# The PNC Financial Services Group Reports Record Fourth Quarter and Full Year 2000 Earnings

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The PNC Financial Services Group, Inc. (NYSE: PNC) today reported record earnings for the fourth quarter of 2000 of $334 million or $1.13 per diluted share, a 12 percent increase compared with the fourth quarter of 1999. Earnings from continuing operations for the fourth quarter of 2000 were $314 million or $1.06 per diluted share and also increased 12 percent compared with the fourth quarter of 1999. Cash earnings per diluted share from continuing operations, which exclude goodwill amortization, were $1.16 for the fourth quarter of 2000, up 13 percent compared with the fourth quarter of 1999.

"Our record earnings in a challenging environment reflect the diversity and collective strength of our businesses," said James E. Rohr, president and chief executive officer of The PNC Financial Services Group. "We delivered strong financial performance -- led by continued growth in our asset management and processing businesses -- as we took significant steps to further strengthen our business mix and risk profile."

Full year 2000 earnings were a record $1.279 billion or $4.31 per diluted share, a 10 percent increase compared with core earnings per diluted share of $3.93 in 1999. Full year 2000 earnings from continuing operations were $1.214 billion or $4.09 per diluted share, also up 10 percent compared with core earnings per diluted share from continuing operations in 1999. Cash earnings per diluted share from continuing operations were $4.48 for 2000, up 12 percent compared with core cash earnings per diluted share from continuing operations in 1999.

Core earnings for the prior year exclude one-time gains that were partially offset by the cost of certain strategic initiatives. Full year 1999 reported earnings were $1.264 billion or $4.15 per diluted share.

HIGHLIGHTS

* Noninterest income grew 14 percent in the fourth quarter of 2000 compared with core noninterest income in the prior-year quarter and increased to 58 percent of total revenue.

* The loan to deposit ratio was 106 percent at December 31, 2000, down from 121 percent at September 30, 1998 prior to the implementation of balance sheet downsizing initiatives. PNC's reliance on wholesale funding declined more than $8 billion over the same time frame.

* Assets under management increased $40 billion or 19 percent compared with the prior year to $253 billion at December 31, 2000.

* Asset management businesses grew earnings 22 percent compared with full year 1999 and increased to 24 percent of total business earnings in 2000.

* Net charge-offs were $40 million or .32 percent of average loans for the fourth quarter of 2000 and nonperforming assets increased modestly to $372 million.

* Based on net income, return on average common shareholders' equity for the fourth quarter of 2000 was 21.41 percent and return on average assets was 1.72 percent. Return on average common shareholders' equity for full year 2000 was 21.63 percent and return on average assets was 1.68 percent.

* On Oct. 2, 2000, PNC announced that it reached a definitive agreement to sell its residential mortgage banking business. The transaction is expected to be completed in the first quarter of 2001, subject to regulatory approvals and closing conditions.

* The integration of Investor Services Group ("ISG") continues as planned and the acquisition was accretive to earnings per diluted share in the

fourth quarter of 2000.

## FOURTH QUARTER 2000 INCOME STATEMENT REVIEW

Earnings from continuing operations for the fourth quarter of 2000 of $314 million or $1.06 per diluted share increased 12 percent compared with the fourth quarter of 1999. Comparable fourth quarter 1999 earnings were $287 million or $.95 per diluted share and included an after-tax gain from the initial public offering ("IPO") of BlackRock, Inc. stock that was offset by after-tax valuation adjustments associated with a repositioning of wholesale lending businesses, the buyout of PNC's mall ATM marketing representative and the write-down of an equity investment.

Taxable-equivalent net interest income was $538 million for the fourth quarter of 2000, a $31 million decrease compared with the fourth quarter of 1999. The decrease mainly resulted from funding costs related to the ISG acquisition, a lower level of interest-earning assets and the higher interest rate environment. The net interest margin was 3.60 percent for the fourth quarter of 2000 compared with 3.73 percent for the fourth quarter of 1999. The narrowing of the net interest margin was primarily attributable to the ISG acquisition, a change in balance sheet composition and the higher interest rate environment.

The provision for credit losses was $40 million in the fourth quarter of 2000 and equaled net charge-offs.

Noninterest income was $735 million for the fourth quarter of 2000, a $93 million or 14 percent increase compared with the prior-year quarter, excluding non-core items in 1999.

Asset management fees of $219 million for the fourth quarter of 2000 increased $43 million or 24 percent compared with the fourth quarter of 1999 primarily driven by new business. Assets under management were $253 billion at December 31, 2000, a 19 percent increase compared with December 31, 1999. Fund servicing fees of $167 million for the fourth quarter of 2000 increased $78 million compared with the fourth quarter of 1999 principally due to the ISG acquisition. Excluding ISG, fund servicing fees increased $13 million or 22 percent compared with the prior-year quarter as a decline in revenue associated with the equity markets was more than offset by the benefit of existing and new client growth. At December 31, 2000, PFPC provided accounting/administration services for $463 billion of pooled investment assets and provided custody services for $437 billion of customer assets.

Brokerage fees were $57 million for the fourth quarter of 2000 compared with $58 million for the fourth quarter of 1999 as the benefit of an expanded distribution network was offset by a decline in equity markets activity. Consumer services revenue of $56 million for the fourth quarter of 2000 increased $4 million or 8 percent compared with the prior-year quarter primarily due to an increase in retail transaction volume.

Corporate services revenue of $94 million for the fourth quarter of 2000 increased 6 percent compared with the fourth quarter of 1999, excluding $53 million of valuation adjustments in the prior-year quarter. The increase was primarily driven by higher treasury management fees and commercial mortgage servicing revenue.

Equity management income was $1 million for the fourth quarter of 2000 compared with $52 million for the fourth quarter of 1999. The decrease primarily resulted from a decline in the estimated fair value of investments.

Net securities gains were $16 million for the fourth quarter of 2000 compared with $22 million of net securities losses in the fourth quarter of 1999. The loss in 1999 primarily resulted from the $28 million write-down of an equity investment. Sale of subsidiary stock represents the gain from the IPO of BlackRock stock in the fourth quarter of 1999 and amounted to $64 million. Other noninterest income was $69 million for the fourth quarter of 2000 compared with $67 million for the fourth quarter of 1999.

Noninterest expense was $752 million and the efficiency ratio was 55 percent in the fourth quarter of 2000. The comparable prior-year quarter amounts were $741 million and 58 percent, respectively, excluding non-core items. The increase in noninterest expense was primarily related to the ISG acquisition and higher expenses commensurate with fee-based revenue growth. Excluding ISG, noninterest expense decreased 5 percent compared with the prior-year quarter as a result of aggressive expense management.

## FOURTH QUARTER 2000 BALANCE SHEET REVIEW

The Corporation has been pursuing a number of initiatives designed to improve the risk and return characteristics of its lending businesses. These include the sale of the residential mortgage banking and credit card businesses, exiting certain non-strategic wholesale lending businesses and the continued downsizing of the indirect automobile lending portfolio. These actions have resulted in a reduction in the loan to deposit ratio to 106 percent at December 31, 2000, down from 121 percent at September 30, 1998 prior to the implementation of balance sheet downsizing initiatives.

Total assets were $69.8 billion at December 31, 2000 compared with $69.3 billion at December 31, 1999. Average earning assets were $59.2 billion for the fourth quarter of 2000 compared with $60.3 billion for the fourth quarter of 1999. Average earning assets declined primarily due to a decrease in average loans.

Average deposits were $47.0 billion and represented 68 percent of total sources of funds for the fourth quarter of 2000 compared with $43.4 billion and 64 percent, respectively, in the fourth quarter of 1999. The increase in deposits primarily resulted from a number of strategic marketing initiatives to grow more valuable transaction accounts.

Average borrowed funds declined to $11.7 billion for the fourth quarter of 2000 compared with $15.3 billion for the fourth quarter of 1999 reflecting PNC's strategies to reduce the size of its balance sheet and grow the deposit franchise.

Shareholders' equity totaled $6.7 billion at December 31, 2000. The regulatory capital ratios are estimated to be 8.1 percent for leverage, 8.4 percent for tier I and 12.3 percent for total risk-based capital. During the fourth quarter of 2000, PNC repurchased 1 million shares of common stock bringing full year repurchases to approximately 6.7 million shares. Common shares outstanding at December 31, 2000 were 289.6 million.

## ASSET QUALITY REVIEW

The ratio of nonperforming assets to total loans, loans held for sale and foreclosed assets was .71 percent at December 31, 2000 compared with .68 percent at September 30, 2000 and .61 percent at December 31, 1999. Nonperforming assets were $372 million at December 31, 2000 compared with $354 million and $325 million at September 30, 2000 and December 31, 1999, respectively. The increase was primarily due to higher commercial nonperforming loans partially offset by lower commercial real estate and residential mortgage nonperforming loans.

The allowance for credit losses was $675 million and represented 1.33 percent of period-end loans and 209 percent of nonaccrual loans at December 31, 2000. The comparable ratios were 1.36 percent and 219 percent, respectively, at September 30, 2000 and 1.36 percent and 232 percent, respectively, at December 31, 1999. Net charge-offs were $40 million or .32 percent of average loans in the fourth quarter of 2000. The comparable amounts were $30 million or .24 percent, respectively, in the third quarter of 2000 and $30 million or .23 percent, respectively, in the fourth quarter of 1999.

## FULL YEAR 2000 RESULTS

Full year 2000 earnings from continuing operations were $1.214 billion or $4.09 per diluted share compared with reported earnings from continuing operations of $1.202 billion or $3.94 per diluted share and core earnings from continuing operations of $1.137 billion or $3.72 per diluted share last year.

The following table presents business results and reconciles core to reported earnings for full year 2000 and 1999:

BUSINESS RESULTS

Year ended December 31 - dollars in millions

| | Earnings | | Revenue (taxable-equivalent basis) | | Return on Assigned Capital | |
|---|---|---|---|---|---|---|
| | 2000 | 1999 | 2000 | 1999 | 2000 | 1999 |
| PNC Bank | | | | | | |
| Regional Banking | $590 | $543 | $2,033 | $1,968 | 22% | 21% |
| Corporate Banking | 244 | 246 | 839 | 745 | 20 | 21 |
| Total PNC Bank | 834 | 789 | 2,872 | 2,713 | 22 | 21 |
| PNC Secured Finance | | | | | | |
| PNC Real Estate Finance | 82 | 74 | 220 | 212 | 21 | 19 |
| PNC Business Credit | 49 | 29 | 119 | 82 | 32 | 25 |
| Total PNC Secured Finance | 131 | 103 | 339 | 294 | 24 | 20 |
| Asset Management | | | | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| PNC Advisors | 173 | 147 | 792 | 738 | 32 | 27 |
| BlackRock | 87 | 59 | 477 | 381 | 27 | 36 |
| PFPC | 47 | 45 | 690 | 264 | 22 | 40 |
| Total Asset Management | 307 | 251 | 1,959 | 1,383 | 28 | 30 |
| Total businesses | 1,272 | 1,143 | 5,170 | 4,390 | 23 | 23 |
| Other | (58) | (6) | (97) | 227 | | |
| Results from continuing operations - core | 1,214 | 1,137 | 5,073 | 4,617 | 21 | 20 |
| Gain on sale of credit card business | | 125 | | 193 | | |
| Gain on sale of equity interest in EPS | | 63 | | 97 | | |
| BlackRock IPO gain | | 59 | | 64 | | |
| Branch gains | | 17 | | 27 | | |
| Gain on sale of Concord stock, net of PNC Foundation contribution | | 16 | | 41 | | |
| Wholesale lending repositioning | | (126) | | (195) | | |
| Write-down of an equity investment | | (18) | | (28) | | |
| Costs related to efficiency initiatives | | (64) | | | | |
| Mall ATM buyout | | (7) | | | | |
| Results from continuing operations - reported | 1,214 | 1,202 | 5,073 | 4,816 | 21 | 21 |
| Results from discontinued operations | 65 | 62 | 307 | 384 | 13 | 14 |
| Total consolidated - reported | $1,279 | $1,264 | $5,380 | $5,200 | 22 | 22 |

PNC Bank - Regional Banking contributed 46 percent of total business earnings in 2000 compared with 48 percent in 1999. Earnings of $590 million for 2000 increased 9 percent compared with the prior year primarily driven by growth in deposits as well as higher noninterest income and improved efficiency. Corporate Banking earnings declined to 19 percent of total business earnings in 2000 compared with 21 percent in 1999. Earnings of $244 million for 2000 were comparable with earnings of $246 million for 1999 as higher revenue was offset by a higher provision for credit losses.

PNC Secured Finance - PNC Real Estate Finance contributed 6 percent of total business earnings in 2000 and 1999. Earnings of $82 million increased 11 percent compared with the prior year primarily due to growth in the affordable housing business. PNC Business Credit contributed 4 percent of total business earnings in 2000 compared with 3 percent a year ago. Earnings of $49 million increased 69 percent compared with the prior year primarily due to growth in loans associated with the strategic expansion of this business and improved efficiency.

Asset Management - PNC Advisors contributed 14 percent of total business earnings in 2000 compared with 13 percent in 1999. Earnings of $173 million for 2000 increased 18 percent compared with the prior year primarily driven by revenue growth attributable to new asset management and brokerage business. BlackRock earned $87 million in 2000, a 47 percent increase compared with the prior year primarily resulting from significant new asset and risk management business. BlackRock contributed 7 percent of total business earnings in 2000 compared with 5 percent a year ago. PFPC contributed 4 percent of total business earnings in 2000 and 1999. Earnings were $47 million for 2000 compared with $45 million last year. Cash earnings, which exclude goodwill amortization, increased $39 million to $87 million for full year 2000 primarily due to ISG. Excluding the impact of ISG, earnings increased 21 percent compared with the prior year primarily as a result of new and existing client growth.

Total business financial results differ from results from continuing operations primarily due to differences between management accounting practices and generally accepted accounting principles, divested and exited businesses, equity management activities, minority interests, residual asset and liability management activities, eliminations and unassigned items, the impact of which is reflected in the "Other" category.

FULL YEAR 2001 OUTLOOK

Management is currently optimistic about PNC's earnings potential for 2001, although the environment is becoming more challenging. At the present time, growth in diluted earnings per share from continuing operations for 2001 is expected to range from 11 percent to 13 percent including the estimated impact of redeploying the capital made available by the sale of the residential mortgage banking business. Capital made available will be redeployed in a number of ways, which may include repurchasing common stock, continuing to reduce balance sheet leverage, reducing debt and making targeted investments in high-growth businesses. The amount of capital available for redeployment and the income statement impact of the sale will depend on fair market values, closing adjustments and other factors, including the closing date impact of a decline in interest rates on the value of the servicing portfolio, net of hedges, and the book value of the legal entities being sold. Based on current market conditions, management presently expects that any reported gain on the sale will be less than previously anticipated. The ultimate outcome cannot be determined until final settlement occurs.

FORWARD-LOOKING STATEMENTS

The statements in the FULL YEAR 2001 OUTLOOK section of this press release are forward-looking statements within the meaning of the Private Securities Litigation Reform Act. Forward-looking statements with respect to PNC's future financial or business performance, conditions or strategies and other financial and business matters, including expectations regarding the sale of the residential mortgage banking business, are also included in other portions of this press release and may be included in other statements the Corporation makes. Forward-looking statements are typically identified by words or phrases such as "believe," "expect," "anticipate," "intend," "estimate," "position," "target," "assume," "achievable," "potential," "strategy," "goal," "plan," "aspiration," "outlook," "outcome," "continue," "remain," "maintain," "trend," and variations of such words and similar expressions, or future or conditional verbs such as "will," "would," "should," "could," "may," or similar expressions. The Corporation cautions that these forward-looking statements are subject to numerous assumptions, risks and uncertainties, which change over time. These forward-looking statements speak only as of the date of this press release, and the Corporation assumes no duty to update forward-looking statements. Actual results could differ materially from those anticipated in these forward-looking statements and future results could differ materially from historical performance.

These forward-looking statements assume that the closing of the sale of PNC's residential mortgage banking business will occur as anticipated. In addition to the factors mentioned in the Full Year 2001 Outlook section of this press release, the following factors, among others, could cause actual results to differ materially from forward-looking statements or historical performance: decisions PNC makes with respect to the redeployment of available capital; changes in asset quality and credit risk; economic conditions; changes in financial and capital markets; the inability to sustain revenue and earnings growth; changes in interest rates; inflation; changes in values of assets under management and assets serviced; relative investment performance of assets under management; customer acceptance of PNC products and services; customer borrowing, repayment, investment, and deposit practices; customer disintermediation; valuation of debt and equity investments; the introduction, withdrawal, success and timing of business initiatives and strategies; the extent and cost of any share repurchases; competitive conditions; the inability to realize cost savings or revenue enhancements, implement integration plans and other consequences associated with mergers, acquisitions, restructurings and divestitures; and the impact, extent and timing of technological changes, capital management activities, and actions of the Federal Reserve Board and legislative and regulatory actions and reforms. Further, an increase in the number of customer or counterparty delinquencies, bankruptcies, or defaults could result, among other things, in a higher loan loss provision and reduced profitability.

The Corporation's SEC reports, accessible on PNC's website at http://www.pnc.com/ , identify additional factors that can affect forward-looking statements.

Recorded comments from James E. Rohr, president and chief executive officer, Walter E. Gregg, Jr., vice chairman, and Robert L. Haunschild, chief financial officer, providing further information regarding the topics addressed in this earnings release will be available for one week, beginning at approximately 11:00 a.m. on Jan. 18, by calling 1-800-633-8284, reservation number 17716349. The recorded comments may include forward-looking information and are subject to the cautionary statements set forth above.

The PNC Financial Services Group, Inc., headquartered in Pittsburgh, is one of the nation's largest diversified financial services organizations, providing regional banking, corporate banking, real estate finance, asset-based lending, wealth management, asset management and global fund services.

The PNC Financial Services Group, Inc.
Consolidated Financial Highlights

| Dollars in millions, except per share data | Three months ended December 31 | | | Year ended December 31 | | |
|---|---|---|---|---|---|---|
| | 2000 | 1999 | 1999 | 2000 | 1999 | 1999 |
| | | Core | Reported | | Core | Reported |
| FINANCIAL PERFORMANCE | | | | | | |
| Revenue from continuing operations | | | | | | |
| Net interest income (taxable-equivalent basis) | $538 | $569 | $569 | $2,182 | $2,366 | $2,366 |
| Noninterest income | 735 | 642 | 625 | 2,891 | 2,251 | 2,450 |
| Total revenue from continuing operations | 1,273 | 1,211 | 1,194 | 5,073 | 4,617 | 4,816 |
| Income from continuing operations | 314 | 287 | 287 | 1,214 | 1,137 | 1,202 |
| Discontinued operations | 20 | 17 | 17 | 65 | 62 | 62 |
| Net income | 334 | 304 | 304 | 1,279 | 1,199 | 1,264 |
| Cash earnings from continuing operations (a) | 344 | 310 | 310 | 1,330 | 1,216 | 1,281 |
| Cash earnings from discontinued operations (a) | 20 | 17 | 17 | 66 | 63 | 63 |
| Cash earnings from net income (a) | 364 | 327 | 327 | 1,396 | 1,279 | 1,344 |
| Per common share | | | | | | |
| Diluted earnings | | | | | | |
| Continuing operations | 1.06 | .95 | .95 | 4.09 | 3.72 | 3.94 |
| Discontinued operations | .07 | .06 | .06 | .22 | .21 | .21 |
| Net income | 1.13 | 1.01 | 1.01 | 4.31 | 3.93 | 4.15 |
| Diluted cash earnings (a) | | | | | | |
| Continuing operations | 1.16 | 1.03 | 1.03 | 4.48 | 3.99 | 4.21 |
| Discontinued operations | .06 | .06 | .06 | .22 | .21 | .21 |
| Net income | 1.22 | 1.09 | 1.09 | 4.70 | 4.20 | 4.42 |
| Cash dividends declared | .48 | .45 | .45 | 1.83 | 1.68 | 1.68 |
| SELECTED RATIOS | | | | | | |
| From continuing operations | | | | | | |
| Return on | | | | | | |
| Average common shareholders' equity | 20.10 % | 20.01 % | 20.01 % | 20.52 % | 20.12 % | 21.29 % |
| Average assets | 1.81 | 1.68 | 1.68 | 1.76 | 1.66 | 1.76 |
| Net interest margin | 3.60 | 3.73 | 3.73 | 3.64 | 3.86 | 3.86 |
| Noninterest income to total revenue | 57.74 | 53.01 | 52.35 | 56.99 | 48.75 | 50.87 |
| Efficiency (b) | 55.44 | 57.60 | 59.42 | 56.85 | 54.91 | 55.54 |
| From net income | | | | | | |
| Return on | | | | | | |
| Average common shareholders' equity | 21.41 % | 21.21 % | 21.21 % | 21.63 % | 21.24 % | 22.41 % |
| Average assets (c) | 1.72 | 1.64 | 1.64 | 1.68 | 1.60 | 1.69 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Net interest margin | 3.24 | 3.54 | 3.54 | 3.37 | 3.68 | 3.68 |
| Noninterest income to total revenue | 60.64 | 55.25 | 54.65 | 59.28 | 50.91 | 52.79 |
| Efficiency (b) | 53.09 | 56.44 | 58.07 | 55.17 | 54.23 | 54.82 |

(a) Excluding amortization of goodwill
(b) Excluding amortization and distributions on capital securities
(c) Calculated on asset basis including discontinued operations

| | Dec. 31 2000 | Sept. 30 2000 | June 30 2000 | March 31 2000 | Dec. 31 1999 |
|---|---|---|---|---|---|
| BALANCE SHEET DATA | | | | | |
| Assets | $69,844 | $69,884 | $68,885 | $68,474 | $69,286 |
| Loans, net of unearned income | 50,601 | 49,791 | 50,281 | 50,259 | 49,673 |
| Deposits | 47,664 | 47,494 | 46,381 | 45,767 | 45,802 |
| Common shareholders' equity | 6,344 | 6,071 | 5,844 | 5,726 | 5,633 |
| Book value per common share | 21.88 | 21.01 | 20.22 | 19.68 | 19.23 |
| CAPITAL RATIOS | | | | | |
| Leverage | 8.07 % | 6.87 % | 6.72 % | 6.67 % | 6.61 % |
| Common shareholders' equity to total assets | 9.08 | 8.69 | 8.48 | 8.36 | 8.13 |
| ASSET QUALITY RATIOS | | | | | |
| Nonperforming assets to total loans, loans held for sale and foreclosed assets | .71 % | .68 % | .67 % | .65 % | .61 % |
| Allowance for credit losses to total loans | 1.33 | 1.36 | 1.34 | 1.34 | 1.36 |
| Allowance for credit losses to nonaccrual loans | 208.98 | 219.16 | 217.04 | 224.67 | 231.62 |
| Net charge-offs to average loans | .32 | .24 | .27 | .25 | .23 |

The PNC Financial Services Group, Inc.

Consolidated Statement of Income

| Dollars in millions, except per share data | Three months ended December 31 2000 | 1999 | Year ended December 31 2000 | 1999 |
|---|---|---|---|---|
| Interest Income | | | | |
| Loans and fees on loans | $1,027 | $984 | $4,045 | $4,064 |
| Securities available for sale | 96 | 96 | 386 | 362 |
| Loans held for sale | 41 | 43 | 204 | 104 |
| Other | 26 | 14 | 97 | 53 |
| Total interest income | 1,190 | 1,137 | 4,732 | 4,583 |
| Interest Expense | | | | |
| Deposits | 453 | 345 | 1,653 | 1,369 |
| Borrowed funds | 204 | 230 | 915 | 870 |
| Total interest expense | 657 | 575 | 2,568 | 2,239 |
| Net interest income | 533 | 562 | 2,164 | 2,344 |
| Provision for credit losses | 40 | 30 | 136 | 163 |
| Net interest income less provision for credit losses | 493 | 532 | 2,028 | 2,181 |
| Noninterest Income | | | | |
| Asset management | 219 | 176 | 809 | 681 |
| Fund servicing | 167 | 89 | 654 | 251 |
| Service charges on deposits | 56 | 53 | 206 | 207 |
| Brokerage | 57 | 58 | 249 | 219 |
| Consumer services | 56 | 52 | 209 | 218 |
| Corporate services | 94 | 36 | 342 | 133 |
| Equity management | 1 | 52 | 133 | 100 |
| Net securities gains (losses) | 16 | (22) | 20 | 22 |
| Sale of subsidiary stock | | 64 | | 64 |

| | | | | |
|---|---|---|---|---|
| Other | 69 | 67 | 269 | 555 |
| Total noninterest income | 735 | 625 | 2,891 | 2,450 |
| Noninterest Expense | | | | |
| Staff expense | 410 | 364 | 1,616 | 1,380 |
| Net occupancy | 52 | 48 | 203 | 224 |
| Equipment | 59 | 52 | 224 | 232 |
| Amortization | 27 | 23 | 110 | 92 |
| Marketing | 22 | 24 | 70 | 70 |
| Distributions on capital securities | 17 | 17 | 67 | 65 |
| Other | 165 | 225 | 781 | 780 |
| Total noninterest expense | 752 | 753 | 3,071 | 2,843 |
| Income from continuing operations before income taxes | 476 | 404 | 1,848 | 1,788 |
| Income taxes | 162 | 117 | 634 | 586 |
| Income from continuing operations | $314 | $287 | $1,214 | $1,202 |
| Income from discontinued operations (less applicable income taxes of $14, $12, $44 and $41) | 20 | 17 | 65 | 62 |
| Net income | $334 | $304 | $1,279 | $1,264 |
| Income from continuing operations applicable to diluted earnings | $310 | $282 | $1,196 | $1,184 |
| Net income applicable to diluted earnings | 330 | 299 | 1,261 | 1,246 |
| Earnings Per Common Share | | | | |
| Continuing operations | | | | |
| Basic | $1.07 | $.96 | $4.12 | $3.98 |
| Diluted | 1.06 | .95 | 4.09 | 3.94 |
| Net income | | | | |
| Basic | $1.14 | $1.02 | $4.35 | $4.19 |
| Diluted | 1.13 | 1.01 | 4.31 | 4.15 |
| Cash Dividends Declared Per Common Share | .48 | .45 | 1.83 | 1.68 |
| Average Common Shares Outstanding | | | | |
| Basic | 289.2 | 293.4 | 290.0 | 296.9 |
| Diluted | 292.9 | 296.3 | 292.8 | 300.0 |

The PNC Financial Services Group, Inc.

Details of Net Interest Income

Net Interest Income

| Taxable-equivalent basis | Three months ended December 31 | | Year ended December 31 | |
|---|---|---|---|---|
| In millions | 2000 | 1999 | 2000 | 1999 |
| Interest income | | | | |
| Loans and fees on loans | $1,031 | $990 | $4,060 | $4,082 |
| Securities available for sale | 97 | 97 | 389 | 366 |
| Loans held for sale | 41 | 43 | 204 | 104 |
| Other | 26 | 14 | 97 | 53 |
| Total interest income | 1,195 | 1,144 | 4,750 | 4,605 |
| Interest expense | | | | |
| Deposits | 453 | 345 | 1,653 | 1,369 |
| Borrowed funds | 204 | 230 | 915 | 870 |
| Total interest expense | 657 | 575 | 2,568 | 2,239 |
| Net interest income | $538 | $569 | $2,182 | $2,366 |

Net Interest Income by Quarter

Taxable-equivalent basis

| Three months ended - in millions | Dec. 31 2000 | Sept. 30 2000 | June 30 2000 | March 31 2000 | Dec. 31 1999 |
|---|---|---|---|---|---|
| Interest income | | | | | |
| Loans and fees on loans | $1,031 | $1,028 | $1,013 | $988 | $990 |
| Securities available for sale | 97 | 99 | 98 | 95 | 97 |
| Loans held for sale | 41 | 47 | 52 | 64 | 43 |
| Other | 26 | 30 | 22 | 19 | 14 |
| Total interest income | 1,195 | 1,204 | 1,185 | 1,166 | 1,144 |

| | | | | | |
|---|---|---|---|---|---|
| Interest expense | | | | | |
| Deposits | 453 | 434 | 397 | 369 | 345 |
| Borrowed funds | 204 | 236 | 238 | 237 | 230 |
| Total interest expense | 657 | 670 | 635 | 606 | 575 |
| Net interest income | $538 | $534 | $550 | $560 | $569 |

The PNC Financial Services Group, Inc.

Details of Net Interest Margin

Net Interest Margin

| | Three months ended December 31 | | Year ended December 31 | |
|---|---|---|---|---|
| Taxable-equivalent basis | 2000 | 1999 | 2000 | 1999 |
| Average yields/rates | | | | |
| Yield on earning assets | | | | |
| Loans and fees on loans | 8.16 % | 7.70 % | 8.12 % | 7.73 % |
| Securities available for sale | 6.53 | 6.12 | 6.42 | 6.02 |
| Loans held for sale | 8.32 | 7.65 | 8.14 | 7.47 |
| Other | 7.80 | 5.31 | 7.53 | 5.07 |
| Total yield on earning assets | 7.99 | 7.49 | 7.93 | 7.51 |
| Rate on interest-bearing liabilities | | | | |
| Deposits | 4.66 | 3.86 | 4.41 | 3.81 |
| Borrowed funds | 6.83 | 5.85 | 6.66 | 5.63 |
| Total rate on interest-bearing liabilities | 5.16 | 4.47 | 5.01 | 4.36 |
| Interest rate spread | 2.83 | 3.02 | 2.92 | 3.15 |
| Impact of noninterest-bearing sources | .77 | .71 | .72 | .71 |
| Net interest margin | 3.60 % | 3.73 % | 3.64 % | 3.86 % |

Net Interest Margin by Quarter

Taxable-equivalent basis

| | Dec. 31 | Sept. 30 | June 30 | March 31 | Dec. 31 |
|---|---|---|---|---|---|
| Three months ended | 2000 | 2000 | 2000 | 2000 | 1999 |
| Average yields/rates | | | | | |
| Yield on earning assets | | | | | |
| Loans and fees on loans | 8.16 % | 8.13 % | 8.03 % | 7.88 % | 7.70 % |
| Securities available for sale | 6.53 | 6.41 | 6.50 | 6.22 | 6.12 |
| Loans held for sale | 8.32 | 8.77 | 8.11 | 7.64 | 7.65 |
| Other | 7.80 | 8.05 | 7.01 | 6.92 | 5.31 |
| Total yield on earning assets | 7.99 | 7.98 | 7.86 | 7.68 | 7.49 |
| Rate on interest-bearing liabilities | | | | | |
| Deposits | 4.66 | 4.58 | 4.30 | 4.05 | 3.86 |
| Borrowed funds | 6.83 | 6.85 | 6.54 | 6.14 | 5.85 |
| Total rate on interest-bearing liabilities | 5.16 | 5.18 | 4.92 | 4.67 | 4.47 |
| Interest rate spread | 2.83 | 2.80 | 2.94 | 3.01 | 3.02 |
| Impact of noninterest-bearing sources | .77 | .74 | .69 | .67 | .71 |
| Net interest margin | 3.60 % | 3.54 % | 3.63 % | 3.68 % | 3.73 % |

The PNC Financial Services Group, Inc.

Noninterest Income and Expense by Quarter

Noninterest Income by Quarter

| Three months ended - in millions | Dec. 31 2000 | Sept. 30 2000 | June 30 2000 | March 31 2000 | Dec. 31 1999 |
|---|---|---|---|---|---|
| Asset management | $219 | $208 | $196 | $186 | $176 |
| Fund servicing | 167 | 168 | 164 | 155 | 89 |
| Service charges on deposits | 56 | 50 | 50 | 50 | 53 |
| Brokerage | 57 | 61 | 60 | 71 | 58 |
| Consumer services | 56 | 55 | 51 | 47 | 52 |
| Corporate services | 94 | 86 | 80 | 82 | 36 |
| Equity management | 1 | (3) | 48 | 87 | 52 |
| Net securities gains (losses) | 16 | 7 | | (3) | (22) |
| Sale of subsidiary stock | | | | | 64 |
| Other | 69 | 68 | 79 | 53 | 67 |
| Total noninterest income | $735 | $700 | $728 | $728 | $625 |

Noninterest Expense by Quarter

| Three months ended - in millions | Dec. 31 2000 | Sept. 30 2000 | June 30 2000 | March 31 2000 | Dec. 31 1999 |
|---|---|---|---|---|---|
| Staff expense | $410 | $399 | $396 | $411 | $364 |
| Net occupancy | 52 | 50 | 48 | 53 | 48 |
| Equipment | 59 | 54 | 55 | 56 | 52 |
| Amortization | 27 | 27 | 28 | 28 | 23 |
| Marketing | 22 | 16 | 19 | 13 | 24 |
| Distributions on capital securities | 17 | 17 | 17 | 16 | 17 |
| Other | 165 | 184 | 217 | 215 | 225 |
| Total noninterest expense | $752 | $747 | $780 | $792 | $753 |

The PNC Financial Services Group, Inc.

Consolidated Balance Sheet

| In millions, except par value | December 31 2000 | December 31 1999 |
|---|---|---|
| Assets | | |
| Cash and due from banks | $3,662 | $3,080 |
| Short-term investments | 1,151 | 1,100 |
| Loans held for sale | 1,655 | 3,477 |
| Securities available for sale | 5,902 | 5,960 |
| Loans, net of unearned income of $999 and $724 | 50,601 | 49,673 |
| Allowance for credit losses | (675) | (674) |
| Net loans | 49,926 | 48,999 |
| Goodwill and other amortizable assets | 2,468 | 2,512 |
| Investment in discontinued operations | 356 | 263 |
| Other | 4,724 | 3,895 |
| Total assets | $69,844 | $69,286 |
| Liabilities | | |
| Deposits | | |
| Noninterest-bearing | $8,490 | $8,161 |
| Interest-bearing | 39,174 | 37,641 |
| Total deposits | 47,664 | 45,802 |
| Borrowed funds | | |
| Federal funds purchased | 1,445 | 1,281 |
| Repurchase agreements | 607 | 402 |
| Bank notes and senior debt | 6,110 | 6,975 |
| Federal Home Loan Bank borrowings | 500 | 2,258 |

| | | |
|---|---|---|
| Subordinated debt | 2,407 | 2,327 |
| Other borrowed funds | 649 | 986 |
| Total borrowed funds | 11,718 | 14,229 |
| Other | 2,958 | 2,461 |
| Total liabilities | 62,340 | 62,492 |
| | | |
| Mandatorily redeemable capital securities of subsidiary trusts | 848 | 848 |
| | | |
| Shareholders' Equity | | |
| Preferred stock | 7 | 7 |
| Common stock - $5 par value | | |
| Authorized 450 shares | | |
| Issued 353 shares | 1,764 | 1,764 |
| Capital surplus | 1,303 | 1,276 |
| Retained earnings | 6,736 | 6,006 |
| Deferred benefit expense | (25) | (17) |
| Accumulated other comprehensive loss from continuing operations | (43) | (132) |
| Accumulated other comprehensive loss from discontinued operations | (45) | (135) |
| Common stock held in treasury at cost: 63 and 60 shares | (3,041) | (2,823) |
| Total shareholders' equity | 6,656 | 5,946 |
| Total liabilities, capital securities and shareholders' equity | $69,844 | $69,286 |

The PNC Financial Services Group, Inc.

Consolidated Average Balance Sheet Data

| | Three months ended December 31 | | Year ended December 31 | |
|---|---|---|---|---|
| In millions | 2000 | 1999 | 2000 | 1999 |
| Assets | | | | |
| Interest-earning assets | | | | |
| Loans held for sale | $1,991 | $2,209 | $2,507 | $1,392 |
| Securities available for sale | 5,928 | 6,351 | 6,061 | 6,084 |
| Loans, net of unearned income | | | | |
| Consumer | 9,081 | 9,413 | 9,177 | 10,310 |
| Credit card | | | 672 | |
| Residential mortgage | 12,838 | 12,322 | 12,599 | 12,258 |
| Commercial | 21,109 | 22,317 | 21,685 | 23,082 |
| Commercial real estate | 2,670 | 3,265 | 2,685 | 3,362 |
| Lease financing | 3,639 | 2,786 | 3,222 | 2,564 |
| Other | 591 | 613 | 650 | 532 |
| Total loans, net of unearned income | 49,928 | 50,716 | 50,018 | 52,780 |
| Other | 1,322 | 1,068 | 1,289 | 1,045 |
| Total interest-earning assets | 59,169 | 60,344 | 59,875 | 61,301 |
| Noninterest-earning assets | 9,214 | 6,852 | 8,616 | 6,613 |
| Investment in discontinued operations | 570 | 413 | 487 | 449 |
| Total assets | $68,953 | $67,609 | $68,978 | $68,363 |
| | | | | |
| Liabilities | | | | |
| Interest-bearing liabilities | | | | |
| Deposits | | | | |
| Demand and money market | $19,762 | $17,547 | $18,735 | $16,921 |
| Savings | 1,937 | 2,212 | 2,050 | 2,390 |
| Retail certificates of deposit | 14,795 | 14,007 | 14,642 | 14,220 |
| Other time | 587 | 621 | 621 | 1,515 |
| Deposits in foreign offices | 1,579 | 976 | 1,473 | 872 |
| Total interest-bearing deposits | 38,660 | 35,363 | 37,521 | 35,918 |
| Borrowed funds | 11,738 | 15,341 | 13,746 | 15,466 |
| Total interest-bearing liabilities | 50,398 | 50,704 | 51,267 | 51,384 |

| | | | | |
|---|---|---|---|---|
| Noninterest-bearing deposits | 8,304 | 8,062 | 8,151 | 8,234 |
| Other | 2,978 | 2,091 | 2,575 | 2,027 |
| Total liabilities | 61,680 | 60,857 | 61,993 | 61,645 |
| Mandatorily redeemable capital securities of subsidiary trusts | 848 | 848 | 848 | 848 |
| Shareholders' Equity | 6,425 | 5,904 | 6,137 | 5,870 |
| Total liabilities, capital securities and shareholders' equity | $68,953 | $67,609 | $68,978 | $68,363 |
| Common Shareholders' Equity | $6,113 | $5,591 | $5,825 | $5,556 |

The PNC Financial Services Group, Inc.

Consolidated Average Balance Sheet Data by Quarter

| Three months ended - in millions | Dec. 31 2000 | Sept. 30 2000 | June 30 2000 | March 31 2000 | Dec. 31 1999 |
|---|---|---|---|---|---|
| Assets | | | | | |
| Interest-earning assets | | | | | |
| Loans held for sale | $1,991 | $2,151 | $2,577 | $3,319 | $2,209 |
| Securities available for sale | 5,928 | 6,179 | 6,009 | 6,128 | 6,351 |
| Loans, net of unearned income | | | | | |
| Consumer | 9,081 | 9,174 | 9,209 | 9,247 | 9,413 |
| Residential mortgage | 12,838 | 12,405 | 12,571 | 12,584 | 12,322 |
| Commercial | 21,109 | 21,800 | 22,042 | 21,791 | 22,317 |
| Commercial real estate | 2,670 | 2,688 | 2,682 | 2,698 | 3,265 |
| Lease financing | 3,639 | 3,238 | 3,049 | 2,958 | 2,786 |
| Other | 591 | 646 | 676 | 688 | 613 |
| Total loans, net of unearned income | 49,928 | 49,951 | 50,229 | 49,966 | 50,716 |
| Other | 1,322 | 1,445 | 1,276 | 1,113 | 1,068 |
| Total interest-earning assets | 59,169 | 59,726 | 60,091 | 60,526 | 60,344 |
| Noninterest-earning assets | 9,214 | 8,857 | 8,566 | 7,818 | 6,852 |
| Investment in discontinued operations | 570 | 515 | 448 | 412 | 413 |
| Total assets | $68,953 | $69,098 | $69,105 | $68,756 | $67,609 |
| Liabilities | | | | | |
| Interest-bearing liabilities | | | | | |
| Deposits | | | | | |
| Demand and money market | $19,762 | $18,914 | $18,549 | $17,700 | $17,547 |
| Savings | 1,937 | 2,020 | 2,107 | 2,138 | 2,212 |
| Retail certificates of deposit | 14,795 | 14,776 | 14,403 | 14,591 | 14,007 |
| Other time | 587 | 619 | 641 | 637 | 621 |
| Deposits in foreign offices | 1,579 | 1,342 | 1,483 | 1,489 | 976 |
| Total interest-bearing deposits | 38,660 | 37,671 | 37,183 | 36,555 | 35,363 |
| Borrowed funds | 11,738 | 13,518 | 14,422 | 15,333 | 15,341 |
| Total interest-bearing liabilities | 50,398 | 51,189 | 51,605 | 51,888 | 50,704 |
| Noninterest-bearing deposits | 8,304 | 8,239 | 8,357 | 7,700 | 8,062 |
| Other | 2,978 | 2,637 | 2,290 | 2,393 | 2,091 |
| Total liabilities | 61,680 | 62,065 | 62,252 | 61,981 | 60,857 |
| Mandatorily redeemable capital securities of subsidiary trusts | 848 | 848 | 848 | 848 | 848 |
| Shareholders' Equity | 6,425 | 6,185 | 6,005 | 5,927 | 5,904 |
| Total liabilities, capital securities and shareholders' equity | $68,953 | $69,098 | $69,105 | $68,756 | $67,609 |
| Common Shareholders' Equity | $6,113 | $5,873 | $5,692 | $5,614 | $5,591 |

The PNC Financial Services Group, Inc.

Loan Portfolio and Nonperforming Assets by Quarter

Loan Portfolio by Quarter

| Period ended - in millions | Dec. 31 2000 | Sept. 30 2000 | June 30 2000 | March 31 2000 | Dec. 31 1999 |
|---|---|---|---|---|---|
| Consumer | $9,133 | $9,174 | $9,213 | $9,173 | $9,348 |
| Residential mortgage | 13,264 | 12,563 | 12,470 | 12,711 | 12,506 |
| Commercial | 21,207 | 21,198 | 22,140 | 22,033 | 21,468 |
| Commercial real estate | 2,583 | 2,676 | 2,687 | 2,665 | 2,730 |
| Lease financing | 4,845 | 4,498 | 3,834 | 3,701 | 3,663 |
| Other | 568 | 646 | 669 | 700 | 682 |
| Total loans | 51,600 | 50,755 | 51,013 | 50,983 | 50,397 |
| Unearned income | (999) | (964) | (732) | (724) | (724) |
| Total loans, net of unearned income | $50,601 | $49,791 | $50,281 | $50,259 | $49,673 |

Nonperforming Assets by Type

| Period ended - in millions | Dec. 31 2000 | Sept. 30 2000 | June 30 2000 | March 31 2000 | Dec. 31 1999 |
|---|---|---|---|---|---|
| Nonaccrual loans | | | | | |
| Commercial | $312 | $261 | $259 | $240 | $219 |
| Commercial real estate | 3 | 16 | 12 | 13 | 21 |
| Residential mortgage | 4 | 26 | 34 | 42 | 48 |
| Consumer | 2 | 3 | 3 | 3 | 2 |
| Lease financing | 2 | 2 | 3 | 2 | 1 |
| Total nonaccrual loans | 323 | 308 | 311 | 300 | 291 |
| Foreclosed and other assets | | | | | |
| Commercial real estate | 3 | 4 | 4 | 5 | 5 |
| Residential mortgage | 8 | 8 | 9 | 8 | 7 |
| Other | 38 | 34 | 29 | 31 | 22 |
| Total foreclosed and other assets | 49 | 46 | 42 | 44 | 34 |
| Total nonperforming assets | $372 | $354 | $353 | $344 | $325 |

Nonperforming Assets by Business

| Period ended - in millions | Dec. 31 2000 | Sept. 30 2000 | June 30 2000 | March 31 2000 | Dec. 31 1999 |
|---|---|---|---|---|---|
| PNC Bank | | | | | |
| Regional Banking | $47 | $82 | $96 | $104 | $114 |
| Corporate Banking | 219 | 156 | 153 | 160 | 116 |
| PNC Secured Finance | | | | | |
| PNC Real Estate Finance | 9 | 22 | 19 | 22 | 32 |
| PNC Business Credit | 36 | 32 | 22 | 2 | 8 |
| PNC Advisors | 2 | 6 | 8 | 8 | 16 |
| Other | 59 | 56 | 55 | 48 | 39 |
| Total nonperforming assets | $372 | $354 | $353 | $344 | $325 |

The PNC Financial Services Group, Inc.

Asset Quality Data

Allowance For Credit Losses

| Three months ended - in millions | Dec. 31 2000 | Sept. 30 2000 | June 30 2000 | March 31 2000 | Dec. 31 1999 |
|---|---|---|---|---|---|
| Beginning balance | $675 | $675 | $674 | $674 | $674 |
| Charge-offs | | | | | |

| | | | | | |
|---|---|---|---|---|---|
| Consumer | (12) | (11) | (11) | (12) | (14) |
| Residential mortgage | (4) | (1) | (1) | (2) | (1) |
| Commercial | (35) | (27) | (30) | (29) | (24) |
| Commercial real estate | (1) | (2) | | | |
| Lease financing | (3) | (2) | (1) | (2) | (4) |
| Total charge-offs | (55) | (43) | (43) | (45) | (43) |
| Recoveries | | | | | |
| Consumer | 6 | 5 | 5 | 6 | 5 |
| Residential mortgage | 1 | | 1 | | |
| Commercial | 7 | 4 | 3 | 7 | 5 |
| Commercial real estate | | 4 | | | 3 |
| Lease financing | 1 | | | 1 | |
| Total recoveries | 15 | 13 | 9 | 14 | 13 |
| Net charge-offs | | | | | |
| Consumer | (6) | (6) | (6) | (6) | (9) |
| Residential mortgage | (3) | (1) | | (2) | (1) |
| Commercial | (28) | (23) | (27) | (22) | (19) |
| Commercial real estate | (1) | 2 | | | 3 |
| Lease financing | (2) | (2) | (1) | (1) | (4) |
| Total net charge-offs | (40) | (30) | (34) | (31) | (30) |
| Provision for credit losses | 40 | 30 | 35 | 31 | 30 |
| Ending balance | $675 | $675 | $675 | $674 | $674 |

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