the Board.

6 THE PNC FINANCIAL SERVICES GROUP, INC. - *2019 Proxy Statement*

Table of Contents

PROXY STATEMENT SUMMARY

Our corporate governance guidelines require the Board to have a substantial majority (at least two-thirds) of independent directors. All but one of our current directors and all but one of the nominees to the Board are independent, with the only exception in each case being our CEO.

The Board has a Presiding Director, a lead independent director with specific duties.

The Presiding Director approves Board meeting agendas.

The Board meets regularly in executive session, with no members of management present.

We have four primary standing Board committees:

Audit Committee

Personnel and Compensation Committee

Nominating and Governance Committee

Risk Committee

The Risk Committee has formed two subcommittees:

Compliance Subcommittee

Technology Subcommittee

In 2018, the Board met ten times and each of our directors attended at least 75% of the aggregate number of meetings of the Board and the committees of the Board on which he or she served. The average attendance of all directors at Board and applicable committee meetings was over 98%. All of our directors then serving attended our 2018 annual meeting of shareholders.

You can find additional information about our governance policies and principles at www.pnc.com/corporategovernance.

Board nominees (page 11)

Name	Age	Director since	Independent	Primary Standing Board Committee & Subcommittee Memberships
Joseph Alvarado	66	2019		Audit; Compliance
Charles E. Bunch	69	2007		Compensation (Chair); Governance
Debra A. Cafaro	61	2017		Audit; Compensation
Marjorie Rodgers Cheshire	50	2014		Governance; Risk; Compliance (Chair)
William S. Demchak	56	2013		Risk
Andrew T. Feldstein	54	2013		Compensation; Governance; Risk (Chair)
Richard J. Harshman	62	2019		Audit; Compensation
Daniel R. Hesse	65	2016		Risk; Technology (Chair)
	72	2002		
Richard B. Kelson				Audit (Chair); Compensation; Compliance

Linda R. Medler	62	2018	Risk; Technology
Martin Pfinsgraff	64	2018	Audit; Risk; Compliance; Technology
Toni Townes-Whitley	55	2019	Technology
Michael J. Ward	68	2016	Compensation; Governance

Table of Contents

Table of Contents

<u>NOTICE OF ANNUAL MEETING OF SHAREHOLDERS</u>	10
<u>ELECTION OF DIRECTORS (ITEM 1)</u>	11
<u>CORPORATE GOVERNANCE</u>	18
<u>Recent corporate governance developments</u>	18
<u>Corporate governance guidelines</u>	18
<u>Our Board leadership structure</u>	19
<u>Communicating with the Board</u>	20
<u>Our Code of Business Conduct and Ethics</u>	20
<u>Orientation and education</u>	21
<u>Board committees</u>	21
<u>Board meetings in 2018</u>	30
<u>DIRECTOR AND EXECUTIVE OFFICER RELATIONSHIPS</u>	31
<u>Director independence</u>	31
<u>Transactions with directors</u>	33
<u>Code of Business Conduct and Ethics</u>	34
<u>Regulation O policies and procedures</u>	34
<u>Family relationships</u>	35
<u>Indemnification and advancement of costs</u>	35
<u>RELATED PERSON TRANSACTIONS</u>	36