



EDINBURGH
FINANCE SOCIETY

PNC's \$4.1bn Acquisition of FirstBank

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DEAL OVERVIEW

Acquirer: The PNC Financial Services Group, Inc

Target: FirstBank Holding Company

Total Transaction Size: \$4.1bn

Closed Date: expected to close in early 2026

Target Advisors: Morgan Stanley & Co. LLC and Goldman Sachs & Co. LLC (Financial), Sullivan & Cromwell LLP (Legal)

Acquirer Advisors: Wells Fargo (Financial), Wachtell, Lipton, Rosen & Katz (Legal)

On September 8th 2025, the PNC Financial Group, Inc. announced a definitive agreement to acquire the FirstBank Holding Company for a total value of \$4.1 billion. This will comprise approximately 13.9 million shares of PNC common stock and \$1.2 billion in cash. The boards of directors of both PNC and FirstBank have approved this transaction, which is expected to close in early 2026. Around 45.7% of FirstBank Holding Company's shareholders have agreed to vote in favour of the transaction. All FirstBank's branches and customer-facing branch teams will be retained by PNC. Kevin Classen, the current CEO of FirstBank, will become PNC's Colorado Regional President and Mountain Territory Executive.

As one of the largest financial institutions in the United States, PNC's strategy aims to build market share and increase scale from improving the quantity and quality of branches in certain existing markets according to PNC's announcement in mid-February 2024. Sharing a similar rationale, PNC's decision to acquire FirstBank, a top-performing bank providing commercial and retail banking services in Colorado and Arizona with 95 branches, will significantly reinforce its presence in these fast-growing markets. PNC will come out on top in Denver in terms of both retail deposit share (20%) and branch share (14%).

FirstBank believes that PNC's size, technological capabilities, and shared values and approaches to banking will enable it to offer an improved service to customers, while ensuring the continued prosperity of its employees and the communities it serves.

COMPANY DETAILS (ACQUIRER – PNC)

The PNC Financial Services Group, Inc. is a super-regional commercial bank formed from the merger of two Pennsylvania bank in 1983 and is based in Pittsburgh. It offers a wide range of banking services to individuals, businesses and institutions, as well as specialised services for corporations and government entities. PNC's coast-to-coast expansion strategy involves doing more deals to increase its nationwide presence, with a focus on acquiring deposit-rich retail density in growth states to accelerate revenue and improve the funding mix.

Founded: 1851

Headquarters: Pittsburgh, Pennsylvania, United States

CEO: Bill Demchak

Number of employees: 67658

Market Cap: \$72608.1m

Enterprise Value (EV): \$98932.2m

LTM Revenue: \$21,555m

LTM EV/Revenue: 4.59×

Recent Transactions: Acquisition of Aqueduct Capital Group, LLC

COMPANY DETAILS (TARGET – FIRSTBANK HOLDING COMPANY)

Founded in 1963, FirstBank Holding Company is headquartered in Lakewood, Colorado. It is an industry leader in digital banking and the largest privately held bank in the United States. The company offers deposit accounts, loans, mortgages and other commercial banking services. The company is particularly renowned for its charitable contributions and community initiatives, as well as its Employee Stock Ownership Programme.

Founded: 1963

Headquarters: Lakewood, Colorado, United States

CEO: Kevin Classen

Number of employees: 3588

PROJECTIONS AND ASSUMPTIONS

SHORT-TERM CONSEQUENCES

PNC's previous purchase of BBVA USA allowed it to establish a strong presence in Texas and the south-west. The acquisition of FirstBank follows the same logic of entering and scaling up in new, high-growth geographic markets through strategic acquisition, rather than building a presence from scratch.

This transaction will bring \$23 billion of high-quality, low-cost deposits from the growing markets of Colorado and Arizona, as well as \$26.8 billion of assets. This will increase total assets by almost 5%. Furthermore, PNC could increase its market share and influence by leveraging FirstBank's local relationships to expand its corporate and private banking franchises. The acquisition will reduce PNC's book value by 3.8%, with an estimated earn-back period of around 3.3 years.

This transaction provoked little reaction from the market, as evidenced by the limited change in the stock price over a 10-day period. Both companies' Q3 2025 report indicates an optimistic outlook. FirstBank's net income grew by

37% year on year, from \$157.65 million in Q3 2024 to \$216.42 million in Q3 2025. This indicates healthy financial management and risk control, suggesting a lower probability of financial risk. Compared to Q3 2023, PNC's earnings increased by 22%. This was primarily due to higher net interest, non-interest income and lower provisions for credit losses. This suggests that there is potential to increase earnings by bringing in deposits from FirstBank. Additionally, PNC's common shareholders' equity increased by \$1.3 billion compared to 30 June 2025. \$1.0 billion of capital is returned to shareholders, including \$0.7 billion in dividends on common shares and \$0.3 billion in share buybacks. This partially offset the impact on shareholders due to diluted book value.

In the year following the deal, PNC's immediate focus will be on integrating FirstBank's operations. This will involve merging technology systems, consolidating overlapping branches and retaining key FirstBank personnel and customers.

LONG-TERM CONSEQUENCES

From 2019 to 2024, the banking industry has achieved strong revenue margins year on year, buoyed by high interest rates and low risk costs. However, to maintain this performance, banks' strategies must focus on "precision", with targeted M&A being a key aspect. Driven by a more favourable regulatory environment and competitive pressures, 52 bank deals were announced in Q3 of 2025, totalling \$16.63 billion. PNC's acquisition is an exercise in this approach, having allowed the company to expand its retail banking sector and increase its geographical reach in Colorado. According to the PNC CEO, they have "effectively bought Colorado".

This merger strategically positions the combined entity within the evolving banking landscape. FirstBank brings a straightforward, community-focused model with deep local ties and a long-standing commitment to its markets in Summit and Eagle Counties. PNC, a leading national banking institution, is a highly regarded company in its field. It is well-capitalised, has a proven track record in commercial lending and has a reputation for respecting the legacies of the institutions it acquires. PNC has emphasised its commitment to community banking and a history of investing in community development, which aligns seamlessly with FirstBank's ethos.

PNC has committed to maintaining and building upon FirstBank's significant community involvement. This includes the continuation of sponsorship for key local initiatives such as Colorado Gives Day, which has raised over \$500 million for nonprofits, and the extension of PNC's own \$500 million Grow Up Great early childhood education program to the region. Operationally, the retention of FirstBank's customer-facing teams and market presidents, including the conversion of its senior leaders to PNC roles, ensures continuity and preserves the trusted local relationships that are the bedrock of FirstBank's success. This thoughtful integration of local expertise with national scale, coupled with a clear commitment to community pillars, indicates a lower level of operational and cultural integration risk, setting the stage for the merged institution to be a powerful, sustained force in Colorado's mountain communities.

RISKS AND UNCERTAINTIES

Operational Risk

The primary operational risk for banks lies in integrating companies that differ in structures and technological capabilities. FirstBank has built its success on a decentralised, community-focused model, whereas PNC operates as a large, centralised national institution. Furthermore, merging core banking systems, data environments and back-office operations is a monumental task. Any errors in this technical integration could result in system outages, data integrity issues and a poorer customer experience, potentially causing clients to switch to competitors and reducing the projected synergies of the acquisition.

Regulatory Risk

The deal is scheduled to close in early 2026, pending approval from multiple federal agencies, including the Federal Reserve and the OCC. The authorities may choose to extend the review period in order to thoroughly assess the deal's potential impact on competition, consumer banking access, and systemic risk. There remains a small possibility that the deal could be blocked. In addition, regulators could mandate the divestiture of certain branches

or assets, which would directly reduce the strategic value and market reach that PNC aims to gain from the acquisition.

Financial Risk

Post-deal capital management and macroeconomic pressures represent financial risks to which PNC is exposed beyond the initial purchase price. The acquisition is likely to generate a substantial amount of goodwill and increase risk-weighted assets, which may have a bearing on PNC's robust capital ratios. In addition, the primary financial rationale is focused on achieving cost savings and revenue synergies in new geographic markets, such as Colorado and Arizona. Should deposit attrition occur post-close, there is a possibility that funding costs could rise, resulting in a compression of net interest margin (NIM). Concurrently, an economic slowdown in these target regions has the potential to hinder loan growth and reduce cross-selling rates below projections, jeopardising the return on investment.