

PNC: How fast should the branch network grow?

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On October 15, 2024, PNC Financial Services Group reported third-quarter results while the banking industry continued to adapt to digital service, higher deposit costs and changing customer expectations. Eight months earlier, PNC Bank had announced an approximate \$1 billion multi-year program through 2028: more than 100 planned new branches and more than 1,200 planned renovations. The announcement described an ambition, not an irrevocable \$1 billion commitment. It did not provide an annual construction schedule, a split between new-build and renovation spending, or the extent to which future openings could be re-sequenced.

The aggregate choice facing PNC's leadership was how to govern that plan. Should the bank execute the announced program as described, or stage future openings against evidence from early cohorts and verified local market data? A staged approach could preserve the expansion strategy while using learning gates. But it could also delay customer relationships and market presence, make execution less predictable, or sacrifice opportunities if competitors moved first.

The decision was not whether physical branches still mattered. PNC already served customers through branches, ATMs, online and mobile banking, and customer-care channels. The strategic question was how much additional physical presence to build, renovate and operate-and how to know whether the investment was creating incremental value.

A multi-channel relationship strategy

PNC described Retail Banking as a relationship business. Its strategy connected savings, lending, payments, investment and retirement products, using branches alongside digital, ATM and contact-center channels. Management presented the branch network as one way to build primary relationships and serve customers. That rationale did not, on its own, show that adding branches caused deeper relationships or better returns.

In February, PNC Bank said its program would add locations in markets including Austin, Dallas, Denver, Houston, Miami and San Antonio, among others. It also reported about 2,300 physical locations and more than 60,000 PNC and partner ATMs, alongside online and mobile banking and customer-care channels. The ATM figure included partner machines; it was not a count of PNC-owned branches. In 2023, PNC said it had opened and renovated nearly 350 branches across its national footprint, a combined figure that did not isolate new-build performance.

The company had not publicly specified how many new branches would open in each market or year. It also had not disclosed whether the planned openings could be deferred or moved. Renovations and new builds served different purposes: renovations could improve or preserve

existing customer relationships, while new locations could extend reach. Treating the combined program as a single branch return would blur those distinct investments.

What did the evidence say about branches?

Digital access had not made branch use disappear. A Federal Reserve analysis reported that 84% of households with a checking or savings account had visited their primary institution's local branch during the prior year. Online banking was associated with only a modestly lower likelihood of branch visits for checking accounts. The same analysis found a relationship between local branch presence and small-business lending. These were descriptive patterns based on older household and lending data; they did not show that a new PNC branch would attract deposits or generate a particular return.

Research on branch closures offered another perspective. In a study of merger-related closures, Hoai-Luu Q. Nguyen estimated that annual local small-business loan originations fell by about \$453,000 from a \$4.7 million baseline. The effect persisted for several years and faded within six miles. The study focused on closure exposure in the 2000s, not the economics of a new PNC branch in 2024. Wang and Wu's study of mobile banking and small-business lending found that apps cushioned some lending declines following closures, while branch additions were not associated with a statistically significant additional lending increase. Neither study measured PNC's deposit acquisition or branch profitability.

Historical branch data also pointed to a long investment horizon. A Federal Reserve study of U.S. branches from 1976 to 2020 found that the median new branch reached \$50 million in deposits after 15 years, while nearly 30% of new branches closed within ten years. These pooled, descriptive results reflected selection and survivor effects; they were not a forecast for PNC's openings or a measure of branch profit.

Taken together, the evidence left room for competing interpretations. A physical location might support advice, customer acquisition and small-business relationships that digital channels could not fully replace. Alternatively, digital service, ATMs and PNC's existing branches might already meet much of the need; new locations could shift customers from nearby PNC branches while adding fixed costs. Kuehn's published abstract describes a model in which multi-market entry increases competition and is followed by lower deposit rates; because the full article was not available in the research pass, this is a provisional mechanism rather than a quantified prediction for PNC. Site choice, operating model and local customer needs could matter more than a pooled average.

The investment and the franchise

PNC's financial reports gave context, but not branch-level economics. In 2023, Retail Banking reported \$12.925 billion in revenue, \$7.555 billion in noninterest expense and \$3.768 billion in earnings. Its average deposits were \$256.155 billion, down \$8.234 billion, or about 3.1%, from 2022. These segment totals reflected all Retail Banking activities and locations; they could not isolate the performance of recently opened branches.

For the third quarter of 2024, PNC reported total-company average deposits of \$422.1 billion, essentially flat year over year. Within Retail Banking, average deposits were \$249.2 billion, down \$4.5 billion, or about 1.8%, from the prior-year quarter. Retail Banking net interest income was \$2.783 billion and segment earnings were \$1.164 billion. These were aggregate results, not evidence that the expansion program caused the deposit trend. Deposit mix and funding costs mattered as well as balances. The quarter's results also included items, including Visa-related timing effects, that made segment earnings an imperfect measure of underlying branch

performance.

The public disclosures did not report expected construction, lease, staffing, security or technology costs per branch; the timing of deposit growth; customer-acquisition costs; retention; or the share of deposits transferred from other PNC locations. The approximate program investment combined planned new branches and renovations, with no public allocation between them. Nor did the disclosures establish what portion was capital spending versus other investment or operating expense.

A market-data gap

The FDIC released its June 30, 2024 Summary of Deposits on September 20, before the case cutoff. Its [Deposit Market Share Reports](#) let users examine insured-bank deposits and shares for specified geographies, including MSAs. No 2024 figures are reproduced here. The June 30, 2023 MSA shares provide prior-year context only; they do not establish June 2024 market positions or indicate which of PNC's six named markets should receive openings.

MSA-level shares summarize deposits reported by insured institutions within a metropolitan area. They do not identify a proposed branch's site-level trade area, customer demand, or expected return. Decision makers would still need site-level customer and business growth, nearby PNC overlap and internal transfers, construction and operating costs, and cohort economics. These are management and internal data requests; broad public market shares cannot answer them.

The decision

PNC's leaders must decide whether to execute the announced aggregate program as described or stage future openings against early cohort evidence and verified local market data. A staged approach depends on an assumption that some future openings can be deferred or re-sequenced; the public announcement does not confirm that flexibility. The decision also requires a separate view of renovation economics, rather than treating every dollar in the approximate program as new-build investment.

What should PNC do? What evidence should govern the pace of future openings? Identify the measures that would distinguish new-to-PNC relationships from internal transfers, and state what results would lead you to continue, slow or change the plan. What information should management obtain before it makes location-level decisions?

Exhibits

Exhibit 1. Announced network program and access channels

Publicly announced or reported item	Detail	Date / scope
Multi-year program investment	Approximately \$1 billion	Announced Feb. 14, 2024; combined program
Planned new branches	More than 100	Through 2028; no annual schedule disclosed
Planned renovations	More than 1,200	Through 2028; no annual schedule disclosed
Physical locations	Approximately 2,300	PNC release, Feb. 14, 2024
PNC and partner ATMs	More than 60,000	PNC release, Feb. 14, 2024
Other service channels	Online/mobile banking and customer care	PNC release, Feb. 14, 2024

The \$1 billion is an approximate combined program figure, not a disclosed amount committed solely to new branches. The release gives no annual build schedule and does not state whether or how much future activity can be re-sequenced.

Exhibit 2. PNC financial context

Retail Banking, full year 2023 (\$ billions except average deposits)

Revenue	Net interest income	Noninterest income	Noninterest expense	Earnings	Average deposits
12.925	9.974	2.951	7.555	3.768	256.155

Average deposits were \$264.389 billion in 2022; the \$8.234 billion decrease in 2023 was approximately 3.1% of the 2022 balance.

Selected third-quarter 2024 measures

Measure	Q3 2024	Comparison
PNC total-company average deposits	\$422.1bn	Essentially flat year over year
Retail Banking average deposits	\$249.2bn	\$253.7bn in Q3 2023; down \$4.5bn (about 1.8%)
Retail Banking net interest income	\$2.783bn	\$207m above Q3 2023
Retail Banking earnings	\$1.164bn	Segment result; not branch-level
PNC consolidated net income	\$1.505bn	Quarter ended Sept. 30, 2024
Estimated CET1 ratio	10.3%	Consolidated, Q3 2024

Average-balance periods and scopes differ as shown. Segment and company figures cannot identify branch-level results or establish that the network program caused a change.

Exhibit 3. Questions for an investment review

Decision dimension	Evidence to request or track
Incremental customer relationships	New-to-PNC primary accounts; household and business mix; retention
Deposit value	Net new deposits, mix, pricing and balances after internal transfers
Relationship contribution	Lending, payments and fee relationships; avoid double counting
Local market fit	June 2024 MSA shares; site trade areas; local demand and competitor positions
Cannibalization	Transfers from existing PNC branches; overlap and channel migration
Cost and ramp	Build/renovation spend separately; occupancy, staffing, security and technology costs
Learning gates	Cohort measures at 12, 24 and 36 months; criteria to continue, pause or re-sequence

No thresholds, values or target returns are provided. Students may propose measures and stage gates; any numerical assumptions should be labeled hypothetical.

Source note

Prepared from PNC Bank's February 14, 2024 [branch-network announcement](#), PNC Financial Services Group's [2023 Form 10-K](#), and PNC's [third-quarter 2024 earnings release](#). FDIC, [September 20, 2024 SOD release](#) and [Deposit Market Share Reports](#). Academic context: Anenberg et al., [“The Branch Puzzle”](#); Nguyen, [“Are Credit Markets Still Local?”](#); Wang and Wu, [“Impact of Mobile Banking on Small Business Lending After Bank Branch Closures”](#); Kuehn, [“Spillovers from Entry: The Impact of Bank Branch Network Expansion”](#) (publisher abstract only; mechanism provisional); Benson et al., [“Size and Survival of Entrants to Retail Banking”](#). The complete locator and access-depth record is in the research dossier. This teaching case excludes information released after October 15, 2024.