
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

**Pursuant to Section 13 OR 15(d) of
The Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported)
October 20, 2004

THE PNC FINANCIAL SERVICES GROUP, INC.

(Exact name of registrant as specified in its charter)

Pennsylvania
(State or Other Jurisdiction
of Incorporation)

001-09718
(Commission
File Number)

25-1435979
(IRS Employer
Identification No.)

One PNC Plaza
249 Fifth Avenue
Pittsburgh, Pennsylvania
(Address of principal executive offices)

15222-2707
(Zip Code)

Registrant's telephone number, including area code
(412) 762-2000

Not Applicable

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 2.02 Results of Operations and Financial Condition.

On October 20, 2004, The PNC Financial Services Group, Inc. ("the Corporation") issued a press release regarding the Corporation's earnings and business for the quarter ended September 30, 2004. A copy of the Corporation's press release is included in this Report as Exhibit 99.1 and is furnished herewith.

Item 9.01 Financial Statements and Exhibits.

(c) Exhibits. The exhibit listed on the Exhibit Index accompanying this Form 8-K is furnished herewith.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

THE PNC FINANCIAL SERVICES GROUP, INC.
(Registrant)

Date: October 20, 2004

By: /s/ Samuel R. Patterson

Samuel R. Patterson
Controller

EXHIBIT INDEX

<u>Number</u>	<u>Description</u>	<u>Method of Filing</u>
99.1	Press Release dated October 20, 2004	Furnished herewith



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PNC REPORTS THIRD QUARTER EARNINGS OF \$258 MILLION
Earnings Increase 22 Percent Year-to-Date

Strong Growth in Loans and Deposits, Customer Franchise

PITTSBURGH, October 20, 2004 – The PNC Financial Services Group, Inc. (NYSE: PNC) today reported third quarter 2004 earnings of \$258 million, or \$0.91 per diluted share, a decrease of \$23 million, or \$0.09 per diluted share, compared with the third quarter of 2003. Earnings for the second quarter of 2004 were \$304 million, or \$1.07 per diluted share. Third quarter 2004 earnings included the impact of a previously announced after-tax charge of \$42 million, or \$0.15 per diluted share, related to the 2002 BlackRock Long-Term Retention and Incentive Plan (LTIP). Excluding this charge, earnings for the third quarter of 2004 would have been \$300 million, or \$1.06 per diluted share.

Earnings for the first nine months of 2004 totaled \$890 million, an increase of 22 percent compared with the first nine months of 2003. Over the same period, business segment earnings increased 8 percent.

“PNC maintained its performance in the third quarter thanks to our sound balance sheet and strong customer franchise,” said James E. Rohr, chairman and chief executive officer. “Our loan book continued to show strong growth, we continued to increase deposits and banking customers, and asset quality improved further. These positive trends are encouraging for PNC’s future.”

HIGHLIGHTS

- Loan balances increased, highlighted by strong growth in consumer loans, increases in commercial loan demand and lower refinancings. Consumer loan balances increased over \$3.0 billion while commercial and commercial real estate loans were up in total over \$2.2 billion at September 30, 2004 compared with the amounts at December 31, 2003.
- Deposit balances increased \$1.2 billion at September 30, 2004 compared with June 30, 2004.

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- Taxable-equivalent net interest income increased \$13 million compared with the second quarter of 2004 primarily due to a larger base of loans outstanding and deposit funding and a higher yield on securities. Net interest income grew \$9 million compared with the third quarter of 2003 due to the increase in loans and deposit funding, which was partially attributable to the United National acquisition, and despite the loss of revenues from the sale of the company's vehicle leasing business during the second quarter of 2004.
- Asset quality continued to improve from already strong levels. Nonperforming loans as a percentage of loans fell to .35 percent at September 30, 2004, compared with .88 percent at September 30, 2003 and .41 percent at June 30, 2004.
- Earnings in the Regional Community Banking segment increased to \$134 million for the third quarter of 2004, a 10 percent increase compared with the third quarter of 2003. The earnings improvement in Regional Community Banking was driven by higher average loan and deposit balances from a growing customer base, and by increased gains on sales of education loans. Checking account relationships increased by 8 percent compared with the third quarter of 2003.
- In August, BlackRock announced the planned acquisition of State Street Research & Management (SSRM) for approximately \$375 million in cash and BlackRock stock plus additional consideration if certain earnings thresholds are met. The acquisition, which is expected to close during the first quarter of 2005, is anticipated to increase BlackRock's assets under management by approximately \$52 billion. The transaction is expected to be accretive to earnings in 2005.

Return on average common equity was 14.42 percent for the third quarter of 2004, compared with 17.06 percent for the third quarter of 2003 and 17.41 percent for the second quarter of 2004. Excluding the impact of the BlackRock LTIP charge, return on average common equity for the third quarter of 2004 was 16.77 percent. Return on average assets was 1.36 percent for the third quarter of 2004, compared with 1.63 percent for the third quarter of 2003 and 1.66 percent for the second quarter of 2004. Excluding the impact of the BlackRock LTIP charge, return on average assets for the third quarter of 2004 was 1.58 percent. Both return on average common equity ratios for the third quarter of 2004 were also impacted negatively by the retention of stockholders' equity in anticipation of the pending acquisitions of Riggs National Corporation and SSRM.

The Consolidated Financial Highlights accompanying this news release include a reconciliation of total business segment earnings to consolidated earnings and a reconciliation of net interest income as reported under generally accepted accounting principles ("GAAP") to taxable-equivalent net interest income. The Consolidated Financial Highlights also include a reconciliation of certain ratios that are reported in this news release as adjusted for the BlackRock LTIP charge in the third quarter of 2004 and the charge related to the agreement with the Department of Justice in the second quarter of 2003 with those ratios as reported on a GAAP basis. See the "Reconciliation of Quarterly GAAP Earnings to Normalized Earnings" included in the Consolidated Financial Highlights for a description of certain items impacting the comparability of net income for the third quarter of 2004 with the third quarter of 2003 and the second quarter of 2004. Please note that this normalized earnings table will no longer be provided in future earnings reports.

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BUSINESS SEGMENT RESULTS

Total business segment earnings for the third quarter of 2004 were \$265 million, a decrease of \$36 million compared with the third quarter of 2003 and a decrease of \$65 million compared with the second quarter of 2004. The decrease in business segment earnings compared with both prior periods was attributable to the effect of a \$91 million pretax charge to BlackRock's earnings in connection with the LTIP and reduced gains on sales of commercial mortgage loans and net gains on institutional loans held for sale. Compared with the prior year period, the decrease was partially offset by higher net interest income driven by higher average loans and deposits outstanding, improved asset quality and higher asset management and fund servicing fees.

Banking Businesses

Regional Community Banking

Regional Community Banking earnings totaled \$134 million for the third quarter of 2004 compared with \$122 million for the third quarter of 2003 and \$125 million for the second quarter of 2004. Earnings increased compared with the year-earlier period primarily due to a \$32 million increase in net interest income resulting from higher average loan and deposit balances and an increase of \$11 million in gains on sales of education loans. Earnings increased compared with the sequential quarter due to increased gains on sales of education loans and lower expenses in the third quarter of 2004, partially offset by a \$7 million increase in the provision for credit losses attributable to increased loan balances.

Regional Community Banking's results were highlighted by:

- Continued customer growth. Checking relationships increased 8 percent, to 1.7 million compared with September 30, 2003. This growth came from new customer acquisition, continued focus on customer retention and the acquisition of United National;
- Increased average loan balances. Regional Community Banking's average loan balances grew over 3 percent compared with the second quarter of 2004, in part driven by strong consumer demand for home equity products and strong small business loan origination;
- Increased average deposits. Regional Community Banking's average deposits grew \$381 million compared with the second quarter of 2004, in part driven by strong sales of certificates of deposit; and
- Continued gains in online banking utilization. Approximately 44 percent of consumer checking customers use PNC's web-based banking options, up from 39 percent at September 30, 2003 and 43 percent at June 30, 2004.

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Wholesale Banking

Wholesale Banking reported third quarter 2004 earnings of \$100 million, an increase of \$3 million over the third quarter of 2003 and a decrease of \$13 million compared with the second quarter of 2004. The increase in earnings compared with the third quarter of 2003 was primarily attributable to improved asset quality resulting in a lower provision for credit losses and a 5 percent increase in net interest income resulting from higher average deposit balances, partially offset by lower net gains on institutional loans held for sale and lower gains from sales of commercial mortgage loans, an ongoing business for PNC. The decrease in earnings compared with the second quarter of 2004 was primarily attributable to lower net gains on institutional loans held for sale and lower gains from sales of commercial mortgage loans, partially offset by increased net interest income from higher average loan and deposit balances.

Wholesale Banking results were highlighted by:

- Total Wholesale Banking loans outstanding at September 30, 2004 increased \$1.2 billion, or 7 percent, compared with December 31, 2003, driven by net new business, increased credit utilization and the acquisition of United National partially offset by a \$400 million decline in conduit loans;
- Total average deposits in the Wholesale Banking segment increased 20 percent compared with the third quarter of 2003 and 13 percent compared with the second quarter of 2004. Approximately \$234 million of the average increase from the second quarter is due to strong liquidity positions within our customer base and several large loan payoffs at Midland Loan Servicing. As servicer, Midland receives cash for loan payoffs which are deposits at PNC until they are remitted to third party investors; and
- Asset quality continued to improve.

PNC Advisors

PNC Advisors' earnings totaled \$24 million for the third quarter of 2004 compared with \$25 million for the third quarter of 2003 and \$27 million for the second quarter of 2004. The decrease in earnings compared with the third quarter of 2003 was primarily due to lower client trading revenues partially offset by related expenses. The decrease compared with the second quarter of 2004 reflected lower brokerage revenues due to lower retail trading volumes.

Assets under management at PNC Advisors totaled \$48 billion at September 30, 2004 compared with \$51 billion at September 30, 2003 and \$49 billion at June 30, 2004. Nondiscretionary assets under administration at PNC Advisors totaled \$91 billion at September 30, 2004, \$86 billion at September 30, 2003 and \$91 billion at June 30, 2004. The change in assets under management compared with the prior year reflected the impact of comparatively higher equity markets that was more than offset by the transfer to nondiscretionary assets under administration of accounts related to the sale of certain investment consulting activities of Hawthorn.

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Asset Management and Processing Businesses

BlackRock

BlackRock reported a net loss for the third quarter of 2004 of \$10 million compared with earnings of \$40 million for the third quarter of 2003 and \$48 million for the second quarter of 2004. The net loss for the third quarter of 2004 was attributable to the LTIP charge, which had a negative after-tax impact of \$57 million on BlackRock's earnings. BlackRock's earnings excluding the LTIP charge would have been \$47 million in the third quarter of 2004. The increase in earnings adjusted for the charge compared with the year-earlier period was due to increased revenue resulting from a growing base of assets under management, strong sales of *BlackRock Solutions*[®] products and services and increased performance fees partially offset by a \$10 million increase in operating expense due to increased staff expenses and costs associated with government regulation and compliance. The decrease in adjusted earnings compared with the second quarter of 2004 was attributable to reduced performance fees partially offset by reduced incentive compensation. BlackRock's assets under management increased to \$323 billion compared with \$294 billion at September 30, 2003 and \$310 billion at June 30, 2004. The increases in assets under management compared with both prior periods reflected net new business and fixed income market appreciation.

The LTIP charge was reflected on PNC's Consolidated Statement of Income as a \$96 million pretax charge to noninterest expense with credits of \$37 million to income taxes and \$17 million to minority and noncontrolling interests. The impact on PNC's consolidated earnings was a charge of \$42 million after tax and includes a pro rata share of the estimated dilution of PNC's investment in BlackRock that is expected to occur in 2007 when PNC transfers shares of BlackRock stock currently owned by PNC to fund a portion of the LTIP awards.

BlackRock is approximately 71 percent owned by PNC and is consolidated into PNC's financial statements. Accordingly, approximately 29 percent of BlackRock's earnings are recognized as minority interest expense in the Corporation's consolidated income statement and are reflected on a separate line in the Business Segment Earnings table in the Consolidated Financial Highlights.

PFPC

Earnings from PFPC totaled \$17 million for the third quarter of 2004, the third quarter of 2003 and the second quarter of 2004. Compared with both earlier periods, increases in revenue from offshore operations, alternative investments and custody services, as well as incremental expense savings, were partially offset by reduced accretion of a client contract liability and increases in expenses to support ongoing business demands. Reduced debt financing costs attributable to refinancing and debt principal payments also improved performance in comparison to the third quarter of 2003. The reduction in accretion was related to

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the satisfaction of a discounted contract liability during the second quarter of 2004. Excluding the benefit of this accretion, which was \$8 million pretax for the third quarter of 2003 and \$4 million pretax for the second quarter of 2004, earnings for the third quarter of 2003 and the second quarter of 2004 would have totaled \$12 million and \$15 million, respectively.

PFPC provided accounting/administration services for \$667 billion of net fund investment assets and provided custody services for \$418 billion of fund investment assets at September 30, 2004. The comparable amounts were \$622 billion and \$384 billion, respectively, at September 30, 2003, and \$665 billion and \$416 billion, respectively, at June 30, 2004. Increases in these statistics from September 30, 2003 reflected net new business, asset inflows from existing customers and equity market appreciation. Total fund assets serviced by PFPC were \$1.7 trillion at September 30, 2004, \$1.5 trillion at September 30, 2003 and \$1.6 trillion at June 30, 2004. PFPC serviced approximately 21 million transfer agency shareholder accounts at September 30, 2004, September 30, 2003 and June 30, 2004. Subaccounting shareholder accounts serviced by PFPC totaled 34 million at September 30, 2004, 29 million at September 30, 2003 and 34 million at June 30, 2004.

“Other”

The “Other” category includes asset and liability management activities, related net securities gains, equity management activities, differences between business segment performance reporting and financial statement reporting (GAAP), corporate overhead and intercompany eliminations. A net loss of \$10 million was reported in “Other” for the third quarter of 2004, compared with a net loss of \$8 million for the third quarter of 2003 and a net loss of \$12 million for the second quarter of 2004. The higher loss for the third quarter of 2004 compared with the third quarter of 2003 was due to lower net interest income, lower net trading income and increased staff expense primarily related to balance sheet management activities. These factors were partially offset by equity management gains during the third quarter of 2004 and a release of \$14 million of income tax reserves that were no longer required based on information received with respect to an Internal Revenue Service national review. The lower loss for the third quarter of 2004 compared with the second quarter of 2004 reflected the release of the income tax reserves described above, which more than offset the impact of lower equity management gains.

CONSOLIDATED REVENUE REVIEW

Total revenue represents the sum of taxable-equivalent net interest income and noninterest income. Total revenue was \$1.336 billion for the third quarter of 2004, an increase of \$22 million compared with the third quarter of 2003 and a decrease of \$59 million compared with the second quarter of 2004. The increase in total revenue compared with the third quarter of 2003 was primarily attributable to equity management

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gains, fees from increased assets under management and increased fund servicing revenue partially offset by lower net trading income and lower net gains on loan sales. The decrease in total revenue compared with the second quarter of 2004 was primarily attributable to lower equity management gains, lower net gains on loan sales, lower net trading income and lower asset management fees due to reduced performance fees at BlackRock. These factors more than offset higher taxable-equivalent net interest income in the third quarter of 2004.

Net Interest Income

Taxable-equivalent net interest income totaled \$498 million for the third quarter of 2004 compared with \$489 million for the third quarter of 2003 and \$485 million for the second quarter of 2004. The increase compared with the year-earlier period was primarily attributable to growth in the loan portfolio, which more than offset the impact of the sale of PNC's vehicle leasing portfolio during the second quarter of 2004. The increase compared with the second quarter of 2004 is primarily attributable to growth in the loan portfolio and higher yields on securities, partially offset by an increase in interest expense on borrowings and deposits. The net interest margin was 3.19 percent for the third quarter of 2004, a decrease of 25 basis points compared with the third quarter of 2003 and an increase of 1 basis point compared with the second quarter of 2004.

Noninterest Income

Noninterest income totaled \$838 million and represented 63 percent of total revenue for the third quarter of 2004, compared with \$825 million and 63 percent, respectively, for the third quarter of 2003 and \$910 million and 65 percent, respectively, for the second quarter of 2004. Increases in asset management and fund servicing fees, as well as equity management gains, drove the increase in noninterest income for the third quarter of 2004 compared with the prior year period. These increases were partially offset by lower gains from asset sales and lower net trading income. Noninterest income declined compared with the second quarter of 2004 due to lower equity management gains, lower net gains on institutional loans held for sale, lower asset management fees and lower net trading income.

Asset management and fund servicing fees for the third quarter of 2004 increased \$38 million on a combined basis compared with the third quarter of 2003 and decreased \$8 million compared with the second quarter of 2004. The increases compared with the year-earlier period were driven by growth in assets under management, as well as improved market conditions. The decline compared with the second quarter of 2004 resulted from reduced performance fees at BlackRock. Assets under management were \$362 billion at September 30, 2004 compared with \$336 billion at September 30, 2003 and \$350 billion at June 30, 2004. The increase in assets under management compared with both earlier periods was primarily due to net inflows at BlackRock.

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Traditional banking noninterest income for the third quarter of 2004, defined as service charges on deposits, brokerage and consumer and corporate services, decreased \$20 million compared with the year-earlier period and decreased \$31 million compared with the second quarter of 2004. The decreases compared with both earlier periods were attributable to lower net gains on institutional loans held for sale and lower gains from sales of commercial mortgage loans. The decrease compared with the second quarter of 2004 also resulted from reduced brokerage revenue.

Equity management gains were \$16 million for the third quarter of 2004, compared with losses of \$4 million for the third quarter of 2003 and gains of \$35 million for the second quarter of 2004. Net securities gains were \$16 million in the third quarter of 2004, compared with \$19 million a year ago and \$14 million for the second quarter of 2004.

Other noninterest income typically fluctuates from period to period depending on the nature and magnitude of transactions completed. Other noninterest income was lower in the third quarter of 2004 compared with the third quarter of 2003 and the second quarter of 2004 primarily due to lower net trading income. Other noninterest income included \$15 million of gains on sales of education loans for the third quarter of 2004, compared with \$4 million in the third quarter of 2003 and \$2 million in the sequential quarter, and a \$13 million pretax gain on the sale of BlackRock's investment in Trepp LLC for the second quarter of 2004.

CONSOLIDATED EXPENSE REVIEW

Noninterest expense totaled \$981 million for the third quarter of 2004, compared with \$827 million for the third quarter of 2003 and \$910 million for the second quarter of 2004. The increase in expense compared with the prior year quarter was primarily due to a pretax charge of \$96 million in noninterest expense associated with the BlackRock LTIP. In addition to the LTIP charge, noninterest expense increased \$58 million compared with the third quarter of 2003 due to higher staff expense, the impact of out-of-pocket expenditures related largely to PFPC's mutual fund distribution services activities and ongoing expenses attributable to the United National acquisition. These increases more than offset an incremental \$21 million benefit from efficiency initiatives in the third quarter of 2004 as compared to the third quarter of 2003.

The increase in noninterest expense compared with the second quarter of 2004 also was driven by the LTIP charge. All other noninterest expense declined \$25 million versus the sequential quarter primarily due to a reduction in performance-based compensation expense at BlackRock, an \$8 million net loss related to the second quarter 2004 sale of the Corporation's vehicle leasing business and \$7 million of incentives related to BlackRock's sale of Trepp LLC during the second quarter of 2004. In addition, the third quarter of 2004 included a \$5 million incremental benefit from efficiency initiatives.

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CONSOLIDATED BALANCE SHEET REVIEW

Total assets were \$77.3 billion at September 30, 2004 compared with \$68.7 billion at September 30, 2003 and \$73.1 billion at June 30, 2004. The increase compared with September 30, 2003 was attributable to the acquisition of United National, which contributed over \$3 billion in assets; increased consumer and commercial loan balances; and a \$1.9 billion increase in total securities. The increase compared with June 30, 2004 was primarily attributable to the increase in securities and growth in commercial and consumer loan balances.

Average interest-earning assets were \$61.7 billion for the third quarter of 2004 compared with \$56.3 billion and \$60.9 billion for the third quarter of 2003 and second quarter of 2004, respectively.

Average total loans of \$41.8 billion for the third quarter of 2004 increased by \$4.9 billion over the third quarter of 2003 and by \$1.7 billion over the second quarter of 2004. The increase in average loans compared with the year-earlier period was primarily attributable to the acquisition of United National, increased consumer and commercial loan demand and the purchase of approximately \$660 million of home equity loans during the first quarter of 2004. The increase compared with the prior 2004 quarter was primarily attributable to increased borrowings from new clients. During the third quarter of 2004, PNC classified \$1.7 billion as loans on its Consolidated Balance Sheet certain assets related to the Market Street Funding Corporation conduit. These assets were previously reported as purchased customer receivables, which totaled \$2.5 billion in the third quarter of 2003 and \$1.7 billion in the second quarter of 2004. Information for all periods presented, including related ratios, reflect the current classification.

Average securities for the third quarter of 2004 were \$15.4 billion, a slight increase compared with the third quarter of 2003 and a slight decrease compared with the second quarter of 2004. Securities at September 30, 2004 increased 13 percent compared with June 30, 2004 primarily due to purchases during the month of September that enhanced the risk-return characteristics of the securities portfolio.

Average total deposits for the third quarter of 2004 were \$50.5 billion, an increase of \$5.9 billion over the third quarter of 2003 and an increase of \$1.5 billion over the second quarter of 2004. Average total deposits represented 67 percent of total sources of funds for the third quarter of 2004, versus 65 percent for the third quarter of 2003 and 66 percent for the second quarter of 2004. Average transaction deposits were \$36.3 billion for the third quarter of 2004 compared with \$33.5 billion for the third quarter of 2003 and \$35.6 billion for the second quarter of 2004. The increase in these deposits compared with the year-earlier period was attributable to the acquisition of United National and increased customer volumes. The increase compared with the second quarter of 2004 was primarily attributable to increased customer volumes.

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Average borrowed funds were \$11.8 billion for the third quarter of 2004, \$12.1 billion for the third quarter of 2003 and \$12.6 billion for the second quarter of 2004. The issuance of \$300 million of junior subordinated debentures and \$600 million of subordinated notes in the fourth quarter of 2003 was more than offset by maturities of \$1.0 billion in Federal Home Loan Bank borrowings, \$300 million in senior debt and \$200 million in subordinated debt during 2004. These factors and the effect of net changes in other short-term borrowings resulted in a reduction in total borrowed funds compared with both prior periods.

Shareholders' equity totaled \$7.3 billion at September 30, 2004, \$6.6 billion at September 30, 2003 and \$7.1 billion at June 30, 2004. The increase in shareholders' equity at September 30, 2004 compared with September 30, 2003 was primarily attributable to higher retention of shareholders' equity in anticipation of the pending acquisitions of Riggs National Corporation and SSRM. The regulatory capital ratios at September 30, 2004 are estimated to be 7.7 percent for Leverage, 9.0 percent for Tier 1 and 12.5 percent for Total Risk-based Capital.

Common shares outstanding at September 30, 2004 were 282 million compared with 277 million at September 30, 2003 and 282 million at June 30, 2004. During the third quarter of 2004, the Corporation purchased .3 million common shares at a total cost of \$12 million. The extent and timing of share repurchases during the remainder of the program authorized by the Board of Directors earlier in 2004 will depend on a number of factors, including, among others, market and general economic conditions, regulatory and economic capital considerations, alternative uses of capital and the potential impact on PNC's credit rating. The pending acquisition of Riggs National Corporation and BlackRock's pending acquisition of SSRM will restrict share repurchases over the next several quarters as the Corporation seeks to maintain its relatively strong capital position.

ASSET QUALITY REVIEW

Overall asset quality strengthened further during the third quarter of 2004. At September 30, 2004, nonperforming assets totaled \$184 million compared with \$396 million at September 30, 2003 and \$209 million at June 30, 2004. The ratio of nonperforming assets to total loans, loans held for sale and foreclosed assets was .42 percent at September 30, 2004 compared with 1.03 percent at September 30, 2003 and .49 percent at June 30, 2004.

Nonaccrual loans were \$148 million at September 30, 2004 compared with \$323 million at September 30, 2003 and \$169 million at June 30, 2004. The decrease in nonperforming loans compared with both earlier periods was due to improvements in asset quality. The ratio of nonperforming loans to total loans was .35 percent at September 30, 2004 compared with .88 percent at September 30, 2003 and .41 percent at June 30, 2004.

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Foreclosed and other assets totaled \$34 million at September 30, 2004 compared with \$37 million at September 30, 2003 and \$36 million at June 30, 2004.

The provision for credit losses was \$13 million for the third quarter of 2004 compared with \$50 million for the third quarter of 2003 and \$8 million for the second quarter of 2004. The decrease in the provision for credit losses compared with the third quarter of 2003 was due to the overall improvement in credit quality of the loan portfolio, which is reflected in the decline in nonperforming loans. The provision for credit losses for the second quarter of 2004 benefited by \$5 million related to a reserve reduction recognized in connection with the sale of PNC's vehicle leasing business.

The allowance for loan and lease losses was \$581 million at September 30, 2004, and represented 1.37 percent of total loans and 393 percent of nonperforming loans. The comparable amounts and ratios were \$648 million, 1.75 percent and 200 percent, respectively, at September 30, 2003 and \$593 million, 1.45 percent and 351 percent, respectively, at June 30, 2004. The allowance for unfunded loan commitments and letters of credit was \$96 million at September 30, 2004, compared with \$90 million at September 30, 2003 and \$84 million at June 30, 2004. The increases reflect growth in unfunded commitments and extended maturities.

Net charge-offs were \$13 million for the third quarter of 2004 compared with \$63 million for the third quarter of 2003 and \$26 million for the second quarter of 2004. The decrease in net charge-offs compared with the third quarter of 2003 was primarily attributable to a \$28 million charge-off recorded during the third quarter of 2003 related to a single PNC Business Credit loan to a wholesale goods/retail customer. The decrease in net charge-offs compared with the second quarter of 2004 was primarily attributable to improvements in overall asset quality.

CONFERENCE CALL AND SUPPLEMENTARY FINANCIAL INFORMATION

PNC Chairman and Chief Executive Officer James E. Rohr and PNC Vice Chairman and Chief Financial Officer William S. Demchak will hold a conference call for investors today at 10:00 a.m. Eastern Time regarding the topics addressed in this release and the related financial supplement. Investors should call five to 10 minutes before the start of the conference call at (800) 990-2718 (domestic) or (706) 643-0187 (international). A taped replay of the call will be available for one week at (800) 642-1687 (domestic) and (706) 645-9291 (international); enter conference ID 1164008.

In addition, internet access to the call (listen-only) and to PNC's third quarter 2004 earnings release and supplementary financial information will be available on PNC's website at www.pnc.com under "For Investors." The earnings press release and related financial supplement, which includes significant financial information that will be discussed on the conference call, will be available on PNC's website prior to the beginning of the conference call. A replay of the webcast will be available on PNC's website for 30 days.

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The conference call may include a discussion of non-GAAP financial measures, which is qualified by GAAP reconciliation information included in this news release or otherwise available on PNC’s website under “For Investors.” The conference call may include forward-looking information which, along with the supplementary financial information and this news release, is subject to the cautionary statement that follows.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

We make statements in this news release, and we may from time to time make other statements, regarding our outlook or expectations for earnings, revenues, expenses, capital levels, asset quality or other future financial or business performance, strategies or expectations, or the impact of legal, regulatory or supervisory matters on our business operations or performance that are forward-looking statements. Forward-looking statements are typically identified by words or phrases such as “believe,” “feel,” “expect,” “anticipate,” “intend,” “outlook,” “estimate,” “forecast,” “project,” “position,” “target,” “assume,” “achievable,” “potential,” “strategy,” “goal,” “objective,” “plan,” “aspiration,” “outcome,” “continue,” “remain,” “maintain,” “seek,” “strive,” “trend,” and variations of such words and similar expressions, or future or conditional verbs such as “will,” “would,” “should,” “could,” “might,” “can,” “may,” or similar expressions. Forward-looking statements are necessarily subject to numerous assumptions, risks and uncertainties, which change over time. Future events or circumstances may change our outlook or expectations and may also affect the nature of the assumptions, risks and uncertainties to which our forward-looking statements are subject. Our forward-looking statements speak only as of the date they are made. We do not assume any duty and do not undertake to update our forward-looking statements. Actual results or future events could differ, possibly materially, from those that we anticipated in our forward-looking statements, and future results could differ materially from our historical performance.

In addition to factors that we have previously disclosed in our SEC reports and those that we discuss elsewhere in this news release, our forward-looking statements are subject to, among others, the following risks and uncertainties, which could cause actual results or future events to differ materially from those that we anticipated in our forward-looking statements or from our historical performance: (1) changes in political, economic or industry conditions, the interest rate environment or financial and capital markets (including as a result of actions of the Federal Reserve Board affecting interest rates or the money supply or otherwise reflecting changes in monetary policy), which could affect: (a) credit quality and the extent of our credit losses; (b) the extent of funding of our unfunded loan commitments and letters of credit; (c) our allowances for loan and lease losses and unfunded loan commitments and letters of credit; (d) demand for our credit or fee-based products and services; (e) our net interest income; (f) the value of assets under management and assets serviced, of private equity investments, of other debt and equity investments, of loans held for sale, or of other on-balance sheet or off-balance sheet assets; or (g) the availability and terms of funding necessary to meet our liquidity needs; (2) the impact on us of legal and regulatory developments (including the following: (a) the resolution of legal proceedings or regulatory and other governmental inquiries; (b) increased litigation risk from recent regulatory and other governmental developments; (c) the results of the regulatory examination process, our failure to satisfy the requirements of agreements with governmental agencies, and regulators’ future use of supervisory and enforcement tools; (d) legislative and regulatory reforms, including changes to tax laws; and (e) changes in accounting policies and principles), with the impact of any such developments possibly affecting our ability to operate our businesses or our financial condition or results of operations or our reputation, which in turn could have an impact on such matters as business generation and retention, our ability to attract and retain management, liquidity and funding; (3) the impact on us of changes in the nature or extent of our competition; (4) the introduction, withdrawal, success and timing of our business initiatives and strategies; (5) customer acceptance of our products and services, and our customers’ borrowing, repayment, investment and deposit practices; (6) the impact on us of changes in the extent of customer or counterparty delinquencies, bankruptcies or defaults, which could affect, among other things, credit and asset quality risk and our provision for credit losses; (7) the ability to identify and effectively manage risks inherent in our business; (8) how we choose to redeploy available capital, including the extent and timing of any share repurchases and acquisitions or other investments in our businesses; (9) the impact, extent and timing of technological changes, the adequacy of intellectual property protection, and costs associated with obtaining rights in intellectual property claimed by others; (10) the timing and pricing of any sales of loans or other financial assets held for sale; (11) our ability to obtain

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desirable levels of insurance, and whether or not insurance coverage for claims by PNC is denied; (12) the relative and absolute investment performance of assets under management; and (13) the extent of terrorist activities and international hostilities, increases or continuations of which may adversely affect the economy and financial and capital markets generally or us specifically.

In addition, our forward-looking statements are also subject to risks and uncertainties related to our pending acquisition of Riggs National Corporation and the expected consequences of the integration of the remaining Riggs businesses at closing into PNC, including the following: (a) completion of the transaction is dependent on, among other things, receipt of stockholder and regulatory approvals, and we cannot at this point predict with precision when those approvals may be obtained or if they will be received at all; (b) successful completion of the transaction and our ability to realize the benefits that we anticipate from the acquisition also depend on the nature of any future developments with respect to Riggs' regulatory issues, the ability to comply with the terms of all current or future regulatory requirements (including any related action plan) resulting from these issues, and the extent of future costs and expenses arising as a result of these issues, including the impact of increased litigation risk and any claims for indemnification or advancement of costs; (c) the transaction may be materially more expensive to complete than we anticipate as a result of unexpected factors or events; (d) the integration into PNC of the Riggs business and operations that we acquire, which will include conversion of Riggs' different systems and procedures, may take longer than we anticipate, may be more costly than we anticipate, or may have unanticipated adverse results relating to Riggs' or PNC's existing businesses; (e) it may take longer than we expect to realize the anticipated cost savings of the acquisition, and those anticipated cost savings may not be achieved or may not be achieved in their entirety; and (f) the anticipated strategic and other benefits of the acquisition to us are dependent in part on the future performance of Riggs' business, and there can be no assurance as to actual future results, which could be impacted by various factors, including the risks and uncertainties generally related to the performance of PNC's and Riggs' businesses (with respect to Riggs, see Riggs' SEC reports, also accessible on the SEC's website at www.sec.gov) or due to factors related to the acquisition of Riggs and the process of integrating Riggs' business at closing into ours.

Other mergers, acquisitions, restructurings, divestitures, business alliances or similar transactions, including our recently completed acquisitions of United National Bancorp and the loan origination business of Aviation Finance Group, LLC and our pending acquisition of SSRM Holdings, Inc., will also be subject to similar risks and uncertainties related to our ability to realize expected cost savings or revenue enhancements or to implement integration and strategic plans and, in the case of SSRM Holdings, Inc., related to our successful completion of the transaction.

In addition, risks and uncertainties that could affect the results anticipated in forward-looking statements or from historical performance that involve BlackRock are discussed in more detail and additional factors are identified in BlackRock's SEC reports, accessible on the SEC's website or on BlackRock's website at www.blackrock.com.

You can find additional information on the foregoing risks and uncertainties and additional factors that could affect results anticipated in our forward-looking statements or from our historical performance in the reports that we file with the SEC. You can access our SEC reports on the SEC's website at www.sec.gov or on or through our corporate website at www.pnc.com.

The PNC Financial Services Group, Inc. ("PNC") and Riggs National Corporation ("Riggs") have filed with the United States Securities and Exchange Commission (the "SEC") a proxy statement/prospectus and will file other relevant documents concerning the merger of Riggs with and into PNC (the "Merger"). PNC and Riggs urge investors to read the proxy statement/prospectus and any other documents to be filed with the SEC in connection with the Merger or incorporated by reference in the proxy statement/prospectus, because they will contain important information. Investors will be able to obtain these documents free of charge at the SEC website (www.sec.gov). In addition, documents filed with the SEC by PNC will be available free of charge from Shareholder Relations at (800) 843-2206. Documents filed with the SEC by Riggs will be available free of charge from www.riggbank.com.

The directors, executive officers, and certain other members of management of Riggs may be soliciting proxies in favor of the Merger from its shareholders. For information about these directors, executive officers, and members of management, shareholders are asked to refer to Riggs's most recent annual meeting proxy statement, which is available at the web addresses provided in the preceding paragraph.

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The PNC Financial Services Group, Inc. is one of the nation's largest diversified financial services organizations providing consumer and business banking; specialized services for corporations and government entities including corporate banking, real estate finance and asset-based lending; wealth management; asset management and global fund services.

[TABULAR MATERIAL FOLLOWS]

Dollars in millions, except per share data Unaudited	For the three months ended			For the nine months ended	
	September 30 2004	June 30 2004	September 30 2003	September 30 2004	September 30 2003
FINANCIAL PERFORMANCE					
Revenue					
Net interest income (taxable- equivalent basis) (a)	\$ 498	\$ 485	\$ 489	\$ 1,480	\$ 1,518
Noninterest income	838	910	825	2,659	2,396
Total revenue	\$ 1,336	\$1,395	\$ 1,314	\$ 4,139	\$ 3,914
Net income	\$ 258	\$ 304	\$ 281	\$ 890	\$ 727
Diluted earnings per common share	\$.91	\$ 1.07	\$ 1.00	\$ 3.13	\$ 2.57
Cash dividends declared per common share	\$.50	\$.50	\$.48	\$ 1.50	\$ 1.44
SELECTED RATIOS					
Return on					
Average common shareholders' equity (b)	14.42%	17.41%	17.06%	16.86%	14.53%
Average assets (b)	1.36	1.66	1.63	1.60	1.46
Net interest margin	3.19	3.18	3.44	3.22	3.70
Noninterest income to total revenue (c)	63	65	63	64	61
Efficiency (b)(d)	74	65	63	68	67

Certain prior period amounts included in these Consolidated Financial Highlights have been reclassified to conform to the current period presentation.

- (a) The interest income earned on certain earning assets is completely or partially exempt from federal income tax. As such, these tax-exempt instruments typically yield lower returns than a taxable investment. In order to provide accurate comparisons of yields and margins for all earning assets, we have increased the interest income earned on tax-exempt assets to make them fully equivalent to other taxable interest income investments. The following is a reconciliation of net interest income as reported in the Consolidated Statement of Income to net interest income on a taxable-equivalent basis (in millions):

	For the three months ended			For the nine months ended	
	September 30 2004	June 30 2004	September 30 2003	September 30 2004	September 30 2003
Net interest income, GAAP basis	\$ 491	\$ 481	\$ 487	\$ 1,466	\$ 1,511
Taxable-equivalent adjustment	7	4	2	14	7
Net interest income, taxable-equivalent basis	\$ 498	\$ 485	\$ 489	\$ 1,480	\$ 1,518

- (b) Ratios as adjusted for the third quarter 2004 BlackRock LTIP charge and the second quarter 2003 DOJ-related expenses are provided in the following table. See the Current Reports on Form 8-K dated October 6, 2004 filed by us and BlackRock for further information regarding the LTIP charge. We do not believe that the LTIP charge is indicative of our ongoing business operations. See "Agreement with Department of Justice" in the Financial Review section of our Quarterly Report on Form 10-Q for the second quarter of 2003 and our Current Report on Form 8-K dated June 23, 2004 for further information regarding the DOJ-related expenses. These expenses represent matters which we believe are not indicative of our legal and regulatory affairs arising out of the operation of our business in the ordinary course.

	For the three months ended September 30, 2004	For the nine months ended September 30, 2004	For the nine months ended September 30, 2003
Return on average common shareholders' equity, GAAP basis	14.42%	16.86%	14.53%
Adjustment for LTIP charge	2.35	.79	
Adjustment for DOJ-related expenses			1.74
Return on average common shareholders' equity, as adjusted	16.77	17.65	16.27
Return on average assets, GAAP basis	1.36%	1.60%	1.46%
Adjustment for LTIP charge	.22	.08	
Adjustment for DOJ-related expenses			.24
Return on average assets, as adjusted	1.58	1.68	1.70
Efficiency ratio, GAAP basis	74%	68%	67%
Adjustment for LTIP charge	(7)	(3)	
Adjustment for DOJ-related expenses			(3)
Efficiency ratio, as adjusted	67	65	64

- (c) Calculated as total noninterest income divided by the sum of net interest income and noninterest income.
(d) Calculated as noninterest expense divided by the sum of net interest income and noninterest income.

	Third Quarter 2004			Second Quarter 2004			Third Quarter 2003		
	Pretax Impact	Net Income	Diluted earnings per share	Pretax Impact	Net Income	Diluted earnings per share	Pretax Impact	Net Income	Diluted earnings per share
RECONCILIATION OF QUARTERLY GAAP EARNINGS TO NORMALIZED EARNINGS (a)									
Quarterly results as reported on a GAAP basis		\$ 258	\$.91		\$ 304	\$ 1.07		\$ 281	\$ 1.00
<u>Normalization adjustments:</u>									
BlackRock Long-Term Retention and Incentive Plan ("LTIP") charge (b)	\$ 70	42							
Equity management (gains) losses (c)	(16)	(10)		\$ (35)	(23)		\$ 4	3	
Gains on loans held for sale, net of valuation adjustments (d)	(5)	(3)		(17)	(11)		(23)	(15)	
Net loss on sale of vehicle leasing business (e)				8	5				
Net securities gains (f)	(1)	(1)					(4)	(3)	
United National acquisition one-time costs (g)				1					
Costs related to Department of Justice ("DOJ") agreement (h)							1		
Total normalization adjustments		28	.10		(29)	(.10)		(15)	(.05)
Quarterly results as adjusted to reflect normalized earnings		\$ 286	\$ 1.01		\$ 275	\$.97		\$ 266	\$.95

- (a) We have provided this reconciliation so that you (shareholders, investor analysts, regulators and others) will have a basis for comparison of our results for the periods presented that supplements our results as reported in accordance with generally accepted accounting principles ("GAAP"). We believe that this additional information is useful and relevant as it identifies and summarizes the impact of significant items included in reported GAAP earnings that we believe are not a reflection of our core operating performance for the periods presented.
- (b) See the Current Reports on Form 8-K dated October 6, 2004 filed by us and BlackRock for further information on the charge recorded during the third quarter of 2004 related to the BlackRock LTIP. The normalization adjustments shown in the table above reflect PNC's 71% ownership interest in BlackRock. We do not believe that this charge is indicative of our ongoing business operations. Accordingly, we have removed this amount for the computation of normalized earnings.
- (c) We have been conducting our private equity investment activities at a more moderate pace than in prior years and are emphasizing the management of capital for other investors, which provides us with fee income. We have no control over fair value adjustments on the existing portfolio of investments. Accordingly, we have removed valuation gains and losses for the computation of normalized earnings.
- (d) We have realized gains, net of valuation adjustments, on the disposition of loans that we designated as held for sale as part of our institutional lending repositioning initiative. These assets and related customer relationships are not part of our ongoing business strategy for Wholesale Banking. Accordingly, we have removed these amounts for the computation of normalized earnings.
- (e) We sold the vehicle leasing business that we had previously designated for exit, including the related vehicle lease portfolio and other assets, during May 2004. We recognized a net loss on the sale during the second quarter of 2004, which we do not believe is indicative of our ongoing business operations. Therefore, we have removed this amount for the computation of normalized earnings.
- (f) Certain net gains or losses from the disposition of securities that we have designated as available for sale are a recurring component of our balance sheet and interest rate risk management process. Based on our current portfolio and the interest rate environment, we believe that net securities gains in excess of \$15 million on a quarterly basis may not be sustainable, typical of future performance, or reflect our business strategy. Therefore, where we recognized more than \$15 million of net securities gains in any quarter, we have removed the amount greater than \$15 million from the computation of normalized earnings.
- Total net securities gains were \$16 million for the third quarter of 2004 (all of which was included in "Other") and \$14 million for the second quarter of 2004 (all of which was included in "Other"). Total net securities gains were \$19 million for the third quarter of 2003 (consisting of \$18 million in "Other" and \$1 million in BlackRock).
- (g) We believe that the one-time costs associated with the merger, effective January 1, 2004, of United National Bancorp with a PNC subsidiary are not indicative of our ongoing business operations and, therefore, we have removed those costs for the computation of normalized earnings.
- (h) See "Agreement with Department of Justice" in the Consolidated Income Statement Review portion of the Financial Review section of our Quarterly Report on Form 10-Q for the second quarter of 2003 and our Current Report on Form 8-K dated June 23, 2004 for further information. These expenses represent matters that do not arise out of our ongoing business operations in the ordinary course. Therefore, we believe these expenses are not indicative of our legal and regulatory affairs related to our business operations and have removed them for the computation of normalized earnings.

Consolidated Financial Highlights

The PNC Financial Services Group, Inc.

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<i>In millions Unaudited</i>	For the three months ended			For the nine months ended	
	September 30 2004	June 30 2004	September 30 2003	September 30 2004	September 30 2003
BUSINESS EARNINGS					
Banking Businesses					
Regional Community Banking	\$ 134	\$ 125	\$ 122	\$ 361	\$ 350
Wholesale Banking	100	113	97	335	274
PNC Advisors	24	27	25	82	69
Total banking businesses	258	265	244	778	693
Asset management and processing businesses					
BlackRock (a)	(10)	48	40	93	114
PFPC	17	17	17	50	46
Total asset management and processing businesses	7	65	57	143	160
Total business segment earnings	265	330	301	921	853
Minority interest in loss (income) of BlackRock	3	(14)	(12)	(27)	(35)
Other	(10)	(12)	(8)	(4)	(91)
Total consolidated	\$ 258	\$ 304	\$ 281	\$ 890	\$ 727
<i>Dollars in millions, except per share data Unaudited</i>			September 30 2004	June 30 2004	September 30 2003
BALANCE SHEET DATA					
Assets			\$ 77,297	\$73,118	\$ 68,703
Earning assets			64,209	60,029	56,290
Loans, net of unearned income			42,480	40,835	36,995
Allowance for loan and lease losses			581	593	648
Securities			16,824	14,954	14,907
Loans held for sale			1,582	1,457	1,531
Deposits			51,162	49,994	45,523
Borrowed funds			12,919	10,937	11,554
Allowance for unfunded loan commitments and letters of credit			96	84	90
Shareholders' equity			7,312	7,064	6,638
Common shareholders' equity			7,304	7,056	6,629
Book value per common share			25.89	25.01	23.93
Loans to deposits			83%	82%	81%
ASSETS UNDER MANAGEMENT (billions)(b)			\$ 362	\$ 350	\$ 336
NONDISCRETIONARY ASSETS UNDER ADMINISTRATION (billions)(b)			\$ 91	\$ 91	\$ 86
FUND ASSETS SERVICED (billions)					
Accounting/administration net assets			\$ 667	\$ 665	\$ 622
Custody assets			418	416	384
CAPITAL RATIOS					
Tier 1 Risk-based (c)			9.0%	9.1%	8.7%
Total Risk-based (c)			12.5	12.9	12.0
Leverage (c)			7.7	7.7	7.6
Tangible common (d)			5.6	5.6	6.2
Shareholders' equity to total assets			9.46	9.66	9.66
Common shareholders' equity to total assets			9.45	9.65	9.65
ASSET QUALITY RATIOS					
Nonperforming assets to loans, loans held for sale and foreclosed assets			.42%	.49%	1.03%
Nonperforming loans to loans			.35	.41	.88
Net charge-offs to average loans (for the three months ended)			.12	.26	.68
Allowance for loan and lease losses to loans			1.37	1.45	1.75
Allowance for loan and lease losses to nonperforming loans			393	351	200

- (a) BlackRock results for the three months and nine months ended September 30, 2004 reflect a \$57 million after-tax impact for the third quarter 2004 LTIP charge.
- (b) Balances at September 30, 2004 and June 30, 2004 reflect the first quarter 2004 sale of certain activities of the investment consulting business of Hawthorn and the expected reduction of approximately \$6 billion of assets under management with approximately \$4.7 billion moving to nondiscretionary assets under administration.
- (c) Estimated for September 30, 2004.
- (d) Common shareholders' equity less goodwill and other intangible assets (excluding mortgageservicing rights) divided by total assets less goodwill and other intangible assets (excluding mortgage servicing rights).