

PNC FINANCIAL SERVICES GROUP, INC.
Form DEF 14A
March 15, 2016
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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):

b No fee required.

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

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(1) Amount Previously Paid:

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(3) Filing Party:

(4) Date Filed:

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Integrity.

Innovation.

Insight.

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**LETTER FROM THE CHAIRMAN AND
CHIEF EXECUTIVE OFFICER TO OUR
SHAREHOLDERS**

Dear Shareholder

We invite you to attend the 2016 Annual Meeting of Shareholders of The PNC Financial Services Group, Inc. on Tuesday, April 26, 2016.

The meeting will be held in Pittsburgh, Pennsylvania in the James E. Rohr Auditorium in The Tower at PNC Plaza, 300 Fifth Avenue, beginning at 11:00 a.m., Eastern time. We will consider the matters described in this proxy statement and also review significant developments since last year's meeting of shareholders.

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

The proxy statement contains important information and you should read it carefully. Even if you plan to attend the meeting in person, we strongly encourage you to designate the proxies named on the proxy card to vote your shares. If you will not be there in person, you will be able to listen to the meeting by webcast or conference call. Please see the notice that follows for more information.

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

March 15, 2016

Sincerely,

William S. Demchak

Chairman, President and Chief Executive Officer

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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 (NYSE) rules, if you hold your shares through a broker, bank, or other nominee (street name), and you do not provide any voting instructions, your broker has discretionary authority to vote on your behalf for items that are considered routine. 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.**

Proposals requiring your vote

					Votes required for approval
Item	Description	More information	Board recommendation	Routine item?	Abstentions
Item 1	Election of 13 nominated directors	Page 12	FOR each nominee	No	
Item 2	Ratification of independent registered public accounting firm for 2016	Page 81	FOR	Yes	Do not count Majority of shares cast
Item 3	Approval of 2016 Incentive Award Plan	Page 84	FOR	No	
Item 4	Advisory approval of the compensation of PNC's named executive officers (say-on-pay)	Page 95	FOR	No	

Vote your shares

Please read this proxy statement with care and vote right away. We offer a number of ways for you to vote your shares. We include voting instructions in the Notice of 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 or bank. For registered holders, we offer the following methods to vote your shares and give us your proxy:

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www.envisionreports.com/PNC

Follow the instructions

Complete, sign and date the proxy card

on the proxy card.

and return it in the envelope provided.

Attend our 2016 Annual Meeting of Shareholders

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

**Tuesday, April 26, 2016 at 11:00 a.m.
The Tower at PNC Plaza James E. Rohr Auditorium
300 Fifth Avenue
Pittsburgh, Pennsylvania 15222**

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PROXY STATEMENT SUMMARY

Proxy Statement Summary

To assist you in reviewing the proposals to be acted upon, we have included a summary of certain information. This summary does not contain all of the information that you should consider, and you should review our entire proxy statement and the 2015 Annual Report before you vote.

You may also read our proxy statement and 2015 Annual Report at www.envisionreports.com/PNC.

Who can vote (page 98)

You are entitled to vote if you were a shareholder on the record date of January 29, 2016.

How to vote (page 99)

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.

Voting matters

Item 1: Election of directors (page 12)

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

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

Item 2: Ratification of auditors (page 81)

Each year, our Board's Audit Committee selects PNC's independent registered public accounting firm. For 2016, the Audit Committee selected PricewaterhouseCoopers LLP (PwC) to fulfill this role.

Our Board recommends that you vote **FOR** the ratification of the Audit Committee's selection of PwC as our independent registered public accounting firm for 2016.

Item 3: Approval of 2016 Incentive Award Plan (page 84)

We ask shareholders to approve a new equity compensation plan, the 2016 Incentive Award Plan, allowing us to make equity-based compensation awards to employees and directors. If the 2016 Incentive Award Plan is approved, it will replace the 2006 Incentive Award Plan, and no further awards will be made under the 2006 Incentive Award Plan. Our Board adopted the 2016 Incentive Award Plan on March 3, 2016, and it will become effective as of April 26, 2016, subject to shareholder approval. We ask shareholders to approve the plan.

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Our Board recommends that you vote **FOR** the approval of the 2016 Incentive Award Plan.

Item 4: Say-on-pay (page 95)

We ask shareholders to cast a non-binding advisory vote on our executive compensation program known generally as the say-on-pay vote. We have offered a say-on-pay vote since 2009, and our shareholders confirmed their preference for annual votes in 2011. Last year, 97% of the votes cast by our shareholders supported our executive compensation program, and PNC has averaged 92% support in its say-on-pay votes over the past five years.

We recommend that you read the Compensation Discussion and Analysis (CD&A) (beginning on page 39), which explains how and why our Board's Personnel and Compensation Committee made executive compensation decisions for 2015.

Our Board recommends that you vote **FOR** the non-binding advisory vote on executive compensation (say-on-pay).

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Table of Contents**PROXY STATEMENT SUMMARY****2015 PNC performance (pages 39 to 40)**

In 2015, we delivered consistent results in a challenging operating environment, with net income of \$4.1 billion (8% over budget) and diluted earnings per share of \$7.39 (7.4% over budget) – we have earned at least \$1 billion in net income during each of the past eleven quarters

Our annual total shareholder return (TSR) was the second-highest in our peer group and our three-year TSR was the highest in our peer group – our stock price also reached an all-time high in 2015

We diversified and improved our sources of revenue by successfully growing noninterest income and allowing our net interest income to decline – rather than adding riskier loans in a continued low interest rate environment

We continued to manage our costs, reducing our expenses for the third year in a row and exceeding our revised continuous improvement goal of \$500 million in expense savings (up from our initial 2015 goal of \$400 million)

We strengthened our capital throughout the year and returned capital to our shareholders through both a common stock dividend increase and share repurchases

Continued to make strategic investments to position PNC for long-term success, including significant upgrades to our technology infrastructure, transforming the retail bank, and building a leading banking franchise in our underpenetrated markets

2015 compensation decisions (page 47)

The table below shows, for each NEO, the incentive compensation target for 2015 and the actual annual cash incentive and long-term equity-based incentives awarded in 2016 for 2015 performance.

	William S. Demchak	Robert Q. Reilly	Michael P. Lyons	E William Parsley, III⁽¹⁾	Joseph C. Guyaux
2015 incentive compensation decisions					
Incentive compensation target	\$ 9,900,000	\$ 3,000,000	\$ 4,800,000	\$ 5,500,000	\$ 2,480,000
Incentive compensation awarded	\$ 11,900,000	\$ 3,300,000	\$ 6,100,000	\$ 6,100,000	\$ 2,880,000
<i>Annual incentive award (cash)</i>	\$ 4,100,000	\$ 1,400,000	\$ 2,020,000	\$ 1,300,000	\$ 1,130,000
<i>Long-term incentive award (equity-based)</i>	\$ 7,800,000	\$ 1,900,000	\$ 4,080,000	\$ 4,800,000	\$ 1,750,000

(1) Mr. Parsley's incentive compensation award includes two grants – the grant of equity-based awards that all other NEOs would otherwise receive (valued at \$1,800,000) and a separate grant of incentive performance units related to the management of our Asset & Liability Management (ALM) unit, valued at \$3,000,000. Please see page 63 for a discussion of Mr. Parsley's ALM units.

The amounts shown in the table above differ from the amounts reflected in the Summary compensation table on page 58. In accordance with SEC regulations, that table shows the long-term equity-based incentives granted in 2015 based on 2014 performance.

PNC governance (page 18)

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

Our entire Board is re-elected every year; we have no staggered elections.

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Our Board is subject to a majority voting requirement; any director not receiving a majority of votes in an uncontested election must tender his or her resignation to the Board.

Our corporate governance guidelines require the Board to have a substantial majority (at least 2/3) of independent directors. Currently, 15 out of 16 directors (94%) are independent, and our only non-independent director is our CEO. All but one of our nominees to the Board (12 out of 13, or 92%) are independent.

Our Board has had a Presiding Director, a lead independent director with specific duties, since 2004.

Our Presiding Director approves Board meeting schedules and agendas.

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

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In 2015, our Board met 10 times and each of our directors attended at least 75% of the aggregate number of meetings of the Board and the committees on which he or she served. The average attendance of all directors at Board and committee meetings was 99%. All current directors then serving attended our 2015 Annual Meeting of Shareholders.

We have four primary standing board committees:

Audit Committee

Personnel and Compensation Committee (Compensation)

Nominating and Governance Committee (Governance)

Risk Committee

Board nominees (page 12)

Name	Age	Director since	Independent	Primary Standing Committee Memberships
Charles E. Bunch	66	2007	Ⓟ	Compensation; Governance
Marjorie Rodgers Cheshire	47	2014	Ⓟ	Audit; Risk
William S. Demchak	53	2013	Ⓟ	Risk
Andrew T. Feldstein	51	2013	Ⓟ	Compensation; Risk (Chair)
Daniel R. Hesse	62	2016	Ⓟ	Risk
Kay Coles James	66	2006	Ⓟ	Governance; Risk
Richard B. Kelson	69	2002	Ⓟ	Audit (Chair); Compensation
Jane G. Pepper	70	1997	Ⓟ	Risk
Donald J. Shepard	69	2007	Ⓟ	Audit; Governance (Chair); Risk
Lorene K. Steffes	70	2000	Ⓟ	Risk
Dennis F. Strigl	69	2001	Ⓟ	Compensation (Chair); Governance
Michael J. Ward	65	2016	Ⓟ	Compensation; Governance
Gregory D. Wasson	57	2015	Ⓟ	Audit

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