THE PNC FINANCIAL SERVICES GROUP, INC.

Quarterly Report on Form 10-Q
For the quarterly period ended March 31, 2001

Page 1 represents a portion of the third quarter 2001 Financial Review which is not required by the Form 10-Q report and is not "filed" as part of the Form 10-Q.

The Quarterly Report on Form 10-Q and cross reference index is on page 40.

FINANCIAL REVIEW
THE PNC FINANCIAL SERVICES GROUP, INC.

<TABLE>
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For the three months ended - dollars in millions, except per share data	March 31 2001	March 31 2000
<S>	<C>	<C>
FINANCIAL PERFORMANCE		
Revenue		
Net interest income (taxable-equivalent basis)	$559	$560
Noninterest income	701	728
Total revenue	1,260	1,288
Income from continuing operations	265	302
Discontinued operations	40	6
Income before cumulative effect of accounting change	305	308
Cumulative effect of accounting change	(5)	
Net income	$300	$308
CASH EARNINGS (a)		
Continuing operations	$294	$331
Discontinued operations	40	6
Before cumulative effect of accounting change	334	337
Cumulative effect of accounting change	(5)	
Net income from cash earnings	$329	$337
Per common share		
DILUTED EARNINGS		
Continuing operations	$.89	$1.01
Discontinued operations	.14	.02
Before cumulative effect of accounting change	1.03	1.03
Cumulative effect of accounting change	(.02)	
Net income	$1.01	$1.03
DILUTED CASH EARNINGS (a)		
Continuing operations	$1.00	$1.11
Discontinued operations	.14	.02
Before cumulative effect of accounting change	1.14	1.13
Cumulative effect of accounting change	(.02)	

Net income from cash earnings	$1.12	$1.13
Cash dividends declared	$.48	$.45
SELECTED RATIOS		
FROM CONTINUING OPERATIONS		
Return on		
Average common shareholders' equity	16.59%	21.29%
Average assets	1.49	1.77
Net interest margin	3.62	3.68
Noninterest income to total revenue	55.63	56.52
Efficiency (b)	57.91	57.85
FROM NET INCOME		
Return on		
Average common shareholders' equity	18.82%	21.71%
Average assets	1.62	1.66
Net interest margin	3.53	3.46
Noninterest income to total revenue	57.13	58.27
Efficiency (c)	56.18	57.36

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(a) Excludes amortization of goodwill.
(b) Excludes amortization and distributions on capital securities.
(c) Excludes amortization, distributions on capital securities and residential mortgage banking risk management activities.

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Dollars in millions, except per share data	March 31 2001	December 31 2000	March 31 2000
<S>	<C>	<C>	<C>
BALANCE SHEET DATA			
Assets	$70,966	$69,844	$68,474
Earning assets	60,548	59,373	59,986
Loans, net of unearned income	45,626	50,601	50,259
Securities available for sale	11,976	5,902	5,906
Loans held for sale	1,765	1,655	2,799
Investment in discontinued operations		356	274
Deposits	47,189	47,664	45,767
Borrowed funds	12,279	11,718	13,362
Shareholders' equity	6,781	6,656	6,039
Common shareholders' equity	6,470	6,344	5,726
Book value per common share	22.39	21.88	19.68
Loans to deposits	97%	106%	110%
CAPITAL RATIOS			
Leverage	7.8%	8.0%	6.7%
Common shareholders' equity to total assets	9.12	9.08	8.36
ASSET QUALITY RATIOS			
Nonperforming assets to total loans, loans held for sale and foreclosed assets	.81%	.71%	.65%
Allowance for credit losses to total loans	1.48	1.33	1.34
Allowance for credit losses to nonperforming loans	200.89	208.98	224.67
Net charge-offs to average loans	.65	.32	.25

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FINANCIAL REVIEW
THE PNC FINANCIAL SERVICES GROUP, INC.

This Financial Review should be read in conjunction with The PNC Financial Services Group, Inc. ("Corporation" or "PNC") unaudited Consolidated Financial Statements and Statistical Information included herein and the Financial Review and audited Consolidated Financial Statements included in the Corporation's 2000

Annual Report. For information regarding business risks, see the Risk Management and Risk Factors sections in this Financial Review. Also, see the Forward-Looking Statements section in this Financial Review for other factors that could cause actual results to differ materially from forward-looking statements or historical performance.

OVERVIEW

THE PNC FINANCIAL SERVICES GROUP, INC.

The Corporation is one of the largest diversified financial services companies in the United States, operating businesses engaged in community banking, corporate banking, real estate finance, asset-based lending, wealth management, asset management and global fund services. The Corporation provides certain products and services nationally and others in PNC's primary geographic markets in Pennsylvania, New Jersey, Delaware, Ohio and Kentucky. The Corporation also provides certain asset management and processing products and services internationally.

Financial services organizations today are challenged to demonstrate that they can generate high-quality earnings growth in an increasingly competitive and weakening economic environment. As a result, PNC has been aggressively pursuing strategies to create a more diverse and valuable business mix by increasing the contribution from more highly-valued businesses such as asset management, processing and treasury management decreasing the contribution from lending-based traditional banking businesses. Earnings from asset management and processing businesses increased to nearly 30% of total business earnings for the first three months of 2001 and noninterest income was approximately 60% of total revenue. At the same time, PNC sold its residential mortgage banking business and has been downsizing certain institutional lending portfolios resulting in a reduction of the loan to deposit ratio to below 100%.

On January 31, 2001, PNC closed the sale of its residential mortgage banking business. The gain on sale and earnings from operations for the first three months of 2001 totaled $40 million or $.14 per diluted share. These earnings were mostly offset by a $32 million or $.11 per diluted share charge related to the charge-off of loans in the communications and energy, metals and mining portfolios that PNC has designated for exit or downsizing and severance costs. Certain closing date adjustments are currently in dispute between PNC and the buyer. The disputed matters will be resolved in accordance with procedures provided for in the purchase agreement. The ultimate financial impact of the sale will not be determined until final settlement is completed.

Return on average common shareholders' equity was 18.82% and return on average assets was 1.62% for the first three months of 2001 compared with 21.71% and 1.66%, respectively, for the first three months of 2000. Returns during the first three months of 2001 reflect PNC's stronger capital position that resulted from balance sheet downsizing initiatives.

SUMMARY FINANCIAL RESULTS

Consolidated net income for the first three months of 2001 was $300 million or $1.01 per diluted share. Excluding the effect of adopting the new accounting standard for financial derivatives, net income was $305 million or $1.03 per diluted share compared with $308 million or $1.03 per diluted share for the first three months of 2000. These results include the negative impact of a $27 million or $.09 per diluted share net loss from venture capital activities. Excluding this loss and the effect of the accounting change, results for the first three months of 2001 were $332 million or $1.12 per diluted share.

The residential mortgage banking business, which was sold in January 2001, is reflected in discontinued operations throughout the Corporation's consolidated financial statements. Accordingly, the earnings and net assets of the residential mortgage banking business are shown separately on one line in the income statement and balance sheet, respectively, for all periods presented. The remainder of the discussion and information in this Financial Review reflects continuing operations, unless otherwise noted.

Income from continuing operations for the first three months of 2001 was $265 million or $.89 per diluted share. Excluding the $27 million net loss from venture capital activities and a $32 million charge related to loans designated for exit or downsizing and severance costs, income from continuing operations was $324 million or $1.09 per diluted share for the first three months of 2001. Income from continuing operations was $302 million or $1.01 per diluted share during the same period a year ago.

Taxable-equivalent net interest income of $559 million for the first three months of 2001 remained relatively unchanged compared with the first three months of 2000. The net interest margin was 3.62% for the first three months of 2001 compared with 3.68% for the first three months of 2000. The narrowing of the net interest margin was primarily due to a higher proportion of securities available for sale in the mix of earning assets.

The provision for credit losses was $80 million for the first three months of 2001 and net charge-offs were $80 million or .65% of average loans. The provision for credit losses was $31 million and net charge-offs were $31 million or .25% of average loans for the same period in 2000. The increases were primarily due to $41 million of provision for credit losses related to charge-offs of loans in the communications and energy, metals and mining portfolios that PNC has designated for exit or downsizing. Excluding this amount, net charge-offs were $39 million or .32% of average loans for the first three months of 2001.

Noninterest income was $701 million for the first three months of 2001 and included $39 million of equity management losses from venture capital activities. Excluding equity management gains and losses from both years, noninterest income increased 15% compared with the first three months of 2000 primarily due to growth in asset management and processing revenue.

Noninterest expense was $775 million for the first three months of 2001 compared with $792 million for the first three months of 2000 and the efficiency ratio remained flat at 58% during both periods.

Total assets were $71.0 billion at March 31, 2001 compared with $69.8 billion at December 31, 2000. Average interest-earning assets were $61.5 billion for the first three months of 2001 compared with $60.5 billion for the first three months of 2000. The increase was primarily due to a higher level of securities available for sale that resulted from balance sheet and interest rate risk management activities.

Shareholders' equity totaled $6.8 billion at March 31, 2001. The regulatory capital ratios were 7.8% for leverage, 8.7% for tier I risk-based and 12.6% for total risk-based capital. During the first three months of 2001, PNC repurchased 2.3 million shares of common stock.

The ratio of nonperforming assets to total loans, loans held for sale and foreclosed assets was .81% at March 31, 2001 compared with .71% at December 31, 2000 and .65% at March 31, 2000. The increase primarily resulted from a decrease in loans. Nonperforming assets were $386 million at March 31, 2001 compared with $372 million and $344 million at December 31, 2000 and March 31, 2000, respectively.

The allowance for credit losses was $675 million and represented 1.48% of total loans and 201% of nonperforming loans at March 31, 2001. The comparable ratios were 1.33% and 209%, respectively, at December 31, 2000 and 1.34% and 225%, respectively, at March 31, 2000.

REVIEW OF BUSINESSES

PNC operates seven major businesses engaged in community banking, corporate banking, real estate finance, asset-based lending, wealth management, asset management and global fund services.

Business results are presented based on PNC's management accounting practices and the Corporation's management structure. There is no comprehensive, authoritative body of guidance for management accounting equivalent to generally accepted accounting principles; therefore, PNC's business results are not necessarily comparable with similar information for any other financial services institution. Financial results are presented, to the extent practicable, as if each business operated on a stand-alone basis.

The management accounting process uses various balance sheet and income statement assignments and transfers to measure performance of the businesses. Methodologies change from time to time as management accounting practices are enhanced and businesses change. Securities available for sale or borrowings and related net interest income are assigned based on the net asset or liability position of each business. Capital is assigned based on management's assessment of inherent risks and equity levels at independent companies providing similar products and services. The allowance for credit losses is allocated based on management's assessment of risk inherent in the loan portfolios. Support areas not directly aligned with the businesses are allocated primarily based on the utilization of services.

Total business financial results differ from consolidated results from continuing operations primarily due to differences between management accounting practices and generally accepted accounting principles, loan portfolios and businesses that have been divested or designated for exit during 2000 or earlier, 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. The operating results and financial impact of the disposition of the residential mortgage banking business, previously PNC Mortgage, are included in discontinued operations.

RESULTS OF BUSINESSES

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Three months ended March 31 Dollars in millions	Earnings 2001	Earnings 2000	Revenue (taxable-equivalent basis) 2001	Revenue (taxable-equivalent basis) 2000	Return on Assigned Capital 2001	Return on Assigned Capital 2000	Average Assets 2001	Average Assets 2000
PNC Bank								
Community Banking	$162	$129	$542	$477	24%	20%	$40,617	$37,866
Corporate Banking	24	64	192	214	8	22	16,939	15,950
Total PNC Bank	186	193	734	691	19	21	57,556	53,816
Secured Finance								
PNC Real Estate Finance	20	13	53	46	21	14	5,378	5,382
PNC Business Credit	16	13	38	28	41	38	2,377	2,084
Total Secured Finance	36	26	91	74	26	20	7,755	7,466
Total Banking	222	219	825	765	20	21	65,311	61,282
Asset Management and Processing								
PNC Advisors	44	41	199	204	32	30	3,505	3,598
BlackRock	25	19	134	108	26	26	500	388
PFPC	17	6	184	161	33	12	1,735	1,603
Total Asset Management and Processing	86	66	517	473	30	25	5,740	5,589
Total business results	308	285	1,342	1,238	22	22	71,051	66,871
Other	(43)	17	(82)	50			734	1,473
Results from continuing operations	265	302	1,260	1,288	17	21	71,785	68,344
Discontinued operations	40	6					207	412
Cumulative effect of accounting change	(5)							
Total Consolidated	$300	$308	$1,260	$1,288	19	22	$71,992	$68,756

</TABLE>

COMMUNITY BANKING

Three months ended March 31 Dollars in millions	2001	2000
INCOME STATEMENT		
Net interest income	$354	$344
Other noninterest income	161	137
Net securities gains (losses)	27	(4)
Total revenue	542	477
Provision for credit losses	10	12
Noninterest expense	279	264
Pretax earnings	253	201
Income taxes	91	72
Earnings	$162	$129
AVERAGE BALANCE SHEET		
Loans		
Consumer		
Home equity	$5,932	$5,252
Indirect	943	1,435
Education	135	97
Other consumer	917	786
Total consumer	7,927	7,570
Commercial	3,611	3,725
Residential mortgage	11,701	11,603
Leasing	1,703	1,179
Other	140	141
Total loans	25,082	24,218
Securities available for sale	7,551	5,676
Loans held for sale	1,324	1,429
Assigned assets and other assets	6,660	6,543
Total assets	$40,617	$37,866
Deposits		
Noninterest-bearing demand	$4,476	$4,594
Interest-bearing demand	5,506	5,274
Money market	11,769	9,482
Savings	1,860	2,077
Certificates	13,256	13,611
Total deposits	36,867	35,038
Other liabilities	1,010	274
Assigned capital	2,740	2,554
Total funds	$40,617	$37,866
PERFORMANCE RATIOS		
Return on assigned capital	24%	20%
Noninterest income to total revenue	35	28
Efficiency	50	53

Community Banking provides deposit, branch-based brokerage, electronic banking and credit products and services to retail customers as well as deposit, credit, treasury management and capital markets products and services to small businesses primarily within PNC's geographic region.

Community Banking's strategic focus is on driving sustainable revenue growth, aggressively managing the revenue/expense relationship and improving the risk/return dynamic of this business. Community Banking utilizes knowledge-based marketing capabilities to analyze customer demographic information, transaction patterns and delivery preferences to develop customized banking packages focused on improving customer satisfaction and profitability.

Community Banking has also invested heavily in building a sales culture and infrastructure while improving efficiency. Capital investments have been strategically directed towards the expansion of multi-channel distribution, consistent with customer preferences, as well as the delivery of relevant customer information to all distribution channels.

Community Banking contributed 53% of total business earnings for the first three months of 2001 compared with 45% for the first three months of 2000. Earnings increased $33 million or 26% to $162 million for the first three months of 2001 primarily due to net securities gains and strong business growth. Excluding net securities gains from the first three months of 2001 and net securities losses from the first three months of 2000, earnings increased 11% primarily driven by higher noninterest income, deposit growth and improved efficiency.

Total revenue was $542 million for the first three months of 2001 compared with $477 million for the first three months of 2000. The increase was primarily due to net securities gains and higher consumer transaction activity in 2001. Excluding net securities gains and losses from both periods, revenue increased 7% in the period-to-period comparison.

The provision for credit losses for the first three months of 2001 decreased $2 million compared with the same period in 2000 primarily due to lower net charge-offs in indirect lending.

Total loans increased in the comparison as higher home equity loans and leases that resulted from strategic acquisitions were partially offset by the continued downsizing of the indirect automobile lending portfolio. Total deposits grew 5% in the comparison driven by a $2.3 billion increase in money market deposits. The increase in money market deposits resulted from targeted consumer marketing initiatives to add new accounts and retain existing customers as funds shifted from savings and certificates of deposit.

CORPORATE BANKING

Three months ended March 31 Dollars in millions	2001	2000
INCOME STATEMENT		
Credit-related revenue	$104	$99
Noncredit revenue	88	115
Total revenue	192	214
Provision for credit losses	57	15
Noninterest expense	101	101
Pretax earnings	34	98
Income taxes	10	34
Earnings	$24	$64
AVERAGE BALANCE SHEET		
Loans		
Middle market	$5,969	$6,067
Large corporate	3,199	3,032
Energy, metals and mining	1,383	1,360
Communications	1,262	1,449
Leasing	2,185	1,719
Other	326	382
Total loans	14,324	14,009
Other assets	2,615	1,941
Total assets	$16,939	$15,950
Deposits	$4,901	$4,526
Assigned funds and other liabilities	10,768	10,228
Assigned capital	1,270	1,196
Total funds	$16,939	$15,950
PERFORMANCE RATIOS		
Return on assigned capital	8%	22%
Noncredit revenue to total revenue	46	54
Efficiency	52	47

Corporate Banking provides credit, equipment leasing, treasury management and capital markets products and services to large and mid-sized corporations, institutions and government entities primarily within PNC's geographic region.

The strategic focus for Corporate Banking is to emphasize higher-margin noncredit products and services, especially treasury management and capital markets, and to extend credit to customers as a complement to sales of noncredit products and services. Approximately 40% of the loan portfolio represents syndicated loans. These credits are generally large commitments that are shared by a number of financial institutions to reduce exposure to any one client.

During the first quarter of 2001, the Corporation announced the decision to exit the communications lending sector and to reduce portions of the energy, metals and mining and large corporate lending sectors. The designated loans are reported in Corporate Banking business results in both periods presented.

Management continues to evaluate opportunities to reduce lending exposure and improve the risk/return characteristics of this business.

Corporate Banking contributed 8% of total business earnings for the first three months of 2001 compared with 22% for the first three months of 2000. Earnings declined to $24 million for the first three months of 2001 compared with $64 million for the first three months of 2000 primarily due to $41 million of provision for credit losses in 2001 related to charge-offs in the communications and energy, metals and mining portfolios that PNC has designated for exit or downsizing.

Total revenue of $192 million for the first three months of 2001 decreased $22 million compared with the same period in 2000. Average loans and credit-related revenue increased in the period-to-period comparison primarily driven by loans to large corporate customers that utilize higher-margin noncredit products and services and the expansion of equipment leasing. Middle market loans declined in the period-to-period comparison primarily due to strategies to improve the risk profile of this portfolio. Noncredit revenue includes noninterest income and the benefit of compensating balances received in lieu of fees. Noncredit revenue decreased $27 million compared with the first three months of 2000 primarily due to lower capital markets fees and valuation losses associated with equity investments. The decreases were primarily due to weak equity market conditions.

The provision for credit losses was $57 million for the first three months of 2001 compared with $15 million for the first three months of 2000. The higher provision was primarily due to $41 million of charge-offs in the communications and energy, metals and mining portfolios that PNC has designated for exit or downsizing. A sustained or further weakening of the economy, or other factors that adversely affect asset quality, could result in an increase in the number of delinquencies, bankruptcies or defaults, and a higher level of nonperforming assets, net charge-offs and provision for credit losses in future periods. See Credit Risk in the Risk Management section of this Financial Review for additional information regarding credit risk.

Treasury management and capital markets products offered through Corporate Banking are sold by several businesses across the Corporation and related profitability is included in the results of those businesses. Consolidated revenue from treasury management increased to $88 million for the first three months of 2001 compared with $85 million in the first three months of 2000. The increase was driven by a 7% increase in product revenue that was partially offset by lower income earned on customers' deposit balances resulting from the lower interest rate environment in 2001. Consolidated revenue from capital markets was $23 million for the first three months of 2001, an $11 million decrease compared with the first three months of 2000. The decrease was primarily due to weak equity market conditions as well as the impact of exiting certain lending sectors.

PNC REAL ESTATE FINANCE

Three months ended March 31 Dollars in millions	2001	2000
INCOME STATEMENT		
Net interest income	$29	$27
Noninterest income		
Commercial mortgage banking	17	12
Other	7	7
Total noninterest income	24	19
Total revenue	53	46
Provision for credit losses		
Noninterest expense	36	35
Pretax earnings	17	11
Income tax benefit	(3)	(2)
Earnings	$20	$13
AVERAGE BALANCE SHEET		
Loans		
Commercial - real estate related	$1,852	$2,019
Commercial real estate	2,325	2,438
Total loans	4,177	4,457
Commercial mortgages held for sale	236	99
Other assets	965	826
Total assets	$5,378	$5,382

Deposits	$338	$226
Assigned funds and other liabilities	4,646	4,770
Assigned capital	394	386
Total funds	$5,378	$5,382
PERFORMANCE RATIOS		
Return on assigned capital	21%	14%
Noninterest income to total revenue	45	41
Efficiency	54	61

PNC Real Estate Finance provides credit, capital markets, treasury management, commercial mortgage loan servicing and other products and services to developers, owners and investors in commercial real estate. PNC's commercial real estate financial services platform includes Midland Loan Services, Inc. ("Midland"), one of the largest national servicers of commercial mortgage loans, and Columbia Housing Partners, LP, a national syndicator of affordable housing equity, among other businesses.

On October 27, 2000, Midland acquired Univest Financial Group LLC, a privately held provider of technology and data management services to the commercial real estate finance industry. The combined company created one of the nation's leading providers of Web-enabled loan servicing and asset administration solutions for commercial real estate portfolio lenders, financial institutions and commercial mortgage-backed securities.

Over the past three years, PNC Real Estate Finance has been strategically shifting to a more balanced and valuable revenue stream by focusing on real estate processing businesses, including commercial loan servicing. During the first three months of 2001, 45% of total revenue was generated by fee-based activities compared with 41% for the first three months of 2000. Also, management continues to evaluate opportunities to reduce lending exposure and improve the risk/return characteristics of this business.

PNC Real Estate Finance contributed 6% of total business earnings for the first three months of 2001 compared with 5% for the first three months of 2000. Earnings increased $7 million or 54% in the period-to-period comparison primarily due to growth in commercial mortgage servicing fees and the affordable housing business. The efficiency ratio improved to 54% for the first three months of 2001 compared with 61% during the same period in 2000. Average loans decreased 6% reflecting management's ongoing strategy to reduce balance sheet leverage.

Total revenue was $53 million for the first three months of 2001 compared with $46 million for the first three months of 2000. The increase of $7 million or 15% was primarily due to higher commercial mortgage servicing fees reflecting a larger servicing portfolio. The commercial mortgage servicing portfolio grew 26% in the comparison to $58 billion at March 31, 2001 primarily due to purchased servicing associated with loan securitizations.

COMMERCIAL MORTGAGE SERVICING PORTFOLIO

In billions	2001	2000
January 1	$51	$45
Acquisitions/additions	9	3
Repayments/transfers	(2)	(2)
March 31	$58	$46

There was no provision for credit losses in either period presented.

PNC BUSINESS CREDIT

Three months ended March 31 Dollars in millions	2001	2000
INCOME STATEMENT		
Net interest income	$24	$24
Noninterest income	14	4
Total revenue	38	28
Provision for credit losses	5	
Noninterest expense	8	7

Pretax earnings	25	21
Income taxes	9	8
Earnings	$16	$13
AVERAGE BALANCE SHEET		
Loans	$2,255	$1,999
Other assets	122	85
Total assets	$2,377	$2,084
Deposits	$77	$44
Assigned funds and other liabilities	2,142	1,902
Assigned capital	158	138
Total funds	$2,377	$2,084
PERFORMANCE RATIOS		
Return on assigned capital	41%	38%
Noninterest income to total revenue	37	14
Efficiency	18	21

PNC Business Credit provides asset-based lending, capital markets and treasury management products and services to middle market customers nationally. PNC Business Credit's lending services include loans secured by accounts receivable, inventory, machinery and equipment, and other collateral, and its customers include manufacturing, wholesale, distribution, retailing and service industry companies.

PNC Business Credit's strategic focus is to build scale through expansion of existing offices as well as the addition of new marketing locations. The loan portfolio grew 13% to $2.4 billion at March 31, 2001 primarily as a result of this expansion. PNC Business Credit currently operates 15 offices in 13 states with a centralized back office to provide consistency to the control environment as well as cost efficiencies.

PNC Business Credit contributed 5% of total business earnings for the first three months of both 2001 and 2000. Earnings increased $3 million or 23% in the period-to-period comparison to $16 million for the first three months of 2001 as higher revenue was partially offset by a $5 million provision for credit losses.

Revenue was $38 million for the first three months of 2001, a $10 million or 36% increase compared with the first three months of 2000 primarily due to higher noninterest income. The increase in noninterest income primarily resulted from gains on equity interests received as compensation in conjunction with lending relationships.

Noninterest expense was $8 million and the efficiency ratio improved to 18% for the first three months of 2001 compared with $7 million and 21%, respectively, for the first three months of 2000. The efficiency ratio improved in the comparison primarily due to higher noninterest income and economies of scale. The return on assigned capital improved to 41% for the first three months of 2001 due to higher revenue and improved efficiency.

The provision for credit losses for the first three months of 2001 was $5 million and increased primarily due to one credit. PNC Business Credit loans are secured loans to borrowers with a weaker financial condition. These loans are more susceptible to changes in economic conditions and losses may result from insufficient proceeds from sale of collateral supporting the loans. As a result, the provision for credit losses may be affected by the impact on borrowers of a weak economy and loan portfolio growth, among other factors. See Credit Risk in the Risk Management section of this Financial Review for additional information regarding credit risk.

PNC ADVISORS

Three months ended March 31 Dollars in millions	2001	2000
INCOME STATEMENT		
Net interest income	$32	$35
Noninterest income		
Investment management and trust	111	100
Brokerage	36	50
Other	20	19
Total noninterest income	167	169

Total revenue	199	204
Provision for credit losses		3
Noninterest expense	128	135
Pretax earnings	71	66
Income taxes	27	25
Earnings	$44	$41
AVERAGE BALANCE SHEET		
Loans		
Consumer	$1,106	$954
Residential mortgage	930	978
Commercial	564	658
Other	422	552
Total loans	3,022	3,142
Other assets	483	456
Total assets	$3,505	$3,598
Deposits	$1,981	$2,084
Assigned funds and other liabilities	968	967
Assigned capital	556	547
Total funds	$3,505	$3,598
PERFORMANCE RATIOS		
Return on assigned capital	32%	30%
Noninterest income to total revenue	84	83
Efficiency	63	65

PNC Advisors provides a full range of tailored investment products and services to affluent individuals and families including full-service brokerage through J.J.B. Hilliard, W.L. Lyons, Inc. ("Hilliard Lyons") and investment advisory services to the ultra-affluent through Hawthorn. PNC Advisors also serves as investment manager and trustee for employee benefit plans and charitable and endowment assets. PNC Advisors is focused on expanding Hilliard Lyons and Hawthorn, increasing market share in PNC's geographic region and leveraging its comprehensive distribution platform.

PNC Advisors contributed 14% of total business earnings for the first three months of both 2001 and 2000. Earnings of $44 million for the first three months of 2001 increased $3 million or 7% compared with the first three months of 2000.

Revenue decreased $5 million in the period-to-period comparison as asset management fees increased 11%, but were more than offset by lower brokerage revenue. The decrease in brokerage revenue was primarily due to a decline in retail investor trading activity as equity markets declined. Management expects that brokerage revenue will continue to be lower than the prior year until market conditions improve.

Noninterest expense decreased 5% in the period-to-period comparison primarily due to lower production-based compensation and effective expense management initiatives that resulted in improved operating efficiency.

ASSETS UNDER MANAGEMENT (a)

March 31 - in billions	2001	2000
Personal investment management and trust	$47	$51
Institutional trust	14	15
Total	$61	$66

(a) Assets under management do not include brokerage assets administered.

Personal investment management and trust assets under management decreased by approximately $5 billion primarily due to a decline in the value of the equity component of customers' portfolios that resulted from weak equity markets. See Asset Management Performance in the Risk Factors section of this Financial Review for additional information regarding asset management performance.

Brokerage assets administered by PNC Advisors were $27 billion at March 31, 2001, compared with $28 billion at March 31, 2000 and also declined due to weak equity market conditions.

BLACKROCK

Three months ended March 31 Dollars in millions	2001	2000
INCOME STATEMENT		
Investment advisory and administrative fees	$125	$102
Other income	9	6
Total revenue	134	108
Operating expense	72	54
Fund administration and servicing costs - affiliates	17	20
Amortization	3	2
Total expense	92	76
Operating income	42	32
Nonoperating income	2	1
Pretax earnings	44	33
Income taxes	19	14
Earnings	$25	$19
PERIOD-END BALANCE SHEET		
Intangible assets	$190	$192
Other assets	310	196
Total assets	$500	$388
Other liabilities	$98	$88
Stockholders' equity	402	300
Total liabilities and stockholders' equity	$500	$388
PERFORMANCE DATA		
Return on equity	26%	26%
Operating margin (a)	36	36
Diluted earnings per share	$.39	$.30

(a) Excludes the impact of fund administration and servicing costs - affiliates.

BlackRock is one of the largest publicly traded investment management firms in the United States with $202 billion of assets under management at March 31, 2001. BlackRock manages assets on behalf of institutions and individuals through a variety of fixed income, liquidity, equity and alternative investment separate accounts and mutual funds, including its flagship fund families, BlackRock Funds and BlackRock Provident Institutional Funds. In addition, BlackRock provides risk management and technology services to a growing number of institutional investors under the BlackRock Solutions name.

BlackRock continues to focus on its objective of delivering superior investment performance to its clients while pursuing strategies to build on its core strengths and to selectively expand the firm's expertise and breadth of distribution.

BlackRock contributed 8% of total business earnings for the first three months of 2001 compared with 7% for the first three months of 2000. Earnings increased 33% in the period-to-period comparison primarily due to a 17% increase in assets under management. New client mandates and additional funding from existing clients was $26 billion or 87% of the increase in assets under management. Total revenue for the first three months of 2001 increased $26 million or 24% compared with the first three months of 2000 primarily due to new business and strong fixed-income performance. The increase in operating expense in the period-to-period comparison supported revenue growth and business expansion.

ASSETS UNDER MANAGEMENT March 31 - in billions	2001	2000
Separate accounts		
Fixed income	$107	$78
Liquidity	6	8
Liquidity - securities lending	8	11
Equity	8	6
Alternative investment products	4	2
Total separate accounts	133	105
Mutual funds		
Fixed income	14	14
Liquidity	44	37
Equity	11	16
Total mutual funds	69	67

Total assets under management	$202	$172
Proprietary mutual funds		
BlackRock Funds	$24	$29
BlackRock Provident Institutional Funds	37	26
Total proprietary mutual funds	$61	$55

BlackRock, Inc. is approximately 70% owned by PNC and is listed on the New York Stock Exchange under the symbol BLK. Additional information about BlackRock is available in its filings with the Securities and Exchange Commission ("SEC") and may be obtained electronically at the SEC's home page at www.sec.gov.

PFPC

Three months ended March 31 Dollars in millions	2001	2000
INCOME STATEMENT		
Fund servicing revenue	$184	$161
Operating expense	131	128
Amortization	6	7
Operating income	47	26
Nonoperating income	5	8
Debt financing	24	24
Pretax earnings	28	10
Income taxes	11	4
Earnings	$17	$6
AVERAGE BALANCE SHEET		
Intangible assets	$1,086	$1,113
Other assets	649	490
Total assets	$1,735	$1,603
Assigned funds and other liabilities	$1,527	$1,397
Assigned capital	208	206
Total funds	$1,735	$1,603
PERFORMANCE RATIOS		
Operating margin	26%	16%
Return on assigned capital	33	12

PFPC is the largest full-service mutual fund transfer agent and second largest provider of mutual fund accounting and administration services in the United States, providing a wide range of global fund services to the investment management industry. As an extension of its domestic services, PFPC also provides customized processing services to the international marketplace through its Dublin, Ireland and Luxembourg operations.

To meet the growing needs of the European marketplace, PFPC continues its pursuit of offshore expansion. PFPC is also focusing technological resources on targeted Web-based initiatives and exploring strategic alliances.

PFPC contributed 6% of total business earnings for the first three months of 2001 and 2% for the first three months of 2000. Earnings increased $11 million, nearly tripling, in the period-to-period comparison and performance ratios improved significantly. The increase was primarily due to strong growth in transfer agency services that resulted from an increase in mutual fund shareholder accounts serviced.

Revenue of $184 million for the first three months of 2001 increased $23 million or 14% compared with the first three months of 2000, primarily driven by existing client growth and new business. See Fund Servicing in the Risk Factors section of this Financial Review for additional information regarding fund servicing.

Operating expense increased a modest 2% in the period-to-period comparison, as the prior-year quarter included one-time costs related to the integration of Investor Services Group.

SERVICING STATISTICS

March 31	2001	2000
Accounting/administration assets ($ in billions) (a)	$472	$448
Custody assets ($ in billions)	435	425
Shareholder accounts (in millions)	44	39

(a) Includes approximately $11 billion and $7 billion of international assets at March 31, 2001 and March 31, 2000, respectively.

CONSOLIDATED INCOME STATEMENT REVIEW
NET INTEREST INCOME ANALYSIS

<TABLE>
<CAPTION>

Taxable-equivalent basis	Average Balances			Interest Income/Expense			Average Yields/Rates		
Three months ended March 31 Dollars in millions	2001	2000	Change	2001	2000	Change	2001	2000	Change
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Interest-earning assets									
Loans held for sale	$2,005	$3,319	$(1,314)	$37	$64	$(27)	7.31%	7.64%	(33)bp
Securities available for sale	8,061	6,128	1,933	122	95	27	6.08	6.22	(14)
Loans, net of unearned income									
Consumer	9,085	9,247	(162)	194	192	2	8.70	8.35	35
Residential mortgage	12,673	12,584	89	232	222	10	7.32	7.08	24
Commercial	20,882	21,791	(909)	422	447	(25)	8.09	8.12	(3)
Commercial real estate	2,580	2,698	(118)	55	59	(4)	8.44	8.60	(16)
Lease financing	3,897	2,958	939	71	54	17	7.32	7.33	(1)
Other	520	688	(168)	11	14	(3)	7.98	8.09	(11)
Total loans, net of unearned income	49,637	49,966	(329)	985	988	(3)	7.96	7.88	8
Other	1,831	1,113	718	33	19	14	7.20	6.92	28
Total interest-earning assets/ interest income	61,534	60,526	1,008	1,177	1,166	11	7.67	7.68	(1)
Noninterest-earning assets	10,251	7,818	2,433						
Investment in discontinued operations	207	412	(205)						
Total assets	$71,992	$68,756	$3,236						
Interest-bearing liabilities									
Deposits									
Demand and money market	$20,468	$17,700	$2,768	162	138	24	3.20	3.14	6
Savings	1,919	2,138	(219)	6	9	(3)	1.31	1.64	(33)
Retail certificates of deposit	13,724	14,591	(867)	199	191	8	5.90	5.25	65
Other time	565	637	(72)	10	10		6.67	6.36	31
Deposits in foreign offices	1,402	1,489	(87)	20	21	(1)	5.75	5.63	12
Total interest-bearing deposits	38,078	36,555	1,523	397	369	28	4.22	4.05	17
Borrowed funds	14,375	15,333	(958)	221	237	(16)	6.15	6.14	1

Total interest-bearing liabilities/ interest expense	52,453	51,888	565	618	606	12	4.75	4.67	8
Noninterest-bearing liabilities, capital securities and shareholders' equity	19,539	16,868	2,671						
Total liabilities, capital securities and shareholders' equity	$71,992	$68,756	$3,236						
Interest rate spread							2.92	3.01	(9)
Impact of noninterest-bearing sources							.70	.67	3
Net interest income/margin				$559	$560	$(1)	3.62%	3.68%	(6)bp

</TABLE>

NET INTEREST INCOME
Changes in net interest income and margin result from the interaction between the volume and composition of earning assets, related yields and associated funding costs. Accordingly, portfolio size, composition and yields earned and funding costs can have a significant impact on net interest income and margin.

Taxable-equivalent net interest income of $559 million for the first three months of 2001 remained relatively unchanged compared with the first three months of 2000 as the impact of a higher level of interest-earning assets was offset by a narrower net interest margin. The net interest margin was 3.62% for the first three months of 2001 compared with 3.68% for the first three months of 2000. The narrowing of the net interest margin was primarily due to a higher proportion of securities available for sale in the mix of earning assets.

Loans represented 81% of average earning assets for the first three months of 2001 compared with 83% for the first three months of 2000. The decrease was primarily due to the ongoing downsizing of certain credit-related businesses and the securitization of residential mortgage loans during the first three months of 2001. Average loans held for sale decreased $1.3 billion in the period-to-period comparison due to a reduction in commercial loans held for sale that were designated for exit in 1999. Securities available for sale represented 13% of average earning assets for the first three months of 2001 compared with 10% for the first three months of 2000. The increase was primarily due to the purchase of U.S. agencies and asset-backed securities and the securitization of residential mortgage loans as part of balance sheet and interest rate risk management activities.

Funding cost is affected by the volume and composition of funding sources as well as related rates paid thereon. Average deposits comprised 64% of total sources of funds for the first three months of both 2001 and 2000, with the remainder primarily comprised of wholesale funding obtained at prevailing market rates.

Average demand and money market deposits increased $2.8 billion or 16% compared with the first three months of 2000, primarily reflecting the impact of strategic marketing initiatives to grow more valuable transaction accounts, while all other interest-bearing deposit categories decreased in the period-to-period comparison. Average borrowed funds for the first three months of 2001 decreased $1.0 billion compared with the first three months of 2000 as lower bank notes and Federal Home Loan Bank borrowings were partially offset by increases in federal funds purchased and repurchase agreements. The overall decrease in average borrowed funds was primarily due to deposit growth.

PROVISION FOR CREDIT LOSSES
The provision for credit losses was $80 million for the first three months of 2001 compared with $31 million for the first three months of 2000. Net charge-offs were $80 million or .65% of average loans for the first three months of 2001 compared with $31 million or .25%, respectively, for the first three months of 2000. The increases were primarily due to $41 million of provision for credit losses related to charge-offs in the communications and energy, metals and mining portfolios that PNC has designated for exit or downsizing. Excluding this amount, net charge-offs were $39 million or .32% of average loans for the first three months of 2001. See Credit Risk in the Risk Management section of

this Financial Review for additional information regarding credit risk.

NONINTEREST INCOME

Noninterest income was $701 million for the first three months of 2001 and included $39 million of equity management losses. Excluding equity management gains and losses in both years, noninterest income increased 15% compared with the first three months of 2000 primarily due to growth in asset management and processing revenue.

Asset management fees of $223 million for the first three months of 2001 increased $37 million or 20% primarily driven by new business. Assets under management were $248 billion at March 31, 2001, a 13% increase compared with March 31, 2000. Fund servicing fees were $181 million for the first three months of 2001, a $26 million or 17% increase compared with the first three months of 2000 primarily driven by existing client growth and new business.

Brokerage fees were $54 million for the first three months of 2001 compared with $71 million for the first three months of 2000. The decrease was primarily due to a decline in equity markets activity. Consumer services revenue of $55 million for the first three months of 2001 increased $8 million or 17% compared with the first three months of 2000 primarily due to an increase in retail transaction volume.

Corporate services revenue was $76 million for the first three months of 2001 compared with $82 million for the first three months of 2000. The decrease was primarily due to lower capital markets revenue and other asset write-downs.

Equity management, which includes venture capital investment gains and losses, reflected a net loss of $39 million for the first three months of 2001 compared with $87 million of income for the first three months of 2000. The decrease primarily resulted from a decline in the estimated fair value of partnership and direct investments. Equity management investments totaling $678 million had net unrealized appreciation of $74 million at March 31, 2001. These valuations are subject to market conditions and may be volatile.

Net securities gains were $29 million for the first three months of 2001 and were mostly offset by write-downs of other assets and e-commerce investments totaling $22 million that are reflected in corporate services and other income.

Other noninterest income was $72 million for the first three months of 2001 compared with $53 million for the first three months of 2000. The increase was primarily due to residential mortgage loan securitizations and student loan sales.

NONINTEREST EXPENSE

Noninterest expense was $775 million for the first three months of 2001 compared with $792 million for the first three months of 2000. The efficiency ratio was 58% for the first three months of both 2001 and 2000. Average full-time equivalent employees totaled approximately 24,800 and 23,900 for the first three months of 2001 and 2000, respectively. The increase was primarily in asset management and processing businesses.

CONSOLIDATED BALANCE SHEET REVIEW

LOANS

Loans were $45.6 billion at March 31, 2001, a $5 billion decrease from year-end 2000 primarily due to residential mortgage loan securitizations. Most loan categories declined as a result of efforts to reduce balance sheet leverage.

DETAILS OF LOANS

In millions	March 31 2001	December 31 2000 (a)
Consumer		
Home equity	$6,592	$6,228
Automobile	1,045	1,166
Other	1,412	1,739
Total consumer	9,049	9,133
Residential mortgage	8,806	13,264
Commercial		
Manufacturing	5,446	5,581
Retail/wholesale	4,478	4,413
Service providers	2,835	2,944
Real estate related	1,762	1,783

Communications	1,019	1,296
Health care	688	722
Financial services	1,692	1,726
Other	2,756	2,742
Total commercial	20,676	21,207
Commercial real estate		
Mortgage	655	673
Real estate project	1,935	1,910
Total commercial real estate	2,590	2,583
Lease financing	5,080	4,845
Other	487	568
Unearned income	(1,062)	(999)
Total, net of unearned income	$45,626	$50,601

(a) Certain amounts have been reclassified to conform to the current year presentation.

During 1999, total outstandings and exposure designated for exit totaled $3.7 billion and $10.5 billion, respectively. At March 31, 2001, remaining outstandings associated with this initiative were $800 million, of which $648 million were classified as loans with the remainder included in loans held for sale. Total remaining exposure related to this initiative was $2.5 billion at March 31, 2001.

In addition, outstandings and exposure totaling approximately $2.5 billion and $7.0 billion, respectively, were designated for exit or downsizing during the first quarter of 2001, primarily consisting of the communications portfolio and certain portions of the energy, metals and mining and large corporate portfolios in Corporate Banking.

Loan portfolio composition continued to be geographically diversified among numerous industries and types of businesses.

NET UNFUNDED COMMITMENTS (a)

In millions	March 31 2001	December 31 2000
Consumer	$4,580	$4,414
Commercial	18,669	24,253
Commercial real estate	1,013	1,039
Lease financing	164	123
Other	182	173
Total	$24,608	$30,002

(a) Excludes unfunded commitments related to loans designated for exit in 1999 and 2001.

Commitments to extend credit represent arrangements to lend funds subject to specified contractual conditions. Commercial commitments are reported net of participations, assignments and syndications, primarily to financial institutions, totaling $7.2 billion at both March 31, 2001 and December 31, 2000.

Net outstanding letters of credit totaled $4.0 billion at both March 31, 2001 and December 31, 2000 and consisted primarily of standby letters of credit that commit the Corporation to make payments on behalf of customers if certain specified future events occur. Unfunded commitments and letters of credit related to loans designated for exit in 2001 and 1999 totaled $6.2 billion at March 31, 2001 and $1.7 billion at December 31, 2000.

SECURITIES AVAILABLE FOR SALE

The fair value of securities available for sale at March 31, 2001 was $12.0 billion compared with $5.9 billion at December 31, 2000. Securities represented 17% of total assets at March 31, 2001 compared with 8% at December 31, 2000. The increase was primarily due to $3.8 billion of residential mortgage loan securitizations and purchases of U.S. agencies and asset-backed securities during the first three months of 2001. The expected weighted-average life of securities available for sale was 3 years and 11 months at March 31, 2001 compared with 4 years and 5 months at December 31, 2000.

At March 31, 2001, the securities available for sale balance included a net unrealized loss of $6 million, which represented the difference between fair value and amortized cost. The comparable amount at December 31, 2000 was a net unrealized loss of $54 million. Net unrealized gains and losses in the securities available for sale portfolio are included in accumulated other comprehensive income or loss, net of tax or, for the portion attributable to changes in a hedged risk as part of a fair value hedge strategy, in net income.

DETAILS OF SECURITIES AVAILABLE FOR SALE

In millions	Amortized Cost	Fair Value
MARCH 31, 2001		
Debt securities		
U.S. Treasury and government agencies	$1,519	$1,522
Mortgage-backed	8,707	8,705
Asset-backed	1,358	1,361
State and municipal	80	83
Other debt	70	71
Corporate stocks and other	248	234
Total securities available for sale	$11,982	$11,976
DECEMBER 31, 2000		
Debt securities		
U.S. Treasury and government agencies	$313	$313
Mortgage-backed	4,037	4,002
Asset-backed	902	893
State and municipal	94	96
Other debt	73	73
Corporate stocks and other	537	525
Total securities available for sale	$5,956	$5,902

FUNDING SOURCES
Total funding sources were $59.5 billion at March 31, 2001 and were essentially flat compared with December 31, 2000 as a decrease in deposits was offset by an increase in borrowed funds. Retail certificates of deposit decreased due to the lower rate environment in 2001, however, money market deposits increased due to ongoing strategic marketing efforts to retain customers and increase these balances. The change in the composition of borrowed funds reflected the impact of closing the sale of the residential mortgage banking business as well as a shift within categories to manage overall funding costs.

DETAILS OF FUNDING SOURCES

In millions	March 31 2001	December 31 2000
Deposits		
Demand, savings and money market	$31,294	$30,686
Retail certificates of deposit	13,278	14,175
Other time	563	567
Deposits in foreign offices	2,054	2,236
Total deposits	47,189	47,664
Borrowed funds		
Federal funds purchased	785	1,445
Repurchase agreements	830	607
Bank notes and senior debt	5,362	6,110
Federal Home Loan Bank borrowings	2,623	500
Subordinated debt	2,379	2,407
Other borrowed funds	300	649
Total borrowed funds	12,279	11,718
Total	$59,468	$59,382

CAPITAL
The access to and cost of funding new business initiatives including acquisitions, the ability to engage in expanded business activities, the ability to pay dividends, deposit insurance costs, and the level and nature of regulatory oversight depend, in large part, on a financial institution's capital strength. At March 31, 2001, the Corporation and each bank subsidiary were considered well capitalized based on regulatory capital ratio requirements.

RISK-BASED CAPITAL

Dollars in millions	March 31 2001	December 31 2000
Capital components		

Shareholders' equity		
Common	$6,470	6,344
Preferred	311	312
Trust preferred capital securities	848	848
Goodwill and other	(2,189)	(2,214)
Net unrealized securities losses	2	77
Tier I risk-based capital	5,442	5,367
Subordinated debt	1,786	1,811
Eligible allowance for credit losses	675	667
Total risk-based capital	$7,903	$7,845
Assets		
Risk-weighted assets and off-balance-sheet instruments	$62,563	$62,430
Average tangible assets	69,750	66,809
Capital ratios		
Tier I risk-based	8.7%	8.6%
Total risk-based	12.6	12.6
Leverage	7.8	8.0

The capital position is managed through balance sheet size and composition, issuance of debt and equity instruments, treasury stock activities, dividend policies and retention of earnings.

During the first three months of 2001, PNC repurchased 2.3 million shares of its common stock. On February 15, 2001, the Board of Directors authorized the Corporation to purchase up to 15 million shares of its common stock through February 28, 2002. This new program replaces the prior program that was rescinded.

On March 6, 2001, the Corporation commenced a cash tender offer for its nonconvertible Series F preferred stock at a price of $50.35 per share plus accrued and unpaid dividends. Approximately 1.9 million shares of a total of 6 million shares outstanding were tendered through this offer and were purchased by the Corporation on April 5, 2001.

RISK FACTORS

The Corporation is subject to a number of risk factors including, among others, those described below and in the Risk Management and Forward-Looking Statements sections of this Financial Review. These factors and others could impact the Corporation's business, financial condition and results of operations.

BUSINESS AND ECONOMIC CONDITIONS

The Corporation's business and results of operations are sensitive to general business and economic conditions in the United States. These conditions include the level and movement of interest rates, inflation, monetary supply, fluctuations in both debt and equity capital markets, and the strength of the U.S. economy, in general, and the regional economies in which the Corporation conducts business. An economic downturn or higher interest rates could decrease the demand for loans and other products and services offered by the Corporation, increase usage of unfunded commitments or increase the number of customers and counterparties who become delinquent, file for protection under bankruptcy laws or default on their loans or other obligations to the Corporation. An increase in the number of delinquencies, bankruptcies or defaults could result in a higher provision for credit losses and a higher level of net charge-offs. Changes in interest rates could affect the value of certain on-balance-sheet and off-balance-sheet financial instruments of the Corporation. Higher interest rates would also increase the Corporation's cost to borrow funds and may increase the rate paid on deposits. Also, changes in equity markets could affect the value of equity investments and the net asset value of assets under management and administration. A decline in the equity markets could negatively affect noninterest revenues.

MONETARY AND OTHER POLICIES

The financial services industry is subject to various monetary and other policies and regulations of the United States government and its agencies, which include the Federal Reserve Board, the Office of the Comptroller of Currency and the Federal Deposit Insurance Corporation as well as state regulators. The Corporation is particularly affected by the policies of the Federal Reserve Board, which regulates the supply of money and credit in the United States. The Federal Reserve Board's policies influence the rates of interest that PNC charges on loans and pays on interest-bearing deposits and can also affect the value of on-balance-sheet and off-balance-sheet financial instruments. Those policies also influence, to a significant extent, the cost of funding for the Corporation.

COMPETITION

The Corporation operates in a highly competitive environment, both in terms of the products and services offered and the geographic markets in which PNC conducts business. This environment could become even more competitive in the future. The Corporation competes with local, regional and national banks, thrifts, credit unions and non-bank financial institutions, such as investment banking firms, investment advisory firms, brokerage firms, investment companies, venture capital firms, mutual fund complexes and insurance companies, as well as other entities that offer financial services, and through alternative delivery channels such as the World Wide Web. Technological advances and new legislation, among other changes, have lowered barriers to entry and have made it possible for non-bank institutions to offer products and services that traditionally have been provided by banks. Many of the Corporation's competitors benefit from fewer regulatory constraints and lower cost structures, allowing for more competitive pricing of products and services.

The Gramm-Leach-Bliley Act ("the Act"), which was enacted on November 12, 1999, permits affiliations among banks, securities firms and insurance companies. The Act significantly changes the competitive environment in which the Corporation conducts business. This environment could result in a loss of customers and related revenue.

DISINTERMEDIATION

Disintermediation is the process of eliminating the role of the intermediary in completing a transaction. For the financial services industry, this means eliminating or significantly reducing the role of banks and other depository institutions in completing transactions that have traditionally involved banks. Disintermediation could result in, among others, the loss of customer deposits and decreases in transactions that generate fee income.

ASSET MANAGEMENT PERFORMANCE

Asset management revenue is primarily based on a percentage of the value of assets under management and performance fees expressed as a percentage of the returns realized on assets under management. A decline in the prices of debt and equity instruments, among other things, could cause asset management revenue to decline.

Investment performance is an important factor for the level of assets under management. Poor investment performance could impair revenue and growth as existing clients might withdraw funds in favor of better performing products. Also, performance fees could be lower or nonexistent. Additionally, the ability to attract funds from existing and new clients might diminish.

FUND SERVICING

Fund servicing fees are primarily based on the market value of the assets and the number of shareholder accounts administered by the Corporation for its clients. A rise in interest rates or a decline in the debt and equity markets could influence an investor's decision to invest or maintain an investment in a mutual fund. As a result, fluctuations may occur in the level or value of assets that the Corporation has under administration. A significant investor migration from mutual fund investments could have a negative impact on the Corporation's revenues by reducing the assets and the number of shareholder accounts it administers. There has been and continues to be merger, acquisition and consolidation activity in the financial services industry. Mergers or consolidations of financial institutions in the future could reduce the number of existing or potential fund servicing clients.

ACQUISITIONS

The Corporation expands its business from time to time by acquiring other financial services companies. Factors pertaining to acquisitions that could adversely affect the Corporation's business and earnings include, among others:

- anticipated cost savings or potential revenue enhancements that may not be fully realized or realized within the expected time frame;

- customer loss or revenue loss following an acquisition that may be greater than expected; and

- costs or difficulties related to the integration of businesses that may be greater than expected.

RISK MANAGEMENT

In the normal course of business, the Corporation assumes various types of risk, which include, among others, credit risk, interest rate risk, liquidity risk, and risk associated with trading activities and financial derivatives. PNC has risk management processes designed to provide for risk identification, measurement and monitoring.

CREDIT RISK

Credit risk represents the possibility that a borrower, counterparty or insurer may not perform in accordance with contractual terms. Credit risk is inherent in the financial services business and results from extending credit to customers, purchasing securities and entering into off-balance-sheet financial derivative transactions. The Corporation seeks to manage credit risk through, among other things, diversification, limiting exposure to any single industry or customer, requiring collateral, selling participations to third parties, and purchasing credit-related derivatives.

NONPERFORMING ASSETS BY TYPE

Dollars in millions	March 31 2001	December 31 2000
Nonaccrual loans		
Commercial	$296	$312
Commercial real estate	21	3
Residential mortgage	4	4
Consumer	3	2
Lease financing	6	2
Total nonaccrual loans	330	323
Troubled debt restructured loan	6	
Total nonperforming loans	336	323
Foreclosed and other assets		
Commercial real estate	2	3
Residential mortgage	7	8
Other	41	38
Total foreclosed and other assets	50	49
Total nonperforming assets	$386	$372
Nonperforming loans to total loans	.74%	.64%
Nonperforming assets to total loans, loans held for sale and foreclosed assets	.81	.71
Nonperforming assets to total assets	.54	.53

The above table excludes $24 million and $18 million of equity management assets carried at estimated fair value at March 31, 2001 and December 31, 2000, respectively. The amount of nonperforming loans that were current as to principal and interest was $65 million at March 31, 2001 and $67 million at December 31, 2000. Approximately one-third of nonperforming assets were from portfolios or loans that were designated for exit or downsizing at March 31, 2001.

A sustained or further weakening of the economy, or other factors that adversely affect asset quality, could result in an increase in the number of delinquencies, bankruptcies or defaults, and a higher level of nonperforming assets, net charge-offs and provision for credit losses in future periods. See the Forward-Looking Statements section of this Financial Review for additional factors that could cause actual results to differ materially from forward-looking statements or historical performance.

CHANGE IN NONPERFORMING ASSETS

In millions	2001	2000
January 1	$372	$325
Transferred from accrual	171	114
Returned to performing	(13)	(2)
Principal reductions	(38)	(45)
Sales	(17)	(5)
Charge-offs and other	(89)	(43)
March 31	$386	$344

ACCRUING LOANS PAST DUE 90 DAYS OR MORE

Amount Percent of Loans

Dollars in millions	March 31 2001	December 31 2000	March 31 2001	December 31 2000
Commercial	$14	$46	.07%	.22%
Commercial real estate	5	6	.19	.23
Residential mortgage	39	36	.44	.27
Consumer	21	24	.23	.26
Lease financing	1	1	.02	.03
Total	$80	$113	.18	.22

Loans not included in nonaccrual or past due categories, but where information about possible credit problems causes management to be uncertain about the borrower's ability to comply with existing repayment terms over the next six months totaled $261 million at March 31, 2001.

ALLOWANCE FOR CREDIT LOSSES

In determining the adequacy of the allowance for credit losses, the Corporation makes specific allocations to impaired loans and to pools of watchlist and nonwatchlist loans for various credit risk factors. Allocations to loan pools are developed by business segment and risk rating and are based on historical loss trends and management's judgment concerning those trends and other relevant factors. Those factors may include, among other things, actual versus estimated losses, regional and national economic conditions, business segment and portfolio concentrations, industry competition and consolidation, and the impact of government regulations. Consumer and residential mortgage loan allocations are made at a total portfolio level based on historical loss experience adjusted for portfolio activity and economic conditions.

While PNC's pool reserve methodologies strive to reflect all risk factors, there continues to be a certain element of risk associated with, but not limited to, potential estimation or judgmental errors. Unallocated reserves are designed to provide coverage for such risks. While allocations are made to specific loans and pools of loans, the total reserve is available for all credit losses.

Senior management's Reserve Adequacy Committee provides oversight for the allowance evaluation process, including quarterly evaluations and methodology and estimation changes. The results of the evaluations are reported to the Credit Committee of the Board of Directors.

The provision for credit losses for the first three months of 2001 and the evaluation of the allowance for credit losses as of March 31, 2001 reflected changes in loan portfolio composition and changes in asset quality. The unallocated portion of the allowance for credit losses represented 20% of the total allowance and .30% of total loans at March 31, 2001 compared with 20% and .26%, respectively, at December 31, 2000.

ROLLFORWARD OF ALLOWANCE FOR CREDIT LOSSES

In millions	2001	2000
January 1	$675	$674
Charge-offs	(91)	(45)
Recoveries	11	14
Net charge-offs	(80)	(31)
Provision for credit losses	80	31
March 31	$675	$674

The allowance as a percent of nonaccrual loans and total loans was 201% and 1.48%, respectively, at March 31, 2001. The comparable year-end 2000 percentages were 209% and 1.33%, respectively.

CHARGE-OFFS AND RECOVERIES

Three months ended March 31 Dollars in millions	Charge-offs	Recoveries	Net Charge-offs	Percent of Average Loans
2001				
Commercial	$78	$6	$72	1.40%
Commercial real estate				
Residential mortgage				
Consumer	10	5	5	.22
Lease financing	3		3	.31
Total	$91	$11	$80	.65
2000				
Commercial	$29	$7	$22	.41%
Commercial real estate				

Residential mortgage	2		2	.06
Consumer	12	6	6	.26
Lease financing	2	1	1	.14
Total	$45	$14	$31	.25

CREDIT-RELATED INSTRUMENTS

Credit default swaps provide, for a fee, an assumption of a portion of the credit risk associated with the underlying financial instruments. The Corporation primarily uses such contracts to mitigate credit risk and lower the required regulatory capital associated with commercial lending activities. At March 31, 2001, credit default swaps of $4.6 billion in notional value were used by the Corporation to hedge credit risk associated with commercial lending activities.

INTEREST RATE RISK

Interest rate risk arises primarily through the Corporation's traditional business activities of extending loans and accepting deposits. Many factors, including economic and financial conditions, movements in interest rates and consumer preferences affect the spread between interest earned on assets and interest paid on liabilities. In managing interest rate risk, the Corporation seeks to minimize its reliance on a particular interest rate scenario as a source of earnings while maximizing net interest income and net interest margin. To further these objectives, the Corporation uses securities purchases and sales, short-term and long-term funding, financial derivatives and other capital markets instruments.

Interest rate risk is centrally managed by Asset and Liability Management. The Corporation actively measures and monitors components of interest rate risk including term structure or repricing risk, yield curve or nonparallel rate shift risk, basis risk and options risk. The Corporation measures and manages both the short-term and long-term effects of changing interest rates. An income simulation model is designed to measure the sensitivity of net interest income to changing interest rates over the next twenty-four month period. An economic value of equity model is designed to measure the sensitivity of the value of existing on-balance-sheet and off-balance-sheet positions to changing interest rates.

The income simulation model is the primary tool used to measure the direction and magnitude of changes in net interest income resulting from changes in interest rates. Forecasting net interest income and its sensitivity to changes in interest rates requires that the Corporation make assumptions about the volume and characteristics of new business and the behavior of existing positions. These business assumptions are based on the Corporation's experience, business plans and published industry experience. Key assumptions employed in the model include prepayment speeds on mortgage-related assets and consumer loans, loan volumes and pricing, deposit volumes and pricing, the expected life and repricing characteristics of nonmaturity loans and deposits, and management's financial and capital plans.

Because these assumptions are inherently uncertain, the model cannot precisely estimate net interest income or precisely predict the effect of higher or lower interest rates on net interest income. Actual results will differ from simulated results due to the timing, magnitude and frequency of interest rate changes, the difference between actual experience and the assumed volume and characteristics of new business and behavior of existing positions, and changes in market conditions and management strategies, among other factors.

The Corporation's interest rate risk management policies provide that net interest income should not decrease by more than 3% if interest rates gradually increase or decrease from current rates by 100 basis points over a twelve-month period. At March 31, 2001, if interest rates were to gradually increase by 100 basis points over the next twelve months, the model indicated that net interest income would decrease by .7%. If interest rates were to gradually decrease by 100 basis points over the next twelve months, the model indicated that net interest income would increase by .1%.

The Corporation models additional interest rate scenarios covering a wider range of rate movements to identify yield curve, term structure and basis risk exposures. These scenarios are developed based on historical rate relationships or management's expectations regarding the future direction and level of interest rates. Depending on market conditions and other factors, these scenarios may be modeled more or less frequently. Such analyses are used to identify inherent risk and develop strategies.

An economic value of equity model is used by the Corporation to value all current on-balance-sheet and off-balance-sheet positions under a range of instantaneous interest rate changes. The resulting change in the value of equity is a measure of overall long-term interest rate risk inherent in the

Corporation's existing on-balance-sheet and off-balance-sheet positions. The Corporation uses the economic value of equity model to complement the net interest income simulation modeling process.

The Corporation's interest rate risk management policies provide that the change in economic value of equity should not decline by more than 1.5% of the book value of assets for a 200 basis point instantaneous increase or decrease in interest rates. Based on the results of the economic value of equity model at March 31, 2001, if interest rates were to instantaneously increase by 200 basis points, the model indicated that the economic value of existing on-balance-sheet and off-balance-sheet positions would decline by 1.1% of assets. If interest rates were to instantaneously decrease by 200 basis points, the model indicated that the economic value of existing on-balance-sheet and off-balance-sheet positions would increase by .1% of assets.

LIQUIDITY RISK

Liquidity represents the Corporation's ability to obtain cost-effective funding to meet the needs of customers as well as the Corporation's financial obligations. Liquidity is centrally managed by Asset and Liability Management, with oversight provided by the Corporate Asset and Liability Committee and the Finance Committee of the Board of Directors.

Access to capital markets funding sources is a key factor affecting liquidity management. Access to such markets is in part based on the Corporation's credit ratings, which are influenced by a number of factors including capital ratios, credit quality and earnings. Additional factors that impact liquidity include the maturity structure of existing assets, liabilities, and off-balance-sheet positions, the level of liquid securities and loans available for sale, and the Corporation's ability to securitize and sell various types of loans.

Liquidity can also be provided through the sale of liquid assets, which consist of short-term investments, loans held for sale and securities available for sale. At March 31, 2001, such assets totaled $14.6 billion, with $4.6 billion pledged as collateral for borrowings, trust and other commitments. Liquidity can also be obtained through secured advances from the Federal Home Loan Bank, of which PNC Bank, N.A., PNC's largest bank subsidiary, is a member. These borrowings are generally secured by residential mortgages and mortgage-backed securities. At March 31, 2001, approximately $7.7 billion of residential mortgages were available as collateral for borrowings from the Federal Home Loan Bank. Funding can also be obtained through alternative forms of borrowing, including federal funds purchased, repurchase agreements and short-term and long-term debt issuances.

Liquidity for the parent company and subsidiaries is also generated through the issuance of securities in public or private markets and lines of credit. At March 31, 2001, the Corporation had unused capacity under effective shelf registration statements of approximately $1.4 billion of debt and equity securities and $400 million of trust preferred capital securities. In addition, the Corporation had an unused line of credit of $485 million.

The principal source of parent company revenue and cash flow is dividends from subsidiary banks. PNC Bancorp, Inc. is a wholly-owned subsidiary of the parent company and is the holding company for all bank subsidiaries. There are legal limitations on the ability of bank subsidiaries to pay dividends and make other distributions to PNC Bancorp, Inc. and in turn to the parent company. Without regulatory approval, the amount available for dividend payments to PNC Bancorp, Inc. by all bank subsidiaries was $302 million at March 31, 2001. Dividends may also be impacted by capital needs, regulatory requirements, corporate policies, contractual restrictions and other factors.

Management believes the Corporation has sufficient liquidity to meet current obligations to borrowers, depositors, debt holders and others. The impact of replacing maturing liabilities is reflected in the income simulation model in the overall asset and liability management process.

TRADING ACTIVITIES

Most of PNC's trading activities are designed to provide capital markets services to customers and not to position the Corporation's portfolio for gains from market movements. PNC participates in derivatives and foreign exchange trading as well as "market making" in equity securities as an accommodation to customers. PNC also engages in trading activities as part of risk management strategies.

Risk associated with trading, capital markets and foreign exchange activities is managed using a value-at-risk approach that combines interest rate risk, foreign exchange rate risk, spread risk and volatility risk. Using this approach, exposure is measured as the potential loss due to a two standard deviation, one-day move in interest rates. The combined period-end value-at-risk of all trading operations using this measurement was estimated as less than $500 thousand at March 31, 2001.

FINANCIAL DERIVATIVES
The Corporation uses a variety of financial derivatives as part of the overall asset and liability risk management process to manage interest rate, market and credit risk inherent in the Corporation's business activities. Substantially all such instruments are used to manage risk related to changes in interest rates. Interest rate and total rate of return swaps, purchased interest rate caps and floors and interest rate futures contracts are the primary instruments used by the Corporation for interest rate risk management.

Interest rate swaps are agreements with a counterparty to exchange periodic fixed and floating interest rate payments calculated on a notional amount. The floating rate is based on a money market index, primarily short-term LIBOR. Total rate of return swaps are agreements with a counterparty to exchange an interest rate payment for the total rate of return on a specified reference index calculated on a notional amount. Purchased interest rate caps and floors are agreements where, for a fee, the counterparty agrees to pay the Corporation the amount, if any, by which a specified market interest rate exceeds or is less than a defined rate applied to a notional amount, respectively. Interest rate futures contracts are exchange-traded agreements to make or take delivery of a financial instrument at an agreed upon price and are settled in cash daily.

Financial derivatives involve, to varying degrees, interest rate, market and credit risk. For interest rate and total rate of return swaps, caps and floors and futures contracts, only periodic cash payments and, with respect to caps and floors, premiums, are exchanged. Therefore, cash requirements and exposure to credit risk are significantly less than the notional value.

Not all elements of interest rate, market and credit risk are addressed through the use of financial or other derivatives, and such instruments may be ineffective for their intended purposes due to unanticipated market characteristics among other reasons.

The following table sets forth changes, during the first three months of 2001, in the notional value of financial derivatives used for risk management and designated as accounting hedges under SFAS No. 133.

<TABLE>
<CAPTION>
FINANCIAL DERIVATIVES ACTIVITY

Dollars in millions	December 31 2000	Adjust-ments(1)	January 1 2001	Addi-tions	Maturi-ties	Termi-nations	March 31 2001	Weighted-Average Maturity
Interest rate risk management								
Interest rate swaps								
Receive fixed	$4,756	$180	$4,936	$2,700	$(500)	$(68)	$7,068	2 yrs. 9 mos.
Pay fixed	1	248	249	20		(102)	167	4 yrs. 3 mos.
Basis swaps	2,230	(1,773)	457			(250)	207	2 yrs.11 mos.
Interest rate caps	308	(243)	65	11		(40)	36	2 yrs. 1 mo.
Interest rate floors	3,238	(238)	3,000	22		(3,000)	22	2 yrs. 2 mos.
Futures contracts				116			116	10 mos.
Total interest rate risk management	10,533	(1,826)	8,707	2,869	(500)	(3,460)	7,616	
Commercial mortgage banking risk management								
Interest rate swaps	311		311	354		(461)	204	9 yrs. 4 mos.

Total rate of return swaps	75		75	75	(75)		75
5 mos.							
Total commercial mortgage banking risk management	386		386	429	(75)	(461)	279
Student lending activities - Forward contracts	347	(347)					
Credit-related activities - Credit default swaps	4,391	(4,391)					
Total	$15,657	$(6,564)	$9,093	$3,298	$(575)	$(3,921)	$7,895

</TABLE>

(1) Primarily consists of derivatives that are not designated as accounting hedges under SFAS No. 133 and instruments no longer considered financial derivatives under SFAS No. 133.

The following table sets forth the notional value and the fair value of financial derivatives used for risk management and designated as accounting hedges under SFAS No. 133. Weighted-average interest rates presented are based on the implied forward yield curve at March 31, 2001.

FINANCIAL DERIVATIVES

<TABLE>
<CAPTION>

			Weighted-Average Interest Rates	
March 31, 2001 - dollars in millions	Notional Value	Fair Value	Paid	Received
<S>	<C>	<C>	<C>	<C>
Interest rate risk management				
Asset rate conversion				
Interest rate swaps (1)				
Receive fixed designated to loans	$5,687	$61	4.80%	5.41%
Pay fixed designated to loans	167	(6)	6.14	5.21
Basis swaps designated to loans	207		5.00	5.05
Interest rate caps designated to loans (2)	36		NM	NM
Interest rate floors designated to loans (3)	22		NM	NM
Futures contracts designated to loans	116		NM	NM
Total asset rate conversion	6,235	55		
Liability rate conversion				
Interest rate swaps (1)				
Receive fixed designated to borrowed funds	1,381	94	5.57	6.60
Total liability rate conversion	1,381	94		
Total interest rate risk management	7,616	149		
Commercial mortgage banking risk management				
Pay fixed interest rate swaps designated to securities (1)	42	(4)	6.87	5.83
Pay fixed interest rate swaps designated to loans (1)	162		5.75	5.78
Pay total rate of return swaps designated to loans (1)	75	(1)	6.45	4.08

Total commercial mortgage banking risk management	279	(5)
Total financial derivatives	$7,895	$144

</TABLE>

(1) The floating rate portion of interest rate contracts is based on money-market indices. As a percent of notional value, 75% were based on 1-month LIBOR, 23% on 3-month LIBOR and the remainder on other short-term indices.
(2) Interest rate caps with notional values of $26 million require the counterparty to pay the Corporation the excess, if any, of 3-month LIBOR over a weighted-average strike of 6.61%. At March 31, 2001, 3-month LIBOR was 4.88%.
(3) Interest rate floors with notional values of $20 million require the counterparty to pay the excess, if any, weighted-average strike of 4.75% over 3-month LIBOR. At March 31, 2001, 3-month LIBOR was 4.88%.

The following table sets forth the notional value and the estimated fair value of financial derivatives used for risk management. Weighted-average interest rates presented are based on the implied forward yield curve at December 31, 2000.

FINANCIAL DERIVATIVES

<TABLE>
<CAPTION>

			Weighted-Average Interest Rates	
December 31, 2000 - dollars in millions	Notional Value	Fair Value	Paid	Received
Interest rate risk management				
Asset rate conversion				
Interest rate swaps (1)				
Receive fixed designated to loans	$3,250	$27	5.96%	5.56%
Basis swaps designated to other earning assets	226	3	5.63	5.85
Interest rate caps designated to loans (2)	308	4	NM	NM
Interest rate floors designated to loans (3)	3,238	(1)	NM	NM
Total asset rate conversion	7,022	33		
Liability rate conversion				
Interest rate swaps (1)				
Receive fixed designated to:				
Interest-bearing deposits	125	4	5.85	6.73
Borrowed funds	1,381	57	5.96	6.60
Pay fixed designated to borrowed funds	1		5.88	5.78
Basis swaps designated to borrowed funds	2,004	10	5.76	5.79
Total liability rate conversion	3,511	71		
Total interest rate risk management	10,533	104		
Commercial mortgage banking risk management				
Pay fixed interest rate swaps designated to securities (1)	135	(8)	6.94	6.04
Pay fixed interest rate swaps designated to loans (1)	176	3	5.76	5.99
Pay total rate of return swaps designated to loans (1)	75	(5)	5.76	6.15
Total commercial mortgage banking risk management	386	(10)		
Student lending activities - Forward contracts (4)	347		NM	NM
Credit-related activities - Credit default swaps (4)	4,391	(2)	NM	NM

Total financial derivatives	$15,657	$92

</TABLE>

(1) The floating rate portion of interest rate contracts is based on money-market indices. As a percent of notional value, 62% were based on 1-month LIBOR, 36% on 3-month LIBOR and the remainder on other short-term indices.
(2) Interest rate caps with notional values of $61 million, $95 million and $150 million require the counterparty to pay the Corporation the excess, if any, of 3-month LIBOR over a weighted-average strike of 6.00%, 1-month LIBOR over a weighted-average strike of 5.68% and Prime over a weighted-average strike of 8.76%, respectively. At December 31, 2000, 3-month LIBOR was 6.40%, 1-month LIBOR was 6.56% and Prime was 9.50%.
(3) Interest rate floors with notional values of $3.0 billion, require the counterparty to pay the excess, if any, of the weighted-average strike of 4.63% over 3-month LIBOR. At December 31, 2000, 3-month LIBOR was 6.40%.
(4) Due to the structure of these contracts, they are no longer considered financial derivatives under SFAS No. 133.

NM- Not meaningful

OTHER DERIVATIVES
To accommodate customer needs, PNC enters into customer-related financial derivative transactions primarily consisting of interest rate swaps, caps, floors and foreign exchange contracts. Risk exposure from customer positions is managed through transactions with other dealers.

Additionally, the Corporation enters into other derivative transactions for risk management purposes that are not designated as accounting hedges.

OTHER DERIVATIVES

<TABLE>
<CAPTION>

	At March 31, 2001				
In millions	Notional Value	Positive Fair Value	Negative Fair Value	Net Asset (Liability)	2001 Average Fair Value (a)
<S>	<C>	<C>	<C>	<C>	<C>
Customer-related					
Interest rate					
Swaps	$14,118	$193	$(203)	$(10)	$(5)
Caps/floors					
Sold	4,787		(19)	(19)	(19)
Purchased	3,669	18		18	17
Foreign exchange	4,402	96	(74)	22	16
Other	2,794	35	(35)		3
Total customer-related	29,770	342	(331)	11	12
Other	4,171	28	(3)	25	20
Total other derivatives	$33,941	$370	$(334)	$36	$32

</TABLE>

(a) Represents average for three months ended March 31, 2001.

FORWARD-LOOKING STATEMENTS

This report and other documents filed by the Corporation with the SEC include forward-looking statements within the meaning of the Private Securities Litigation Reform Act with respect to future financial or business performance, conditions, strategies, expectations and goals. In addition, the Corporation may also include forward-looking statements in other written or oral statements. Forward-looking statements are typically identified by words or phrases such as "believe," "expect," "anticipate," "intend," "estimate," "position," "target," "mission," "assume," "achievable," "potential," "strategy," "goal," "objective," "plan," "aspiration," "outlook," "outcome," "continue," "remain," "maintain," "strive," "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 forward-looking statements are subject to numerous assumptions, risks and uncertainties, which change over time. Actual results could differ materially from those anticipated in forward-looking statements and future results could differ materially from historical performance. Forward-looking statements speak only as of the date they are made, and the Corporation assumes no duty to update forward-looking statements.

In addition to the factors mentioned elsewhere in this report, the following factors, among others, could cause actual results to differ materially from forward-looking statements or historical performance: adjustments to recorded results of sale of residential mortgage banking business after final settlement is completed; decisions the Corporation 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 inability to successfully manage risks inherent in the Corporation's business; the introduction, withdrawal, success and timing of business initiatives and strategies; the extent and cost of any share repurchases; decisions the Corporation makes with respect to further reduction of balance sheet leverage and potential investments in PNC businesses; competitive conditions; the inability to realize cost savings or revenue enhancements, implement integration plans and other consequences associated with mergers, acquisitions, restructurings and divestitures; unfavorable resolution of legal proceedings; 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 in, among other things, a higher loan loss provision and reduced profitability.

Some of the above factors are described in more detail in the Risk Factors section of this Financial Review and factors relating to credit risk, interest rate risk, liquidity risk, trading activities, and financial and other derivatives are discussed in the Risk Management section of this Financial Review. Other factors are described elsewhere in this report.

CONSOLIDATED STATEMENT OF INCOME
THE PNC FINANCIAL SERVICES GROUP, INC.

<TABLE>
<CAPTION>

Three months ended March 31 - in millions, except per share data	2001	2000
<S>	<C>	<C>
INTEREST INCOME		
Loans and fees on loans	$981	$984
Securities available for sale	122	94
Loans held for sale	37	64
Other	32	19
Total interest income	1,172	1,161
INTEREST EXPENSE		
Deposits	397	369
Borrowed funds	221	237
Total interest expense	618	606
Net interest income	554	555
Provision for credit losses	80	31

Net interest income less provision for credit losses	474	524
NONINTEREST INCOME		
Asset management	223	186
Fund servicing	181	155
Service charges on deposits	50	50
Brokerage	54	71
Consumer services	55	47
Corporate services	76	82
Equity management	(39)	87
Net securities gains (losses)	29	(3)
Other	72	53
Total noninterest income	701	728
NONINTEREST EXPENSE		
Staff expense	421	411
Net occupancy	53	53
Equipment	57	56
Amortization	26	28
Marketing	9	13
Distributions on capital securities	17	16
Other	192	215
Total noninterest expense	775	792
Income from continuing operations before income taxes	400	460
Income taxes	135	158
Income from continuing operations	265	302
Income from discontinued operations (less applicable income taxes of $0 and $5)	40	6
Net income before cumulative effect of accounting change	305	308
Cumulative effect of accounting change (less applicable income taxes of $2)	(5)	
Net income	$300	$308
EARNINGS PER COMMON SHARE		
Continuing operations		
Basic	$.90	$1.02
Diluted	.89	1.01
Net income		
Basic	$1.02	$1.04
Diluted	1.01	1.03
CASH DIVIDENDS DECLARED PER COMMON SHARE	$.48	$.45
AVERAGE COMMON SHARES OUTSTANDING		
Basic	289.2	291.9
Diluted	292.8	294.1

</TABLE>

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED BALANCE SHEET
THE PNC FINANCIAL SERVICES GROUP, INC.

<TABLE>
<CAPTION>

In millions, except par value	March 31 2001	December 31 2000
<S>	<C>	<C>
ASSETS		
Cash and due from banks	$2,998	$3,662
Short-term investments	853	1,151
Loans held for sale	1,765	1,655
Securities available for sale	11,976	5,902
Loans, net of unearned income of $1,062 and $999	45,626	50,601
Allowance for credit losses	(675)	(675)

Net loans	44,951	49,926
Goodwill and other amortizable assets	2,437	2,468
Investment in discontinued operations		356
Other	5,986	4,724
Total assets	$70,966	$69,844
LIABILITIES		
Deposits		
Noninterest-bearing	$8,431	$8,490
Interest-bearing	38,758	39,174
Total deposits	47,189	47,664
Borrowed funds		
Federal funds purchased	785	1,445
Repurchase agreements	830	607
Bank notes and senior debt	5,362	6,110
Federal Home Loan Bank borrowings	2,623	500
Subordinated debt	2,379	2,407
Other borrowed funds	300	649
Total borrowed funds	12,279	11,718
Other	3,869	2,958
Total liabilities	63,337	62,340
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	1,323	1,303
Retained earnings	6,857	6,736
Deferred benefit expense	(26)	(25)
Accumulated other comprehensive income (loss) from continuing operations	7	(43)
Accumulated other comprehensive loss from discontinued operations		(45)
Common stock held in treasury at cost: 64 and 63 shares	(3,151)	(3,041)
Total shareholders' equity	6,781	6,656
Total liabilities, capital securities and shareholders' equity	$70,966	$69,844

</TABLE>

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
THE PNC FINANCIAL SERVICES GROUP, INC.

<TABLE>
<CAPTION>

Three months ended March 31 - in millions	2001	2000
<S>	<C>	<C>
OPERATING ACTIVITIES		
Net income	$300	$308
Discontinued operations	(40)	(6)
Cumulative effect of accounting change	5	
Income from continuing operations	265	302
Adjustments to reconcile income from continuing operations to net cash provided by operating activities		
Provision for credit losses	80	31
Depreciation, amortization and accretion	100	77
Deferred income taxes	114	117

Net securities (gains) losses	(28)	3
Valuation adjustments	8	17
Change in		
Loans held for sale	(124)	661
Other	(266)	(341)
Net cash provided by operating activities	149	867
INVESTING ACTIVITIES		
Net change in loans	(64)	(631)
Repayment of securities available for sale	265	185
Sales		
Securities available for sale	4,958	1,427
Loans	1,161	
Foreclosed assets	5	7
Purchases		
Securities available for sale	(7,357)	(1,594)
Loans	(110)	
Net cash received in sale of business	503	
Other	71	(70)
Net cash used by investing activities	(568)	(676)
FINANCING ACTIVITIES		
Net change in		
Noninterest-bearing deposits	(59)	(142)
Interest-bearing deposits	(416)	107
Federal funds purchased	(660)	(372)
Sales/issuances		
Repurchase agreements	65,210	33,151
Bank notes and senior debt		1,050
Federal Home Loan Bank borrowings	2,623	1,500
Subordinated debt	1	99
Other borrowed funds	9,410	10,399
Common stock	80	31
Repayments/maturities		
Repurchase agreements	(64,987)	(33,417)
Bank notes and senior debt	(750)	(1,025)
Federal Home Loan Bank borrowings	(500)	(1,700)
Subordinated debt	(100)	
Other borrowed funds	(9,762)	(10,528)
Acquisition of treasury stock	(191)	(116)
Cash dividends paid	(144)	(136)
Net cash used by financing activities	(245)	(1,099)
DECREASE IN CASH AND DUE FROM BANKS	(664)	(908)
Cash and due from banks at beginning of year	3,662	3,080
Cash and due from banks at end of period	$2,998	$2,172
CASH PAID FOR		
Interest	$577	$634
Income taxes	29	90
NON-CASH ITEMS		
Transfer of residential mortgage loans to securities available for sale	3,775	
Transfer from loans held for sale to loans	6	
Transfer from loans to other assets	3	9

</TABLE>

See accompanying Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
THE PNC FINANCIAL SERVICES GROUP, INC.

BUSINESS
The PNC Financial Services Group, Inc. ("Corporation" or "PNC") is one of the largest diversified financial services companies in the United States, operating businesses engaged in community banking, corporate banking, real estate finance, asset-based lending, wealth management, asset management and global fund services. The Corporation provides certain products and services nationally and others in PNC's primary geographic markets in Pennsylvania, New Jersey, Delaware, Ohio and Kentucky. The Corporation also provides certain asset management and processing products and services internationally. PNC is subject to intense competition from other financial services companies and is subject to regulation by various domestic and international authorities.

ACCOUNTING POLICIES

BASIS OF FINANCIAL STATEMENT PRESENTATION
The unaudited consolidated interim financial statements include the accounts of

PNC and its subsidiaries, most of which are wholly owned. Such statements have been prepared in accordance with accounting principles generally accepted in the United States. All significant intercompany accounts and transactions have been eliminated.

In the opinion of management, the financial statements reflect all adjustments of a normal recurring nature necessary for a fair statement of results for the interim periods presented.

In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect the amounts reported. Actual results will differ from such estimates and the differences may be material to the consolidated financial statements.

The consolidated financial statements and notes to consolidated financial statements reflect the residential mortgage banking business, which was sold on January 31, 2001, as discontinued operations, unless otherwise noted.

The notes included herein should be read in conjunction with the audited consolidated financial statements included in The PNC Financial Services Group, Inc.'s 2000 Annual Report.

FINANCIAL DERIVATIVES

The Corporation uses a variety of financial derivatives as part of the overall asset and liability risk management process to manage interest rate, market and credit risk inherent in the Corporation's business activities. Substantially all such instruments are used to manage risk related to changes in interest rates. Interest rate and total rate of return swaps, purchased interest rate caps and floors and futures contracts are the primary instruments used by the Corporation for interest rate risk management.

Interest rate swaps are agreements with a counterparty to exchange periodic fixed and floating interest payments calculated on a notional amount. The floating rate is based on a money market index, primarily short-term LIBOR. Total rate of return swaps are agreements with a counterparty to exchange an interest rate payment for the total rate of return on a specified reference index calculated on a notional amount. Purchased interest rate caps and floors are agreements where, for a fee, the counterparty agrees to pay the Corporation the amount, if any, by which a specified market interest rate exceeds or is less than a defined rate applied to a notional amount, respectively. Interest rate futures contracts are exchange-traded agreements to make or take delivery of a financial instrument at an agreed upon price and are settled in cash daily.

Financial derivatives involve, to varying degrees, interest rate, market and credit risk. The Corporation manages these risks as part of its asset and liability management process and through credit policies and procedures. The Corporation seeks to minimize the credit risk by entering into transactions with only a select number of high-quality institutions, establishing credit limits, requiring bilateral-netting agreements, and, in certain instances, segregated collateral.

FAIR VALUE HEDGING STRATEGIES

The Corporation enters into interest rate and total rate of return swaps, caps, floors and interest rate futures derivative contracts to hedge designated commercial mortgage loans held for sale, securities available for sale, commercial loans, bank notes and subordinated debt for changes in fair value primarily due to changes in interest rates.

CASH FLOW HEDGING STRATEGY

The Corporation enters into interest rate swap contracts to modify the interest rate characteristics of designated commercial loans from variable to fixed in order to reduce the impact of interest rate changes on future interest income. The fair value of the derivative is reported in other assets or other liabilities and offset in accumulated other comprehensive income for the effective portion of the derivative. Ineffectiveness of the strategy, as defined under Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended by SFAS No. 137 and No. 138, if any, is reported in net interest income. Amounts reclassed into earnings, when the hedged transaction affects earnings, are included in net interest income.

CUSTOMER AND OTHER DERIVATIVES

To accommodate customer needs, PNC also enters into financial derivative transactions primarily consisting of interest rate swaps, caps, floors and foreign exchange contracts. Interest rate and foreign exchange risk exposures from customer positions are managed through transactions with other dealers. These positions are recorded at estimated fair value and changes in value are included in noninterest income.

Effective January 1, 2001, the Corporation implemented SFAS No. 133. The statement requires the Corporation to recognize all derivative instruments as either assets or liabilities on the balance sheet at fair value. Financial derivatives are reported at fair value in other assets or other liabilities. The accounting for changes in the fair value of a derivative instrument depends on whether it has been designated and qualifies as part of a hedging relationship and further, on the type of hedging relationship. For those derivative instruments that are designated and qualify as hedging instruments, the Corporation must designate the hedging instrument, based on the exposure being hedged, as either a fair value hedge, a cash flow hedge or a hedge of a net investment in a foreign operation.

For derivatives that are designated as fair value hedges (i.e., hedging the exposure to changes in the fair value of an asset or a liability attributable to a particular risk), the gain or loss on derivatives as well as the loss or gain on the hedged items are recognized in current earnings. For derivatives designated as cash flow hedges (i.e., hedging the exposure to variability in expected future cash flows), the effective portions of the gain or loss on derivatives are reported as a component of accumulated other comprehensive income in the same period or periods during which the hedged transaction affects earnings. The remaining gain or loss on the derivatives in excess of the hedged future cash flows, if any, is recognized in current earnings. For derivatives not designated as hedges, the gain or loss is recognized in current earnings.

FINANCIAL DERIVATIVES - PRE-SFAS NO. 133

Prior to January 1, 2001, interest rate swaps, caps and floors that modified the interest rate characteristics (such as from fixed to variable, variable to fixed, or one variable index to another) of designated interest-bearing assets or liabilities were accounted for under the accrual method. The net amount payable or receivable from the derivative contract was accrued as an adjustment to interest income or interest expense of the designated instrument. Premiums on contracts were deferred and amortized over the life of the agreement as an adjustment to interest income or interest expense of the designated instruments. Unamortized premiums were included in other assets.

Changes in the fair value of financial derivatives accounted for under the accrual method were not reflected in results of operations. Realized gains and losses, except losses on terminated interest rate caps and floors, were deferred as an adjustment to the carrying amount of the designated instruments and amortized over the shorter of the remaining original life of the agreements or the designated instruments. Losses on terminated interest rate caps and floors were recognized immediately in results of operations. If the designated instruments were disposed, the fair value of the associated derivative contracts and any unamortized deferred gains or losses were included in the determination of gain or loss on the disposition of such instruments. Contracts not qualifying for accrual accounting were marked to market with gains or losses included in noninterest income.

Credit default swaps were entered into to mitigate credit risk and lower the required regulatory capital associated with commercial lending activities. If the credit default swaps qualified for hedge accounting treatment, the premium paid to enter into the credit default swaps were recorded in other assets and deferred and amortized to noninterest expense over the life of the agreement. Changes in the fair value of credit default swaps qualifying for hedge accounting treatment were not reflected in the Corporation's financial position and had no impact on results of operations.

If the credit default swap did not qualify for hedge accounting treatment or if the Corporation was the seller of credit protection, the credit default swap was marked to market with gains or losses included in noninterest income.

Due to the particular structure of the Corporation's credit default swaps discussed in the preceding paragraphs, these instruments are not considered financial derivatives under the provisions of SFAS No. 133. Commencing January 1, 2001, the premiums paid to enter credit default swaps not considered to be derivatives are recorded in other assets and amortized to noninterest expense over the life of the agreement.

RECENT ACCOUNTING PRONOUNCEMENTS

SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities" (a replacement of SFAS No. 125) was issued in September 2000 and replaces SFAS No. 125. Although SFAS No. 140 has changed many of the rules regarding securitizations, it continues to require an entity to recognize the financial and servicing assets it controls and the liabilities it has incurred and to derecognize financial assets when control has been surrendered in accordance with the criteria provided in the standard. As required, the Corporation will apply the new rules prospectively to transactions beginning in the second quarter of 2001. Based on current circumstances, management believes that the application of the new rules will not have a material impact on the Corporation's financial condition or results of operations. SFAS No. 140 requires certain disclosures pertaining to securitization transactions effective for fiscal years ending after December 15, 2000.

DISCONTINUED OPERATIONS
On January 31, 2001, PNC closed the sale of its residential mortgage banking business to Washington Mutual, F.A. The income and net assets of the residential mortgage banking business, which are presented on one line in the income statement and balance sheet, respectively, are as follows:

INCOME FROM DISCONTINUED OPERATIONS

Three months ended March 31 - in millions	2001	2000
Total income from operations after tax	$15	$6
Total gain on disposal after tax	25	
Total income from discontinued operations	$40	$6

Certain closing date adjustments are currently in dispute between PNC and the buyer. The disputed matters will be resolved in accordance with procedures provided for in the purchase agreement. The ultimate financial impact of the sale will not be determined until final settlement is completed.

INVESTMENT IN DISCONTINUED OPERATIONS

December 31 - in millions	2000
Loans held for sale	$3,003
Securities available for sale	3,016
Loans, net of unearned income	739
Goodwill and other amortizable assets	1,925
All other assets	1,168
Total assets	9,851
Deposits	1,150
Borrowed funds	7,601
Other liabilities	744
Total liabilities	9,495
Net assets	$356

CASH FLOWS
During the first three months of 2001, divestiture activity that affected cash flows consisted of $383 million of divested net assets and cash receipts of $503 million. The Corporation did not have any acquisition or divestiture activity that affected cash flows during the first three months of 2000.

TRADING ACTIVITIES
Most of PNC's trading activities are designed to provide capital markets services to customers and not to position the Corporation's portfolio for gains from market movements. PNC participates in derivatives and foreign exchange trading as well as "market making" in equity securities as an accommodation to customers. PNC also engages in trading activities as part of risk management strategies.

Net trading income for the first three months of 2001 totaled $38 million compared with net trading income of $20 million for the prior-year period and was included in noninterest income as follows:

Three months ended March 31 - in millions	2001	2000
Corporate services	$1	
Other income		
Securities trading	20	$12
Derivatives trading	12	3
Foreign exchange	5	5
Net trading income	$38	$20

SECURITIES AVAILABLE FOR SALE

In millions	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
MARCH 31, 2001				
Debt securities				
U.S. Treasury and government agencies	$1,519	$5	$(2)	$1,522
Mortgage-backed	8,707	16	(18)	8,705
Asset-backed	1,358	7	(4)	1,361
State and municipal	80	3		83
Other debt	70	1		71
Total debt securities	11,734	32	(24)	11,742
Corporate stocks and other	248	52	(66)	234
Total securities available for sale	$11,982	$84	$(90)	$11,976
DECEMBER 31, 2000				
Debt securities				
U.S. Treasury and government agencies	$313	$1	$(1)	$313
Mortgage-backed	4,037	13	(48)	4,002
Asset-backed	902	1	(10)	893
State and municipal	94	2		96
Other debt	73	1	(1)	73
Total debt securities	5,419	18	(60)	5,377
Corporate stocks and other	537	2	(14)	525
Total securities available for sale	$5,956	$20	$(74)	$5,902

The fair value of securities available for sale at March 31, 2001 was $12.0 billion compared with $5.9 billion at December 31, 2000. Securities represented 17% of total assets at March 31, 2001 compared with 8% at December 31, 2000. The increase was primarily due to $3.8 billion of residential mortgage loan securitizations and purchases of securities during the first three months of 2001. The expected weighted-average life of securities available for sale was 3 years and 11 months at March 31, 2001 compared with 4 years and 5 months at December 31, 2000.

At March 31, 2001, the securities available for sale balance included a net unrealized loss of $6 million, which represented the difference between fair value and amortized cost. The comparable amount at December 31, 2000 was a net unrealized loss of $54 million. Net unrealized gains and losses in the securities available for sale portfolio are included in accumulated other comprehensive income or loss, net of tax or, for the portion attributable to changes in a hedged risk as part of a fair value hedge strategy, in net income.

Net securities gains associated with the disposition of securities available for sale were $29 million for the first three months of 2001 and net losses of $3 million for the first three months of 2000. Net securities losses of $1 million for the first three months of 2001, related to commercial mortgage banking activities, were included in corporate services revenue.

NONPERFORMING ASSETS
Nonperforming assets were as follows:

In millions	March 31 2001	December 31 2000
Nonaccrual loans	$330	$323
Troubled debt restructured loan	6	
Foreclosed and other assets	50	49
Total nonperforming assets	$386	$372

The above table excludes $24 million and $18 million of equity management assets carried at estimated fair value at March 31, 2001 and December 31, 2000, respectively.

ALLOWANCE FOR CREDIT LOSSES
Changes in the allowance for credit losses were as follows:

In millions	2001	2000
Allowance at January 1	$675	$674
Charge-offs		
Consumer	(10)	(12)
Residential mortgage		(2)
Commercial	(78)	(29)
Lease financing	(3)	(2)
Total charge-offs	(91)	(45)
Recoveries		
Consumer	5	6
Commercial	6	7
Lease financing		1
Total recoveries	11	14
Net charge-offs		
Consumer	(5)	(6)
Residential mortgage		(2)
Commercial	(72)	(22)
Lease financing	(3)	(1)
Total net charge-offs	(80)	(31)
Provision for credit losses	80	31
Allowance at March 31	$675	$674

FINANCIAL DERIVATIVES
Effective January 1, 2001, the Corporation implemented SFAS No. 133. As a result of the adoption of this statement, the Corporation recognized, in the first quarter of 2001, an after-tax loss from the cumulative effect of a change in accounting principle of $5 million reported in the consolidated income statement and an after-tax accumulated other comprehensive loss of $4 million. The impact of the adoption of this standard related to the residential mortgage banking business that was sold was reflected in the results of discontinued operations.

During the first quarter of 2001, the Corporation recognized a net loss of $1 million related to the ineffective portion of its fair value hedging instruments. This net loss was reported as an adjustment to net interest income.

Cash flow hedge ineffectiveness was not significant to the results of operations of the Corporation during the first three months of 2001.

At March 31, 2001, the Corporation expects to reclassify $28 million of net gains on derivative instruments from accumulated other comprehensive income to earnings during the next twelve months due to the receipts of variable interest associated with floating rate commercial loans.

At March 31, 2001 and December 31, 2000, the Corporation's exposure to credit losses with respect to financial derivatives was not material.

LEGAL PROCEEDINGS
The Corporation and persons to whom the Corporation may have indemnification obligations, in the normal course of business, are subject to various pending and threatened legal proceedings in which claims for monetary damages and other relief are asserted. Management, after consultation with legal counsel, does not at the present time anticipate the ultimate aggregate liability, if any, arising out of such legal proceedings will have a material adverse effect on the

Corporation's financial condition. At the present time, management is not in a position to determine whether any such pending or threatened legal proceedings will have a material adverse effect on the Corporation's results of operations in any future reporting period.

COMPREHENSIVE INCOME

Comprehensive income from continuing operations was $315 million for the first quarter of 2001, compared with $294 million for the first quarter of 2000.

The Corporation's other comprehensive income consists of unrealized gains or losses on securities available for sale and cash flow hedge, foreign currency translation and minimum pension liability adjustments. The income effects allocated to each component of other comprehensive income are as follows:

Three months ended March 31, 2001 In millions	Pretax Amount	Tax Benefit (Expense)	After-tax Amount
Unrealized securities gains	$53	$(19)	$34
Less: Reclassification adjustment for gains realized in net income	6	(2)	4
Net unrealized securities gains	47	(17)	30
SFAS No. 133 transition adjustment	(6)	2	(4)
Unrealized gains on cash flow hedge derivatives	31	(11)	20
Less: Reclassification adjustment for losses realized in net income	(7)	2	(5)
Net unrealized gains on cash flow hedge derivatives	32	(11)	21
Foreign currency translation adjustment	(2)	1	(1)
Other comprehensive income from continuing operations	$77	$(27)	$50

Year ended December 31, 2000 In millions	Pretax Amount	Tax Benefit (Expense)	After-tax Amount
Unrealized securities gains	$127	$(41)	$86
Less: Reclassification adjustment for losses realized in net income	(3)	1	(2)
Net unrealized securities gains	130	(42)	88
Minimum pension liability adjustment	2	(1)	1
Other comprehensive income from continuing operations	$132	$(43)	$89

The accumulated balances related to each component of other comprehensive income (loss) are as follows:

In millions	March 31 2001	December 31 2000
Net unrealized securities losses	$(2)	$(32)
Net unrealized gains on cash flow hedge derivatives	21	
Minimum pension liability adjustment	(11)	(11)
Foreign currency translation adjustment	(1)	
Accumulated other comprehensive income (loss) from continuing operations	$7	$(43)

SHAREHOLDERS' EQUITY

On March 6, 2001, the Corporation commenced a cash tender offer for its nonconvertible Series F preferred stock at a price of $50.35 per share plus accrued and unpaid dividends. Approximately 1.9 million shares of the 6 million shares outstanding were tendered through this offer and were purchased by the Corporation on April 5, 2001.

EARNINGS PER SHARE
The following table sets forth basic and diluted earnings per share calculations.

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Three months ended March 31 - in millions, except share and per share data	2001	2000
CALCULATION OF BASIC EARNINGS PER COMMON SHARE		
Income from continuing operations	$265	$302
Less: Preferred dividends declared	5	5
Income from continuing operations applicable to basic earnings per common share	260	297
Income from discontinued operations applicable to basic earnings per common share	40	6
Cumulative effect of accounting change applicable to basic earnings per common share	(5)	
Net income applicable to basic earnings per common share	$295	$303
Basic weighted-average common shares outstanding (in thousands)	289,205	291,891
Basic earnings per common share from continuing operations	$.90	$1.02
Basic earnings per common share from discontinued operations	.14	.02
Basic earnings per common share from cumulative effect of accounting change	(.02)	
Basic earnings per common share	$1.02	$1.04
CALCULATION OF DILUTED EARNINGS PER COMMON SHARE		
Income from continuing operations	$265	$302
Less: Dividends declared on nonconvertible preferred stock Series F	4	5
Income from continuing operations applicable to diluted earnings per common share	261	297
Income from discontinued operations applicable to diluted earnings per common share	40	6
Cumulative effect of accounting change applicable to diluted earnings per common share	(5)	
Net income applicable to diluted earnings per common share	$296	$303
Basic weighted-average common shares outstanding (in thousands)	289,205	291,891
Weighted-average common shares to be issued using average market price and assuming:		
Conversion of preferred stock Series A and B	111	122
Conversion of preferred stock Series C and D	902	1,028
Conversion of debentures	17	22
Exercise of stock options	2,266	699
Incentive share awards	304	368
Diluted weighted-average common shares outstanding (in thousands)	292,805	294,130

Diluted earnings per common share from continuing operations	$.89	$1.01
Diluted earnings per common share from discontinued operations	.14	.02
Diluted earnings per common share from cumulative effect of accounting change	(.02)	
Diluted earnings per common share	$1.01	$1.03

</TABLE>

SEGMENT REPORTING

PNC operates seven major businesses engaged in community banking, corporate banking, real estate finance, asset-based lending, wealth management, asset management and global fund services.

Business results are presented based on PNC's management accounting practices and the Corporation's management structure. There is no comprehensive, authoritative body of guidance for management accounting equivalent to generally accepted accounting principles; therefore, PNC's business results are not necessarily comparable with similar information for any other financial services institution. Financial results are presented, to the extent practicable, as if each business operated on a stand-alone basis.

The management accounting process uses various balance sheet and income statement assignments and transfers to measure performance of the businesses. Methodologies change from time to time as management accounting practices are enhanced and businesses change. Securities available for sale or borrowings and related net interest income are assigned based on the net asset or liability position of each business. Capital is assigned based on management's assessment of inherent risks and equity levels at independent companies providing similar products and services. The allowance for credit losses is allocated based on management's assessment of risk inherent in the loan portfolios. Support areas not directly aligned with the businesses are allocated primarily based on the utilization of services.

Total business financial results differ from consolidated results from continuing operations primarily due to differences between management accounting practices and generally accepted accounting principles, businesses and loan portfolios that have been divested or designated for exit during 2000 or earlier, 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.

BUSINESS SEGMENT PRODUCTS AND SERVICES

Community Banking provides deposit, branch-based brokerage, electronic banking and credit products and services to retail customers as well as deposit, credit, treasury management and capital markets products and services to small businesses primarily within PNC's geographic region.

Corporate Banking provides credit, equipment leasing, treasury management and capital markets products and services to large and mid-sized corporations, institutions and government entities primarily within PNC's geographic region.

PNC Real Estate Finance provides credit, capital markets, treasury management, commercial mortgage loan servicing and other products and services to developers, owners and investors in commercial real estate.

PNC Business Credit provides asset-based lending, capital markets and treasury management products and services to middle market customers nationally. PNC Business Credit's lending services include loans secured by accounts receivable, inventory, machinery and equipment, and other collateral, and its customers include manufacturing, wholesale, distribution, retailing and service industry companies.

PNC Advisors provides a full range of tailored investment products and services to affluent individuals and families including full-service brokerage through J.J.B. Hilliard, W.L. Lyons, Inc. and investment advisory services to the ultra-affluent through Hawthorn. PNC Advisors also serves as investment manager and trustee for employee benefit plans and charitable and endowment assets.

BlackRock is one of the largest publicly traded investment management firms in the United States with $202 billion of assets under management at March 31, 2001. BlackRock manages assets on behalf of institutions and individuals through a variety of fixed income, liquidity, equity and alternative investment separate accounts and mutual funds, including its flagship fund families, BlackRock Funds and BlackRock Provident Institutional Funds. In addition, BlackRock provides risk management and technology services to a growing number of institutional investors under the BlackRock Solutions name.

PFPC is the largest full-service mutual fund transfer agent and second largest provider of mutual fund accounting and administration services in the United States, providing a wide range of global fund services to the investment management industry. As an extension of its domestic services, PFPC also provides customized processing services to the international marketplace through its Dublin, Ireland and Luxembourg operations.

RESULTS OF BUSINESSES

<TABLE>

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Three months ended March 31 In millions	Community Banking	Corporate Banking	PNC Real Estate Finance	PNC Business Credit	PNC Advisors	BlackRock	PFPC	Other	Total
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
2001									
INCOME STATEMENT									
Net interest income (a)	$354	$140	$29	$24	$32	$2	$(15)	$(7)	$559
Noninterest income	188	52	24	14	167	134	180	(58)	701
Total revenue	542	192	53	38	199	136	165	(65)	1,260
Provision for credit losses	10	57		5				8	80
Depreciation and amortization	21	3	5	1	4	6	10	14	64
Other noninterest expense	258	98	31	7	124	86	127	(20)	711
Pretax earnings	253	34	17	25	71	44	28	(67)	405
Income taxes	91	10	(3)	9	27	19	11	(24)	140
Earnings	$162	$24	$20	$16	$44	$25	$17	$(43)	$265
Inter-segment revenue	$1	$1			$19	$3		$(24)	
AVERAGE ASSETS	$40,617	$16,939	$5,378	$2,377	$3,505	$500	$1,735	$734	$71,785
2000									
INCOME STATEMENT									
Net interest income (a)	$344	$134	$27	$24	$35	$1	$(10)	$5	$560
Noninterest income	133	80	19	4	169	108	155	60	728
Total revenue	477	214	46	28	204	109	145	65	1,288
Provision for credit losses	12	15			3			1	31
Depreciation and amortization	21	3	5	1	4	5	13	14	66
Other noninterest expense	243	98	30	6	131	71	122	25	726
Pretax earnings	201	98	11	21	66	33	10	25	465
Income taxes	72	34	(2)	8	25	14	4	8	163

Earnings	$129	$64	$13	$13	$41	$19	$6	$17	$302
Inter-segment revenue	$1	$1			$22	$3		$(27)	
AVERAGE ASSETS	$37,866	$15,950	$5,382	$2,084	$3,598	$388	$1,603	$1,473	$68,344

</TABLE>
(a) Taxable-equivalent basis

STATISTICAL INFORMATION
THE PNC FINANCIAL SERVICES GROUP, INC.

CONSOLIDATED AVERAGE BALANCE SHEET AND NET INTEREST ANALYSIS
<TABLE>
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	First Quarter 2001			Fourth Quarter 2000		
Dollars in millions Taxable-equivalent basis	Average Balances	Interest	Average Yields/ Rates	Average Balances	Interest	Average Yields/ Rates
<S>	<C>	<C>	<C>	<C>	<C>	<C>
ASSETS						
Interest-earning assets						
Loans held for sale	$2,005	$37	7.31%	$1,991	$41	8.32%
Securities available for sale						
U.S. Treasury and government agencies and corporations	3,933	57	5.84	1,795	27	6.12
Other debt	4,001	63	6.32	3,635	60	6.59
Other	127	2	5.63	498	10	7.55
Total securities available for sale	8,061	122	6.08	5,928	97	6.53
Loans, net of unearned income						
Consumer	9,085	194	8.70	9,081	202	8.84
Residential mortgage	12,673	232	7.32	12,838	232	7.23
Commercial	20,882	422	8.09	21,109	455	8.44
Commercial real estate	2,580	55	8.44	2,670	61	8.97
Lease financing	3,897	71	7.32	3,639	68	7.42
Other	520	11	7.98	591	13	8.73
Total loans, net of unearned income	49,637	985	7.96	49,928	1,031	8.16
Other	1,831	33	7.20	1,322	26	7.80
Total interest-earning assets/interest income	61,534	1,177	7.67	59,169	1,195	7.99
Noninterest-earning assets						
Investment in discontinued operations	207			570		
Allowance for credit losses	(683)			(678)		
Cash and due from banks	2,977			2,877		

Other assets	7,957			7,015		
Total assets	$71,992			$68,953		
LIABILITIES, CAPITAL SECURITIES AND SHAREHOLDERS' EQUITY						
Interest-bearing liabilities						
Interest-bearing deposits						
Demand and money market	$20,468	162	3.20	$19,762	186	3.74
Savings	1,919	6	1.31	1,937	8	1.72
Retail certificates of deposit	13,724	199	5.90	14,795	223	6.00
Other time	565	10	6.67	587	10	6.61
Deposits in foreign offices	1,402	20	5.75	1,579	26	6.48
Total interest-bearing deposits	38,078	397	4.22	38,660	453	4.66
Borrowed funds						
Federal funds purchased	2,948	44	5.89	1,236	18	5.80
Repurchase agreements	1,145	14	4.83	804	12	5.93
Bank notes and senior debt	5,896	91	6.19	6,109	106	6.76
Federal Home Loan Bank borrowings	1,576	21	5.46	500	9	6.66
Subordinated debt	2,408	44	7.09	2,407	45	7.44
Other borrowed funds	402	7	7.30	682	14	8.26
Total borrowed funds	14,375	221	6.15	11,738	204	6.83
Total interest-bearing liabilities/interest expense	52,453	618	4.75	50,398	657	5.16
Noninterest-bearing liabilities and shareholders' equity						
Demand and other noninterest-bearing deposits	8,190			8,304		
Accrued expenses and other liabilities	3,830			2,978		
Mandatorily redeemable capital securities of subsidiary trusts	848			848		
Shareholders' equity	6,671			6,425		
Total liabilities, capital securities and shareholders' equity	$71,992			$68,953		
Interest rate spread			2.92			2.83
Impact of noninterest-bearing sources			.70			.77
Net interest income/margin		$559	3.62%		$538	3.60%

</TABLE>

Nonaccrual loans are included in loans, net of unearned income. The impact of financial derivatives used in interest rate risk management is included in the interest income/expense and average yields/rates of the related assets and liabilities. Average balances of securities available for sale are based on amortized historical cost (excluding SFAS No. 115 adjustments to fair value).

Loan fees for the three months ended March 31, 2001, December 31, 2000, September 30, 2000, June 30, 2000 and March 31, 2000 were $29 million, $26 million, $29 million, $31 million and $29 million, respectively.

<TABLE>

<CAPTION>

Third Quarter 2000			Second Quarter 2000			First Quarter 2000		
Average Balances	Interest	Average Yields/ Rates	Average Balances	Interest	Average Yields/ Rates	Average Balances	Interest	Average Yields/ Rates
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
$2,151	$47	8.77%	$2,577	$52	8.11%	$3,319	$64	7.64%
1,662	25	5.97	1,648	25	6.11	1,936	28	5.57
3,934	65	6.65	3,742	62	6.58	3,578	57	6.45
583	9	6.08	619	11	7.02	614	10	6.92
6,179	99	6.41	6,009	98	6.50	6,128	95	6.22
9,174	201	8.72	9,209	198	8.63	9,247	192	8.35
12,405	222	7.16	12,571	223	7.09	12,584	222	7.08
21,800	472	8.47	22,042	464	8.33	21,791	447	8.12
2,688	61	8.85	2,682	59	8.74	2,698	59	8.60
3,238	58	7.24	3,049	55	7.19	2,958	54	7.33
646	14	8.64	676	14	8.50	688	14	8.09
49,951	1,028	8.13	50,229	1,013	8.03	49,966	988	7.88
1,445	30	8.05	1,276	22	7.01	1,113	19	6.92
59,726	1,204	7.98	60,091	1,185	7.86	60,526	1,166	7.68
515			448			412		
(680)			(689)			(683)		
2,848			2,837			2,306		
6,689			6,418			6,195		
$69,098			$69,105			$68,756		
$18,914	175	3.68	$18,549	159	3.46	$17,700	138	3.14
2,020	9	1.81	2,107	9	1.75	2,138	9	1.64
14,776	217	5.85	14,403	195	5.45	14,591	191	5.25
619	10	6.55	641	10	6.44	637	10	6.36
1,342	23	6.50	1,483	24	6.25	1,489	21	5.63
37,671	434	4.58	37,183	397	4.30	36,555	369	4.05
1,904	32	6.51	2,162	34	6.28	2,279	33	5.67
846	14	5.84	769	11	5.56	595	8	5.46

6,290	108	6.75	6,762	110	6.40	6,976	108	6.10
1,105	20	7.16	1,514	24	6.35	2,331	33	5.69
2,419	45	7.44	2,420	45	7.45	2,377	44	7.43
954	17	7.18	795	14	6.89	775	11	5.80
13,518	236	6.85	14,422	238	6.54	15,333	237	6.14
51,189	670	5.18	51,605	635	4.92	51,888	606	4.67
8,239			8,357			7,700		
2,637			2,290			2,393		
848			848			848		
6,185			6,005			5,927		
$69,098			$69,105			$68,756		
		2.80			2.94			3.01
		.74			.69			.67
	$534	3.54%		$550	3.63%		$560	3.68%

</TABLE>

QUARTERLY REPORT ON FORM 10-Q
THE PNC FINANCIAL SERVICES GROUP, INC.

Securities and Exchange Commission
Washington, D.C. 20549

Quarterly Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended March 31, 2001.

Commission File Number 1-9718

THE PNC FINANCIAL SERVICES GROUP, INC.
Incorporated in the Commonwealth of Pennsylvania
IRS Employer Identification No. 25-1435979
Address: One PNC Plaza
249 Fifth Avenue
Pittsburgh, Pennsylvania 15222-2707
Telephone: (412) 762-2000

As of April 27, 2001 The PNC Financial Services Group, Inc. had 288,884,641 shares of common stock ($5 par value) outstanding.

The PNC Financial Services Group, Inc. (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months and (2) has been subject to such filing requirements for the past 90 days.

The following sections of the Financial Review set forth in the cross-reference index are incorporated in the Quarterly Report on Form 10-Q.

PART II OTHER FINANCIAL INFORMATION

ITEM 4. SUBMISSION OF MATTERS FOR A VOTE OF SECURITY HOLDERS

An annual meeting of shareholders of The PNC Financial Services Group, Inc. was held on April 24, 2001 for the purpose of considering and acting upon the following:

Fifteen directors were elected and the votes cast for or against/withheld were as follows:

	Aggregate Votes	
Nominee	For	Against/Withheld
Paul W. Chellgren	253,982,913	1,972,035
Robert N. Clay	253,990,205	1,964,743
George A. Davidson, Jr.	254,021,522	1,933,426
David F. Girard-diCarlo	250,855,373	5,099,575
Walter E. Gregg, Jr.	254,005,421	1,949,527
William R. Johnson	242,111,951	13,842,997
Bruce C. Lindsay	253,990,964	1,963,984
W. Craig McClelland	253,887,437	2,067,511
Thomas H. O'Brien	253,731,377	2,223,571
Jane G. Pepper	253,701,679	2,253,269
James E. Rohr	253,973,181	1,981,767
Lorene K. Steffes	253,694,535	2,260,413
Thomas J. Usher	253,941,317	2,013,631
Milton A. Washington	253,906,913	2,048,035
Helge H. Wehmeier	254,022,187	1,932,761

Three matters were approved and the votes cast for or against and the abstentions were as follows:

	Aggregate Votes		
Matter	For	Against	Abstain
An amendment of the Corporation's Articles of Incorporation to increase the number of authorized shares of $5.00 par value common stock from 450,000,000 shares to 800,000,000	229,323,991	24,469,392	2,160,500
Reapproval of certain elements of and approval of amendments to the Corporation's 1997 Long-Term Incentive Award Plan	204,683,322	48,076,241	3,194,320
Reapproval of certain elements of and approval of amendments to the Corporation's 1996 Executive Incentive Award Plan	230,135,398	22,483,580	3,334,905

There were no broker non-votes.

With respect to the preceding matters, holders of the Corporation's common and voting preferred stock voted together as a single class. The following table sets forth, as of the February 28, 2001 record date, the number of shares of each class or series of stock that were issued and outstanding and entitled to vote, the voting power per share and the aggregate voting power of each class or series:

Title of Class or Series	Voting Rights Per Share	Number of Shares Entitled to Vote	Aggregate Voting Power
Common Stock	1	289,606,244	289,606,244

$1.80 Cumulative Convertible Preferred Stock - Series A	8	10,814	86,512
$1.80 Cumulative Convertible Preferred Stock - Series B	8	3,024	24,192
$1.60 Cumulative Convertible Preferred Stock - Series C	4/2.4	222,748	371,247*
$1.80 Cumulative Convertible Preferred Stock - Series D	4/2.4	314,477	524,128*
Total possible votes			290,612,323*

* Represents greatest number of votes possible. Actual aggregate voting power was less since each holder of such preferred stock was entitled to a number of votes equal to the number of full shares of common stock into which such holder's preferred stock was convertible.

Holders of the Corporation's issued and outstanding shares of Fixed/Adjustable Rate Noncumulative Preferred Stock-Series F were not entitled to vote with respect to the matters presented at the meeting.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

The following exhibit index lists Exhibits filed with this Quarterly Report on Form 10-Q:

3.1	Articles of Incorporation of the Corporation, as amended and restated as of April 24, 2001
12.1	Computation of Ratio of Earnings to Fixed Charges
12.2	Computation of Ratio of Earnings to Fixed Charges and Preferred Stock Dividends

Copies of these Exhibits may be obtained electronically at the Securities and Exchange Commission's home page at www.sec.gov. Copies may also be obtained without charge by writing to Lynn Fox Evans, Director of Financial Reporting, at corporate headquarters, by calling (412) 762-1553 or via e-mail at financial.reporting@pnc.com.

The Corporation did not file any Reports on Form 8-K during the quarter ended March 31, 2001.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on May 10, 2001, on its behalf by the undersigned thereunto duly authorized.

THE PNC FINANCIAL SERVICES GROUP, INC.
By: /s/ Robert L. Haunschild
- -----------------------------
Robert L. Haunschild
Senior Vice President and
Chief Financial Officer

CORPORATE INFORMATION
THE PNC FINANCIAL SERVICES GROUP, INC.

CORPORATE HEADQUARTERS

The PNC Financial Services Group, Inc.
One PNC Plaza
249 Fifth Avenue
Pittsburgh, Pennsylvania 15222-2707
(412) 762-2000

STOCK LISTING

The PNC Financial Services Group, Inc. common stock is listed on the New York Stock Exchange under the symbol PNC.

INTERNET INFORMATION

The PNC Financial Services Group, Inc.'s financial reports and information about its products and services are available on the Internet at www.pnc.com.

FINANCIAL INFORMATION

The Annual Report on Form 10-K is filed with the Securities and Exchange Commission ("SEC"). Copies of this document and other filings, including Exhibits thereto, may be obtained electronically at the SEC's home page at www.sec.gov. Copies may also be obtained without charge by writing to Lynn Fox Evans, Director of Financial Reporting, at corporate headquarters, by calling (412) 762-1553 or via e-mail at financial.reporting@pnc.com.

INQUIRIES

For financial services call 1-888-PNC-2265. Individual shareholders should contact Shareholder Relations at (800) 982-7652.

Analysts and institutional investors should contact William H. Callihan, Vice President, Investor Relations, at (412) 762-8257 or via e-mail at investor.relations@pnc.com.

News media representatives and others seeking general information should contact R. Jeep Bryant, Director of Corporate Communications, at (412) 762-8221 or via e-mail at corporate.communications@pnc.com.

COMMON STOCK PRICES/DIVIDENDS DECLARED

The table below sets forth by quarter the range of high and low sale and quarter-end closing prices for The PNC Financial Services Group, Inc. common stock and the cash dividends declared per common share.

	High	Low	Close	Cash Dividends Declared
2001 QUARTER				
First	$75.813	$56.000	$67.750	$.48
2000 QUARTER				
First	$48.500	$36.000	$45.063	$.45
Second	57.500	41.000	46.875	.45
Third	66.375	47.625	65.000	.45
Fourth	75.000	56.375	73.063	.48
Total				$1.83

DIVIDEND REINVESTMENT AND STOCK PURCHASE PLAN

The PNC Financial Services Group, Inc. Dividend Reinvestment and Stock Purchase Plan enables holders of common and preferred stock to purchase additional shares of common stock conveniently and without paying brokerage commissions or service charges. A prospectus and enrollment card may be obtained by writing to Shareholder Relations at corporate headquarters.

REGISTRAR AND TRANSFER AGENT

The Chase Manhattan Bank
85 Challenger Road
Ridgefield Park, New Jersey 07660
(800) 982-7652

Exhibit 3.1

AMENDED AND RESTATED
ARTICLES OF INCORPORATION
OF
THE PNC FINANCIAL SERVICES GROUP, INC.
(as of April 24, 2001)

FIRST. The name of the corporation is The PNC Financial Services Group, Inc.

SECOND. The address of the corporation's registered office in the Commonwealth of Pennsylvania is One PNC Plaza, 249 Fifth Avenue, Pittsburgh, Pennsylvania 15222-2707.

THIRD. The corporation is incorporated under the provisions of the Business Corporation Law, the Act approved May 5, 1933, P.L. 364, as amended. The purpose of the corporation is, and it shall have unlimited power to engage in and to do any lawful act concerning any or all lawful business for which corporations may be incorporated under such Act.

FOURTH. The term of the corporation's existence is perpetual.

FIFTH. The authority to make, amend and repeal the by-laws of the corporation is hereby vested in the Board of Directors, subject always to the power of the shareholders to change any such action.

SIXTH. The aggregate number of shares of capital stock which the corporation shall have authority to issue is 820,000,000 shares divided into two classes consisting of 20,000,000 shares of preferred stock of the par value of $1.00 each ("Preferred Stock") and 800,000,000 shares of common stock of the par value of $5.00 each ("Common Stock").

SEVENTH. The following is a statement of certain of the designations, preferences, qualifications, privileges, limitations, restrictions, and special or relative rights in respect of the Preferred Stock and the Common Stock and a statement of the authority vested in the Board of Directors to fix by resolution any designations, preferences, privileges, qualifications, limitations, restrictions and special or relative rights of any series of Preferred Stock which are not fixed hereby:

PREFERRED STOCK

1. Issuance in series. The shares of Preferred Stock may be issued from time to time in series. Each series shall be so designated as to distinguish the shares thereof from the shares of all other series. All shares of any particular series shall be identical except, if entitled to cumulative dividends, as to the date or dates from which dividends thereon shall be cumulative. The shares of any one series need not be identical or rank equally with the shares of any other series except as required by law or as provided hereby. The Board of Directors is expressly vested with authority to establish and designate any one or more series of Preferred Stock and to fix and determine by resolution any designations, preferences, qualifications, privileges, limitations, restrictions or special or relative rights of additional series which are not fixed hereby, including the following:

(a) The number of shares to constitute the series and the distinctive designation thereof.

(b) The dividend rate, the dates for payment of dividends, whether dividends shall be cumulative, and, if so, the date or dates from which and the extent to which dividends shall be cumulative.

(c) The amount or amounts payable upon voluntary or involuntary liquidation of the Corporation.

(d) The voting rights, if any, of the holders of shares of the series.

(e) The redemption price or prices, if any, and the terms and conditions on which shares may be redeemed.

(f) Whether the shares of the series shall be convertible into or exchangeable for shares of capital stock of the Corporation or other securities, and, if so, the conversion price or prices or the rate or rates of conversion or exchange, any adjustments thereof, and any other terms and conditions of conversion or exchange.

(g) Whether the shares of the series shall be entitled to the benefit of any retirement or sinking fund to be applied to the purchase or redemption of such shares, and, if so, the amount thereof and the terms and conditions relative to the operation thereof.

(h) The rank of the shares of the series, as in dividends and assets, in relation to the shares of any other class or series of capital stock of the Corporation.

(i) Such other preferences, qualifications, privileges, limitations, restrictions or special or relative rights of any series as are not fixed hereby and as the Board of Directors may deem advisable and state in such resolutions.

2. Dividends. The holders of shares of each series of Preferred Stock shall be entitled to receive, when and as declared by the Board of Directors, dividends at the rate which shall have been fixed hereby or by the Board of Directors as authorized hereby with respect to such series, and no more except as shall have been determined by the Board of Directors as authorized hereby. If dividends on a particular series shall have been determined hereby or by the Board of Directors as authorized hereby to be cumulative, no dividends shall be paid or set apart for payment or declared on the Common Stock or on any class or series of stock of the Corporation ranking as to dividends subordinate to such series (other than dividends payable in Common Stock or in any class or series of stock of the Corporation ranking as to dividends and assets subordinate to such series) and no payment shall be made or set apart for the purchase, redemption or other acquisition for value of any shares of Common Stock or of any class or series of stock of the Corporation ranking as to dividends or assets subordinate to such series, until dividends (to the extent cumulative) for all past dividend periods on all outstanding shares of such series have been paid, or declared and set apart for payment, in full. In case dividends for any dividend period are not paid in full on all shares of Preferred Stock ranking equally as to dividends, all such shares shall participate ratably in the payment of dividends for such period in proportion to the full amounts of dividends to which they are respectively entitled.

3. Liquidation of the Corporation. In the event of voluntary or involuntary liquidation of the Corporation the holders of shares of each series of Preferred Stock shall be entitled to receive from the assets of the Corporation (whether capital or surplus), prior to any payment to the holders of Common Stock or of any class or series of stock of the Corporation ranking as to assets subordinate to such series, the amount fixed hereby or by the Board of Directors as authorized hereby for such series, plus, in case dividends on such series shall have been determined hereby or by the Board of Directors as authorized hereby to be cumulative, an amount equal to the accrued and unpaid dividends thereon (to the extent cumulative) computed to the date on which payment thereof is made available, whether or not earned or declared. After such payment to the holders of shares of such series, any remaining balance shall be paid to the holders of Common Stock or of any class or series of stock of the Corporation ranking as to assets subordinate to such series, as they may be entitled. If, upon liquidation of the Corporation, its assets are not sufficient to pay in full the amounts so payable to the holders of shares of all series of Preferred Stock ranking equally as to assets, all such shares shall participate ratably in the distribution of assets in proportion to the full amounts to which they are respectively entitled. Neither a merger nor a consolidation of the Corporation into or with any other corporation nor a sale, transfer or lease of all or part of the assets of the Corporation shall be deemed a liquidation of the Corporation within the meaning of this paragraph.

4. Voting rights. (a) Except as otherwise required by law, holders of shares of Preferred Stock shall have only such voting rights, if any, as shall have been fixed and determined hereby or by the Board of Directors as authorized hereby. Except as otherwise required by law or as otherwise provided hereby or by the Board of Directors as authorized hereby, holders of Preferred Stock having voting rights and holders of Common Stock shall vote together as one class.

(b) If the Corporation shall have failed to pay, or declare and set apart for payment, dividends on all outstanding shares of Preferred Stock in an amount equal to six quarterly dividends at the rates payable upon such shares (whether or not such dividends are cumulative), the number of directors of the Corporation shall be increased by two at the first annual meeting of the shareholders of the Corporation held thereafter, and at such meeting and at each subsequent annual meeting until cumulative dividends payable for all past dividend periods and continuous noncumulative dividends for at least one year on all outstanding shares of Preferred Stock entitled thereto shall have been paid, or declared and set apart for payment, in full, the holders of shares of Preferred Stock of all series shall have the right, voting as a class, to elect such two additional members of the Board of Directors to hold office for a term of one year. Upon such payment, or such declaration and setting apart for payment, in full, the terms of the two additional directors so elected shall forthwith terminate, and the number of directors of the Corporation shall be reduced by two, and such voting right of the holders of shares of Preferred Stock shall cease, subject to increase in the number of directors as aforesaid and to revesting of such voting right in the event of each and every additional failure in the payment of dividends in an amount equal to six quarterly dividends as aforesaid.

5. Action by Corporation requiring approval of Preferred Stock. The Corporation shall not, without the affirmative vote at a meeting, or the written consent with or without a meeting,

of the holders of at least two-thirds of the then outstanding shares of Preferred Stock of all series (a) create or increase the authorized number of shares of any class of stock ranking as to dividends or assets prior to the Preferred Stock; or (b) change the preferences, qualifications, privileges, limitations, restrictions or special or relative rights granted to or imposed upon the shares of Preferred Stock in any material respect adverse to the holders thereof, provided that if any such change will affect any particular series materially and adversely as contrasted with the effect thereof upon any other series, no such change may be made without, in addition, such vote or consent of the holders of at least two-thirds of the then outstanding shares of the particular series which would be so affected.

6. Redemption and acquisition. (a) Except as otherwise provided by the Board of Directors as authorized hereby, the Corporation, at its option to be exercised by its Board of Directors, may redeem the whole or any part of the Preferred Stock or of any series thereof at such times and at the applicable amount for each share which shall have been fixed and determined hereby or by the Board of Directors as authorized hereby with respect thereto, plus, in case dividends shall have been determined hereby or by the Board of Directors as authorized hereby to be cumulative, an amount equal to the accrued and unpaid dividends thereon (to the extent cumulative) computed to the date fixed for redemption, whether or not earned or declared (hereinafter collectively called the "redemption price"). If at any time less than all of the Preferred Stock then outstanding is to be called for redemption, the Board may select one or more series to be redeemed, and if less than all the outstanding Preferred Stock of any series is to be called for redemption, the shares to be redeemed may be selected by lot or by such other equitable method as the Board in its discretion may determine. Notice of every redemption, stating the redemption date, the redemption price, and the place of payment thereof, and, if less than all of the Preferred Stock then outstanding is called for redemption, identifying the shares to be redeemed, shall be published at least once in a newspaper printed in the English language and of general circulation in the City of Philadelphia, Pennsylvania, or in the Borough of Manhattan, the City of New York, New York, the first publication to be not less than 30 nor more than 60 days prior to the date fixed for redemption. Copies of such notice shall be mailed at least 30 days and not more than 60 days prior to the date fixed for redemption to the holders of record of the shares to be redeemed at their addresses as the same shall appear on the books of the Corporation, but failure to give such additional notice by mail or any defect therein or failure of any addressee to receive it shall not affect the validity of the proceedings for redemption. The Corporation, upon publication of the first notice of redemption as aforesaid or upon irrevocably authorizing the bank or trust company hereinafter mentioned to publish such notice as aforesaid, may deposit or cause to be deposited in trust with a bank or trust company in the City of Philadelphia, Pennsylvania, or in the Borough of Manhattan, the City of New York, New York, an amount equal to the redemption price of the shares to be redeemed, which amount shall be payable to the holders thereof upon surrender of certificates therefor on or after the date fixed for redemption or prior thereto if so directed by the Board of Directors. Upon such deposit, or if no such deposit is made then from and after the date fixed for redemption unless the Corporation shall default in making payment of the redemption price upon surrender of certificates as aforesaid, the shares called for redemption shall cease to be outstanding and the holders thereof shall cease to be shareholders with respect to such shares and shall have no interest in or claim against the Corporation with respect to such shares other than the right to receive the redemption

price from such bank or trust company or from the Corporation, as the case may be, without interest thereon, upon surrender of certificates as aforesaid; provided that conversion rights of shares called for redemption shall terminate at the close of business on the date fixed for redemption or at such earlier time as shall have been fixed by the Board of Directors as authorized hereby. Any funds so deposited which shall not be required for such redemption because of the exercise of conversion rights subsequent to the date of such deposit shall be returned to the Corporation. In case any holder of shares called for redemption shall not, within six years after the date of such deposit, have claimed the amount deposited with respect to the redemption thereof, such bank or trust company, upon demand, shall pay over to the Corporation such unclaimed amount and shall thereupon be relieved of all responsibility in respect thereof to such holder, and thereafter such holder shall look only to the Corporation for payment thereof. Any interest which may accrue on funds so deposited shall be paid to the Corporation from time to time.

(b) Except as otherwise provided by the Board of Directors as authorized hereby, the Corporation shall have the right to acquire Preferred Stock from time to time at such price or prices as the Corporation may determine, provided that unless dividends (to the extent cumulative) payable for all past quarterly dividend periods on all outstanding shares of Preferred Stock entitled to cumulative dividends have been paid, or declared and set apart for payment, in full, the Corporation shall not acquire for value any shares of Preferred Stock except in accordance with an offer (which may vary as to terms offered with respect to shares of different series but not with respect to shares of the same series) made in writing or by publication (as determined by the Board of Directors) to all holders of record of shares of Preferred Stock.

(c) Except as otherwise provided by the Board of Directors as authorized hereby, Preferred Stock redeemed or acquired by the Corporation otherwise than by conversion shall not be cancelled or retired except by action of the Board and shall have the status of authorized and unissued Preferred Stock which may be reissued by the Board as shares of the same or any other series until cancelled and retired by action of the Board, but, at the option of the Board, Preferred Stock acquired otherwise than by redemption or conversion may be held as treasury shares which may be reissued by the Board until cancelled and retired by action of the Board.

$1.80 CUMULATIVE CONVERTIBLE PREFERRED STOCK, SERIES A

7. Designation. A series of Preferred Stock designated $1.80 Cumulative Convertible Preferred Stock, Series A (Redeemable) (herein called "Series A Preferred Stock") is hereby established, consisting of 98,583 shares subject to increase or decrease in the number of shares in accordance with law.

8. Dividends. The dividend rate of shares of this series shall be $1.80 per share per year, payable quarterly on the tenth day of each March, June, September and December. Dividends shall be cumulative from the March 10, June 10, September 10 or December 10 next preceding the date of issue of each share, unless the date of issue is a quarterly dividend payment date or a date between the record date for the determination of holders of $1.80 Cumulative Convertible Preferred Stock of Provident National Corporation, a predecessor of the Corporation

(such stock having been converted into the Series A Preferred Stock), entitled to receive a quarterly dividend and the date of payment of such quarterly dividend, in either of which events such dividends shall be cumulative from such quarterly dividend payment date.

9. Liquidation. The amount payable upon shares of Series A Preferred Stock in the event of voluntary or involuntary liquidation of the Corporation, prior to any payment to the holders of Common Stock or of any class or series of stock of the Corporation ranking as to assets subordinate to the Series A Preferred Stock, shall be $40.00 per share plus an amount equal to accrued and unpaid dividends thereon computed to the date on which payment thereof is made available, whether or not earned or declared.

10. Redemption. Shares of Series A Preferred Stock shall be redeemable at any time at $40.00 per share plus an amount equal to accrued and unpaid dividends thereon computed to the date fixed for redemption, whether or not earned or declared.

11. Voting Rights. Each holder of record of Series A Preferred Stock shall have the right to a number of votes equal to the number of full shares of Common Stock into which the share or shares of Series A Preferred Stock standing in his name on the books of the Corporation are at the time convertible.

12. Conversion provisions. (a) Shares of Series A Preferred Stock may, at the option of the holder, be converted into Common Stock of the Corporation (as such stock may be constituted on the conversion date) at the rate of two shares of Common Stock for each share of Series A Preferred Stock, subject to adjustment as provided herein; provided that, as to any shares of Series A Preferred Stock which shall have been called for redemption, the conversion right shall terminate at the close of business on the date fixed for redemption.

(b) The holder of a share or shares of Series A Preferred Stock may exercise the conversion right as to any thereof by delivering to the Corporation, during regular business hours, at its principal office or at the office of any of its transfer agents for the Series A Preferred Stock or at such other place as may be designated by the Corporation, the certificate or certificates for the shares to be converted, duly endorsed or assigned in blank or to the Corporation (if required by it), accompanied by written notice stating that the holder elects to convert such shares and stating the name or names (with address) in which the certificate or certificates for Common Stock are to be issued. Conversion shall be deemed to have been effected on the date when such delivery is made, and such date is referred to herein as the "conversion date." As promptly as practicable thereafter the Corporation shall issue and deliver to or upon the written order of such holder, at such office or other place designated by the Corporation, a certificate or certificates for the number of full shares of Common Stock to which he is entitled and a check, cash, scrip certificate or other adjustment in respect of any fraction of a share as provided in Section 12(d) below. The person in whose name the certificate or certificates for Common Stock are to be issued shall be deemed to have become a holder of such Common Stock of record on the conversion date unless the transfer books of the Corporation are closed on that date, in which event he shall be deemed to have become a holder of such Common Stock of record on the next

succeeding date on which the transfer books are open, but the conversion rate shall be that in effect on the conversion date.

(c) No payment or adjustment shall be made for dividends accrued on any shares of Series A Preferred Stock converted or for dividends on any shares of Common Stock issuable on conversion.

(d) The Corporation shall not be required to issue any fraction of a share upon conversion of any share or shares of Series A Preferred Stock. If more than one share of Series A Preferred Stock shall be surrendered for conversion at one time by the same holder, the number of full shares of Common Stock issuable upon conversion thereof shall be computed on the basis of the total number of shares of Series A Preferred Stock so surrendered. If any fractional interest in a share of Common Stock would be deliverable upon conversion, the Corporation shall make an adjustment therefor in cash unless its Board of Directors shall have determined to adjust fractional interests by issuance of scrip certificates or in some other manner. Adjustment in cash shall be made on the basis of the current market value of one share of Common Stock, which shall be taken to be the last reported sale price of the Corporation's Common Stock on the principal stock exchange on which the Common Stock is then listed on the last business day before the conversion date or, if there was no reported sale on that date, the average of the closing bid and asked quotations on that exchange on that day or, if the Common Stock is not then listed on any stock exchange, the average of the lowest bid and the highest asked quotations in the over-the-counter market on that day.

(e) The issuance of Common Stock on conversion of Series A Preferred Stock shall be without charge to the converting holder of Series A Preferred Stock for any tax in respect of the issuance thereof, but the Corporation shall not be required to pay any tax which may be payable in respect of any transfer involved in the issuance and delivery of shares in any name other than that of the holder of record on the books of the Corporation of the shares of Series A Preferred Stock converted, and the Corporation shall not be required to issue or deliver any certificate for shares of Common Stock unless and until the person requesting the issuance thereof shall have paid to the Corporation the amount of such tax or shall have established to the satisfaction of the Corporation that such tax has been paid.

(f) The conversion rate provided in Section 12(a) shall be subject to the following adjustments, which shall be made to the nearest one-hundredth of a share of Common Stock or, if none, to the next lower one-hundredth:

(1) If the Corporation shall pay to the holders of its Common Stock a dividend in shares of Common Stock, the conversion rate in effect immediately prior to the record date fixed for the determination of the holders of Common Stock entitled to such dividend shall be proportionately increased, effective at the opening of business on the next following full business day.

(2) If the Corporation shall split the outstanding shares of its Common Stock into a greater number of shares or combine the outstanding shares into a smaller

number, the conversion rate in effect immediately prior to such action shall be proportionately increased in the case of a split or decreased in the case of a combination, effective at the opening of business on the full business day next following the day such action becomes effective.

(3) If the Corporation shall issue to the holders of its Common Stock rights or warrants to subscribe for or purchase shares of its Common Stock at a price less than 90% of the Current Market Price (as defined below in this paragraph) of the Corporation's Common Stock at the record date fixed for the determination of the holders of Common Stock entitled to such rights or warrants, the conversion rate in effect immediately prior to said record date shall be increased, effective at the opening of business on the next following full business day, to an amount determined by multiplying such conversion rate by a fraction the numerator of which is the number of shares of Common Stock of the

Corporation outstanding immediately prior to said record date plus the number of additional shares of its Common Stock offered for subscription or purchase and the denominator of which is said number of shares outstanding immediately prior to said record date plus the number of shares of Common Stock of the Corporation which the aggregate subscription or purchase price of the total number of shares so offered would purchase at the Current Market Price of the Corporation's Common Stock at said record date. The term "Current Market Price" at said record date shall mean the average of the daily last reported sale prices per share of the Corporation's Common Stock on the principal stock exchange on which the Common Stock is then listed during the 20 consecutive full business days commencing with the 30th full business day before said record date, provided that if there was no reported sale on any such day or days there shall be substituted the average of the closing bid and asked quotations on that exchange on that day, and provided further that if the Common Stock was not listed on any stock exchange on any such day or days there shall be substituted the average of the lowest bid and the highest asked quotations in the over-the-counter market on that day.

(g) No adjustment of the conversion rate provided in Section 12(a) shall be made by reason of the issuance of Common Stock for cash except as provided in Section 12(f)(3), or by reason of the issuance of Common Stock for property or services. Whenever the conversion rate is adjusted pursuant to Section 12(f), the Corporation shall (1) promptly place on file at its principal office and at the office of each of its transfer agents for the Series A Preferred Stock a statement signed by the Chairman of the Board, the President or a Vice President of the Corporation and by its Treasurer or an Assistant Treasurer showing in detail the facts requiring such adjustment and the conversion rate after such adjustment, and shall make such statement available for inspection by shareholders of the Corporation, and (2) cause a notice to be published at least once in a newspaper printed in the English language and of general circulation in the City of Philadelphia, Pennsylvania, or in the Borough of Manhattan, the City of New York, New York, stating that such adjustment has been made and the adjusted conversion rate.

(h) If the Corporation shall issue to the holders of its Common Stock rights or warrants to subscribe for or purchase shares of its Common Stock or any other security, or if the Corporation shall distribute to the holders of its Common Stock any evidences of indebtedness or any other assets (excluding dividends and distributions in cash), the Corporation shall mail to each holder of record of a share or shares of Series A Preferred Stock, at his address as it shall appear on the books of the Corporation, a notice stating the record date fixed or to be fixed for the determination of the holders of Common Stock of record entitled to such issuance or distribution. Such notice shall be mailed at least 10 days before such record date. Failure to mail such notice or any defect therein or failure of any addressee to receive it shall not affect the validity of such issuance or distribution or any vote thereon.

(i) In case of any reclassification or change in the outstanding shares of Common Stock of the Corporation (except a split or combination of shares) or in case of any consolidation or merger to which the Corporation is a party (except a merger in which the Corporation is the surviving corporation and which does not result in any reclassification of or change in the outstanding Common Stock of the Corporation except a split or combination of shares) or in case of any sale or conveyance to another corporation of all or substantially all of the property of the Corporation, effective provision shall be made by the Corporation or by the successor or purchasing corporation (1) that the holder of each share of Series A Preferred Stock then outstanding shall thereafter have the right to convert such share into the kind and amount of stock and other securities and property receivable upon such reclassification, change, consolidation, merger, sale or conveyance by a holder of the number of shares of Common Stock of the Corporation into which such share of Series A Preferred Stock might have been converted immediately prior thereto, and (2) that there shall be subsequent adjustments of the conversion rate which shall be equivalent, as nearly as practicable, to the adjustments provided for in Section 12(f). The provisions of this Section 12(i) shall similarly apply to successive reclassifications, changes, consolidations, mergers, sales or conveyances.

(j) Shares of Common Stock issued on conversion of shares of Series A Preferred Stock shall be issued as fully paid shares and shall be nonassessable by the Corporation. The Corporation shall at all times reserve and keep available for the purpose of effecting the conversion of Series A Preferred Stock, such number of its duly authorized shares of Common Stock as shall be sufficient to effect the conversion of all outstanding shares of Series A Preferred Stock.

(k) Shares of Series A Preferred Stock converted as provided herein shall not be reissued.

$1.80 CUMULATIVE CONVERTIBLE PREFERRED STOCK, SERIES B

13. Designation. A series of Preferred Stock designated $1.80 Cumulative Convertible Preferred Stock, Series B (Nonredeemable) (herein called "Series B Preferred Stock") is hereby established consisting of 38,542 shares subject to increase or decrease in the number of shares in accordance with law.

14. Dividends. The dividend rate of shares of Series B Preferred Stock shall be $1.80 per share per year, payable quarterly on the tenth day of each March, June, September and December. Dividends shall be cumulative from the March 10, June 10, September 10 or December 10 next preceding the date of issue of each share, unless the date of issue is a quarterly dividend payment date or a date between the record date for the determination of holders of $1.80 Cumulative Convertible Preferred Stock, 1971 Series, of Provident National Corporation, a predecessor of the Corporation (such stock having been converted into the Series B Preferred Stock), entitled to receive a quarterly dividend and the date of payment of such quarterly dividend, in either of which events such dividends shall be cumulative from such quarterly dividend payment date.

15. Liquidation. The amount payable upon shares of Series B Preferred Stock in the event of voluntary or involuntary liquidation of the Corporation, prior to any payment to the holders of Common Stock or of any class or series of stock of the Corporation ranking as to assets subordinate to the Series B Preferred Stock, shall be $40.00 per share plus an amount equal to accrued and unpaid dividends thereon computed to the date on which payment thereof is made available, whether or not earned or declared.

16. Rank. The Series B Preferred Stock shall rank, as to dividends and assets, equally with the series of Preferred Stock of the Corporation designated $1.80 Cumulative Convertible Preferred Stock, Series A (Redeemable).

17. Redemption. Shares of Series B Preferred Stock shall not be redeemable.

18. Voting rights. Each holder of record of Series B Preferred Stock shall have the right to a number of votes equal to the number of full shares of Common Stock into which the share or shares of Series B Preferred Stock standing in his name on the books of the Corporation are at the time convertible.

19. Conversion provisions. (a) Shares of Series B Preferred Stock may, at the option of the holder, be converted into Common Stock of the Corporation (as such stock may be constituted on the conversion date) at the rate of two shares of Common Stock for each share of Series B Preferred Stock, subject to adjustment as provided herein.

(b) The holder of a share or shares of Series B Preferred Stock may exercise the conversion right as to any thereof by delivering to the Corporation during regular business hours, at its principal office or at the office of any of its transfer agents for the Series B Preferred Stock or at such other place as may be designated by the Corporation, the certificate or certificates for the shares to be converted, duly endorsed or assigned in blank or to the Corporation (if required by it), accompanied by written notice stating that the holder elects to convert such shares and stating the name or names (with address) in which the certificate or certificates for Common Stock are to be issued. Conversion shall be deemed to have been effected on the date when such delivery is made, and such date is referred to herein as the "conversion date." As promptly as practicable thereafter, the Corporation shall issue and deliver to or upon the written order of such holder, at such office or other place designated by the Corporation, a certificate or certificates for the number of full shares of Common Stock to which he is entitled and a check, cash, scrip

certificate or other adjustment in respect of any fraction of a share as provided in Section 19(d) below. The person in whose name the certificate or certificates for Common Stock are to be issued shall be deemed to have become a holder of such Common Stock of record on the conversion date unless the transfer books of the Corporation are closed on that date, in which event he shall be deemed to have become a holder of such Common Stock of record on the next succeeding date on which the transfer books are open, but the conversion rate shall be that in effect on the conversion date.

(c) No payment or adjustment shall be made for dividends accrued on any shares of Series B Preferred Stock converted or for dividends on any shares of Common Stock issuable on conversion.

(d) The Corporation shall not be required to issue any fraction of a share upon conversion of any share or shares of Series B Preferred Stock. If more than one share of Series B Preferred Stock shall be surrendered for conversion at one time by the same holder, the number of full shares of Common

Stock issuable upon conversion thereof shall be computed on the basis of the total number of shares of Series B Preferred Stock so surrendered. If any fractional interest in a share of Common Stock would be deliverable upon conversion, the Corporation shall make an adjustment therefor in cash unless its Board of Directors shall have determined to adjust fractional interests by issuance of scrip certificates or in some other manner. Adjustment in cash shall be made on the basis of the current market value of one share of Common Stock, which shall be taken to be the last reported sale price of the Corporation's Common Stock on the principal stock exchange on which the Common Stock is then listed on the last business day before the conversion date or, if there was no reported sale on that date, the average of the closing bid and asked quotations on that exchange on that day or, if the Common Stock is not then listed on any stock exchange, the average of the lowest bid and the highest asked quotations in the over-the-counter market on that day.

(e) The issuance of Common Stock on conversion of Series B Preferred Stock shall be without charge to the converting holder of Series B Preferred Stock for any tax in respect of the issuance thereof, but the Corporation shall not be required to pay any tax which may be payable in respect of any transfer involved in the issuance and delivery of shares in any name other than that of the holder of record on the books of the Corporation of the shares of Series B Preferred Stock converted, and the Corporation shall not be required to issue or deliver any certificate for shares of Common Stock unless and until the person requesting the issuance thereof shall have paid to the Corporation the amount of such tax or shall have established to the satisfaction of the Corporation that such tax has been paid.

(f) The conversion rate provided in Section 19(a) above shall be subject to the following adjustments, which shall be made to the nearest one-hundredth of a share of Common Stock or, if none, to the next lower one-hundredth:

(1) If the Corporation shall pay to the holders of its Common Stock a dividend in shares of Common Stock, the conversion rate in effect immediately prior to the record date fixed for the determination of the holders of Common Stock entitled to

such dividend shall be proportionately increased, effective at the opening of business on the next following full business day.

(2) If the Corporation shall split the outstanding shares of its Common Stock into a greater number of shares or combine the outstanding shares into a smaller number, the conversion rate in effect immediately prior to such action shall be proportionately increased in the case of a split or decreased in the case of a combination, effective at the opening of business on the full business day next following the day such action becomes effective.

(3) If the Corporation shall issue to the holders of its Common Stock rights or warrants to subscribe for or purchase shares of its Common Stock at a price less than 90% of the Current Market Price (as defined below in this paragraph) of the Corporation's Common Stock at the record date fixed for the determination of the holders of Common Stock entitled to such rights or warrants, the conversion rate in effect immediately prior to said record date shall be increased, effective at the opening of business on the next following full business day, to an amount determined by multiplying such conversion rate by a fraction the numerator of which is the number of shares of Common Stock of the Corporation outstanding immediately prior to said record date plus the number of additional shares of its Common Stock offered for subscription or purchase and the denominator of which is said number of shares outstanding immediately prior to said record date plus the number of shares of Common Stock of the Corporation which the aggregate subscription or purchase price of the total number of shares so offered would purchase at the Current Market Price of the Corporation's Common Stock at said record date. The term "Current Market Price" at said record date shall mean the average of the daily last reported sale prices per share of the Corporation's Common Stock on the principal stock exchange on which the Common Stock is then listed during the 20 consecutive full business days commencing with the 30th full business day before said record date, provided that if there was no reported sale on any such day or days there shall be substituted the average of the closing bid and asked quotations on that exchange on that day, and provided further that if the Common Stock was not listed on any stock exchange

on any such day or days there shall be substituted the average of the lowest bid and the highest asked quotations in the over-the-counter market on that day.

(g) No adjustment of the conversion rate provided in Section 19(a) above shall be made by reason of the issuance of Common Stock for cash except as provided in Section 19(f)(3) above, or by reason of the issuance of Common Stock for property or services. Whenever the conversion rate is adjusted pursuant to Section 19(f) above the Corporation shall (1) promptly place on file at its principal office and at the office of each of its transfer agents for the Series B Preferred Stock a statement signed by the Chairman of the Board, the President or a Vice President of the Corporation and by its Treasurer or an Assistant Treasurer showing in detail the facts requiring such adjustment and the conversion rate after such adjustment, and shall make such statement available for inspection by shareholders of the Corporation, and (2) cause a notice

to be published at least once in a newspaper printed in the English language and of general circulation in the City of Philadelphia, Pennsylvania, or in the Borough of Manhattan, the City of New York, New York, stating that such adjustment has been made and the adjusted conversion rate.

(h) If the Corporation shall issue to the holders of its Common Stock rights or warrants to subscribe for or purchase shares of its Common Stock or any other security, or if the Corporation shall distribute to the holders of its Common Stock any evidences of indebtedness or any other assets (excluding dividends and distributions in cash), the Corporation shall mail to each holder of record of a share or shares of Series B Preferred Stock, at his address as it shall appear on the books of the Corporation, a notice stating the record date fixed or to be fixed for the determination of the holders of Common Stock of record entitled to such issuance or distribution. Such notice shall be mailed at least 10 days before such record date. Failure to mail such notice or any defect therein or failure of any addressee to receive it shall not affect the validity of such issuance or distribution or any vote thereon.

(i) In case of any reclassification or change of the outstanding shares of Common Stock of the Corporation (except a split or combination of shares) or in case of any consolidation or merger to which the Corporation is a party (except a merger in which the Corporation is the surviving corporation and which does not result in any reclassification of or change in the outstanding Common Stock of the Corporation except a split or combination of shares) or in case of any sale or conveyance to another corporation of all or substantially all of the property of the Corporation, effective provision shall be made by the Corporation or by the successor or purchasing corporation (1) that the holder of each share of Series B Preferred Stock then outstanding shall thereafter have the right to convert such share into the kind and amount of stock and other securities and property receivable upon such reclassification, change, consolidation, merger, sale or conveyance by a holder of the number of shares of Common Stock of the Corporation into which such share of Series B Preferred Stock might have been converted immediately prior thereto, and (2) that there shall be subsequent adjustments of the conversion rate which shall be equivalent, as nearly as practicable, to the adjustments provided for in Section 19(f) above. The provisions of this Section 19(i) shall similarly apply to successive reclassifications, changes, consolidations, mergers, sales or conveyances.

(j) Shares of Common Stock issued on conversion of shares of Series B Preferred Stock shall be issued as fully paid shares and shall be nonassessable by the Corporation. The Corporation shall at all times reserve and keep available for the purpose of effecting the conversion of Series B Preferred Stock, such number of its duly authorized shares of Common Stock as shall be sufficient to effect the conversion of all outstanding shares of Series B Preferred Stock.

(k) Shares of Series B Preferred Stock converted as provided herein shall not be reissued.

20. Retirement or sinking fund. The shares of Series B Preferred Stock shall not be entitled to the benefit of any retirement or sinking fund to be applied to the purchase or redemption of such shares.

$1.60 CUMULATIVE CONVERTIBLE PREFERRED STOCK, SERIES C

21. Designation. A series of Preferred Stock designated "$1.60 Cumulative Convertible Preferred Stock, Series C" (herein called "Series C Preferred Stock") is hereby established, consisting of 1,433,935 shares subject to increase or decrease in the number of shares in accordance with law.

22. Rank. Series C Preferred Stock shall rank, as to dividends and assets, equally with the Series A Preferred Stock and the Series B Preferred Stock and every other share of capital stock from time to time outstanding which

is not Common Stock of the Corporation and which is not specifically made senior or subordinate to the Series C Preferred Stock as to dividends or assets.

23. Dividends. The dividend rate of shares of this series shall be $1.60 per share per year, payable in equal quarterly installments on the first day of each January, April, July and October. Dividends shall be cumulative from the January 1, April 1, July 1 and October 1 next preceding the date of issue of each share, unless the date of issue is a quarterly dividend payment date or a date between the record date for the determination of holders of record of Series C Preferred Stock entitled to receive a quarterly dividend and the date of payment of such quarterly dividend, in either of which events such dividends shall be cumulative from such dividend payment date.

24. Liquidation. The amount payable upon shares of Series C Preferred Stock in the event of voluntary or involuntary liquidation of the Corporation, prior to any payment to the holders of Common Stock or of any class or series of stock of the Corporation ranking as to assets subordinate to the Series C Preferred Stock, shall be $20.00 per share plus an amount equal to accrued and unpaid dividends thereon computed to the date on which payment thereof is made available, whether or not earned or declared.

25. Redemption. Shares of Series C Preferred Stock shall be redeemable at any time after February 1, 1989 at $20.00 per share plus an amount equal to accrued and unpaid dividends thereon computed to the date fixed for redemption, whether or not earned or declared.

26. Voting rights. Each holder of record of Series C Preferred Stock shall have the right to a number of votes equal to the number of full shares of Common Stock into which the share or shares of Series C Preferred Stock standing in his name on the books of the Corporation are at the time convertible.

27. Conversion provisions. (a) Shares of Series C Preferred Stock may, at the option of the holder, be converted into Common Stock of the Corporation (as such stock may be constituted on the conversion date) at the conversion price, determined as hereinafter provided,

in effect at the time of conversion, subject to adjustment as provided herein; provided that, as to any shares of Series C Preferred Stock which shall have been called for redemption, the conversion right shall terminate at the close of business on the date fixed for redemption. The value of each share of Series C Preferred Stock for the purpose of such conversion shall be $20.00. The price at which shares of Common Stock of the Corporation shall be delivered upon conversion (herein called the "conversion price") shall initially be $48.00 per share of Common Stock of the Corporation.

(b) The holder of a share or shares of Series C Preferred Stock may exercise the conversion right as to any thereof by delivering to the Corporation, during regular business hours, at its principal office or at the office of any of its transfer agents for the Series C Preferred Stock or at such other place as may be designated by the Corporation, the certificate or certificates for the shares to be converted, duly endorsed or assigned in blank or to the Corporation (if required by it), accompanied by written notice stating that the holder elects to convert such shares and stating the name or names (with address) in which the certificate or certificates for Common Stock are to be issued. Conversion shall be deemed to have been effected on the date when such delivery is made, and such date is referred to herein as the "conversion date." As promptly as practicable thereafter the Corporation shall issue and deliver to or upon the written order of such holder, at such office or other place designated by the Corporation, a certificate or certificates for the number of full shares of Common Stock to which he is entitled and cash, scrip certificate or other adjustment in respect of any fraction of a share as provided in Section 27(d) below. The person in whose name the certificate or certificates for Common Stock are to be issued shall be deemed to have become a holder of such Common Stock of record on the conversion date unless the transfer books of the Corporation are closed on that date, in which event he shall be deemed to have become a holder of such Common Stock of record on the next succeeding date on which the transfer books are open, but the conversion price shall be that in effect on the conversion date.

(c) No payment or adjustment shall be made for dividends accrued on any shares of Series C Preferred Stock converted or for dividends on any shares of Common Stock issuable on conversion.

(d) The Corporation shall not be required to issue any fraction of a share upon conversion of any share or shares of Series C Preferred Stock. If more than one share of Series C Preferred Stock shall be surrendered for conversion at one time by the same holder, the number of full shares of Common Stock issuable upon conversion thereof shall be computed on the basis of the total number of shares of Series C Preferred Stock so surrendered. If any fractional interest in a share of Common Stock would be deliverable upon conversion, the Corporation shall make an adjustment therefor in cash unless its Board of Directors shall have determined to adjust fractional interests by issuance of scrip certificates or in some other manner. Adjustment in cash shall be made on the basis of the current market value of one share of Common Stock, which shall be taken to be the last reported sale price of the Corporation's Common Stock on the principal stock exchange on which the Common Stock is then listed (or if not so listed, on the over-the-counter market) for the last business day before the conversion date or, if there was no

reported sale on that day, the last reported sales price on the first preceding day for which such price is available.

(e) The issuance of Common Stock on conversion of Series C Preferred Stock shall be without charge to the converting holder of Series C Preferred Stock for any tax in respect of the issuance thereof, but the Corporation shall not be required to pay any tax which may be payable in respect of any transfer involved in the issuance and delivery of shares in any name other than that of the holder of record on the books of the Corporation of the shares of Series C Preferred Stock converted, and the Corporation shall not be required to issue or deliver any certificate for shares of Common Stock unless and until the person requesting the issuance thereof shall have paid to the Corporation the amount of such tax or shall have established to the satisfaction of the Corporation that such tax has been paid.

(f) The conversion rate provided in Section 27(a) shall be subject to the following adjustments, which shall be made to the nearest cent:

(1) If the Corporation shall pay to the holders of its Common Stock a dividend in shares of Common Stock, the conversion price in effect immediately prior to the record date fixed for the determination of the holders of Common Stock entitled to such dividend shall be proportionately decreased, effective at the opening of business on the next following full business day.

(2) If the Corporation shall split the outstanding shares of its Common Stock into a greater number of shares or combine the outstanding shares into a smaller number, the conversion price in effect immediately prior to such action shall be proportionately decreased in the case of a split or increased in the case of a combination, effective at the opening of business on the full business day next following the day such action becomes effective.

(3) If the Corporation shall issue to the holders of its Common Stock rights or warrants to subscribe for or purchase shares of its Common Stock at a price less than 90% of the Current Market Price (as defined below in this paragraph) of the Corporation's Common Stock at the record date fixed for the determination of the holders of Common Stock entitled to such rights or warrants, the conversion price in effect immediately prior to said record date shall be adjusted, effective at the opening of business on the next following full business day, to an amount determined by multiplying such conversion price by a fraction the numerator of which is the number of shares of Common Stock of the Corporation outstanding immediately prior to said record date plus the number of shares of Common Stock of the Corporation which the aggregate subscription or purchase price of the total number of shares so offered would purchase at the Current Market Price of the Corporation's Common Stock at said record date and the denominator of which is said number of shares outstanding immediately prior to said record date plus the number of additional shares of its Common Stock offered for subscription or purchase. The term "Current Market Price" at said record date shall mean the

average of the daily last reported sale prices per share of the Corporation's Common Stock on the principal stock exchange on which the Common Stock is then listed (or if not so listed, then on the over-the-counter market) during the 20 consecutive full business days commencing with the 30th full business day before said record date, provided that if there was no reported sale on any such day or days there shall be substituted the average of the closing bid and asked quotations on that day obtained from the market specialist assigned to the Corporation (or a market maker in the case of the over-the-counter market).

(4) The Corporation may make such reductions in the conversion price, in addition to those required by the

foregoing provisions, as it considers to be advisable in order that any event treated for federal income tax purposes as a dividend of stock or stock rights shall not be taxable to the recipients.

(g) No adjustment of the conversion price provided in Section 27(a) shall be made by reason of the issuance of Common Stock for cash except as provided in Section 27(f)(3), or by reason of the issuance of Common Stock for property or services. Whenever the conversion price is adjusted pursuant to Section 27(f), the Corporation shall (1) promptly place on file at its principal office and at the office of each of its transfer agents for the Series C Preferred Stock a statement signed by the Chairman of the Board, the President or a Vice President of the Corporation and by its Treasurer or an Assistant Treasurer showing in detail the facts requiring such adjustment and the conversion price after such adjustment, and shall make such statement available for inspection by shareholders of the Corporation, and (2) cause a notice to be published at least once in a newspaper printed in the English language and of general circulation in the City of Erie, Pennsylvania, or in the Borough of Manhattan, the City of New York, New York, stating that such adjustment has been made and the adjusted conversion price.

(h) If the Corporation shall issue to the holders of its Common Stock rights or warrants to subscribe for or purchase shares of its Common Stock or any other security, or if the Corporation shall distribute to the holders of its Common Stock any evidences of indebtedness or any other assets (excluding dividends and distributions in cash), the Corporation shall mail to each holder of record of a share or shares of Series C Preferred Stock, at his address as it shall appear on the books of the Corporation, a notice stating the record date fixed or to be fixed for the determination of the holders of Common Stock of record entitled to such issuance or distribution. Such notice shall be mailed at least 10 days before such record date. Failure to mail such notice or any defect therein or failure of any addressee to receive it shall not affect the validity of such issuance or distribution or any vote thereon.

(i) In case of any reclassification or change in the outstanding shares of Common Stock of the Corporation (except a split or combination of shares) or in case of any consolidation or merger to which the Corporation is a party (except a merger in which the Corporation is the surviving corporation and which does not result in any reclassification of or change in the outstanding Common Stock of the Corporation except an increase in the number of outstanding shares or a split or combination of shares) or in case of any sale or conveyance to another corporation of all or substantially all of the property of the Corporation, effective provision shall

be made by the Corporation or by the successor or purchasing corporation (1) that the holder of each share of Series C Preferred Stock then outstanding shall thereafter have the right to convert such share into the kind and amount of stock and other securities and property receivable upon such reclassification, change, consolidation, merger, sale or conveyance by a holder of the number of shares of Common Stock of the Corporation into which such share of Series C Preferred Stock might have been converted immediately prior thereto, and (2) that there shall be subsequent adjustments of the conversion price which shall be equivalent, as nearly as practicable, to the adjustments provided for in Section 27(f). The provisions of this Section 27(i) shall similarly apply to successive reclassifications, changes, consolidations, mergers, sales or conveyances.

(j) Shares of Common Stock issued on conversion of shares of Series C Preferred Stock shall be issued as fully paid shares and shall be non-assessable by the Corporation. The Corporation shall at all times reserve and keep available for the purpose of effecting the conversion of Series C Preferred Stock, such number of its duly authorized shares of Common Stock as shall be sufficient to effect the conversion of all outstanding shares of Series C Preferred Stock.

(k) Shares of Series C Preferred Stock converted as provided herein shall not be reissued.

$1.80 CUMULATIVE CONVERTIBLE PREFERRED STOCK, SERIES D

28. Designation. A series of Preferred Stock designated "$1.80 Cumulative Convertible Preferred Stock, Series D" (herein called "Series D Preferred Stock") is hereby established, consisting of 1,766,140 shares subject to increase or decrease in the number of shares in accordance with law.

29. Rank. Series D Preferred Stock shall rank, as to dividends and assets, equally with the Series A Preferred Stock, the Series B Preferred Stock and the Series C Preferred Stock and every other share of capital stock from time to time outstanding which is not Common Stock of the Corporation and which is not specifically made senior or subordinate to the Series D Preferred Stock as to dividends or assets.

30. Dividends. The dividend rate of shares of this series shall be $1.80 per share per year, payable in equal quarterly installments on the first day of each January, April, July and October. Dividends shall be cumulative from the January 1, April 1, July 1 and October 1 next preceding the date of issue of each share, unless the date of issue is a quarterly dividend payment date or a date between the record date for the determination of holders of record of Series D Preferred Stock entitled to receive a quarterly dividend and the date of payment of such quarterly dividend, in either of which events such dividends shall be cumulative from such dividend payment date.

31. Liquidation. The amount payable upon shares of Series D Preferred Stock in the event of voluntary or involuntary liquidation of the Corporation, prior to any payment to the

holders of Common Stock or of any class or series of stock of the Corporation ranking as to assets subordinate to the Series D Preferred Stock, shall be $20.00 per share plus an amount equal to accrued and unpaid dividends thereon computed to the date on which payment thereof is made available, whether or not earned or declared.

32. Redemption. Shares of Series D Preferred Stock shall be redeemable at any time after February 1, 1990 at $20.00 per share plus an amount equal to accrued and unpaid dividends thereon computed to the date fixed for redemption, whether or not earned or declared.

33. Voting rights. Each holder of record of Series D Preferred Stock shall have the right to a number of votes equal to the number of full shares of Common Stock into which the share or shares of Series D Preferred Stock standing in his name on the books of the Corporation are at the time convertible.

34. Conversion provisions. (a) Shares of Series D Preferred Stock may, at the option of the holder, be converted into Common Stock of the Corporation (as such stock may be constituted on the conversion date) at the conversion price, determined as hereinafter provided, in effect at the time of conversion, subject to adjustment as provided herein; provided that, as to any shares of Series D Preferred Stock which shall have been called for redemption, the conversion right shall terminate at the close of business on the date fixed for redemption. The value of each share of Series D Preferred Stock for the purpose of such conversion shall be $20.00. The price at which shares of Common Stock of the Corporation shall be delivered upon conversion (herein called the "conversion price") shall initially be $48.00 per share of Common Stock of the Corporation.

(b) The holder of a share or shares of Series D Preferred Stock may exercise the conversion right as to any thereof by delivering to the Corporation, during regular business hours, at its principal office or at the office of any of its transfer agents for the Series D Preferred Stock or at such other place as may be designated by the Corporation, the certificate or certificates for the shares to be converted, duly endorsed or assigned in blank or to the Corporation (if required by it), accompanied by written notice stating that the holder elects to convert such shares and stating the name or names (with address) in which the certificate or certificates for Common Stock are to be issued. Conversion shall be deemed to have been effected on the date when such delivery is made, and such date is referred to herein as the "conversion date". As promptly as practicable thereafter the Corporation shall issue and deliver to or upon the written order of such holder, at such office or other place designated by the Corporation, a certificate or certificates for the number of full shares of Common Stock to which he is entitled and cash, scrip certificate or other adjustment in respect of any fraction of a share as provided in Section 34(d) below. The person in whose name the certificate or certificates for Common Stock are to be issued shall be deemed to have become a holder of such Common Stock of record on the conversion date unless the transfer books of the Corporation are closed on that date, in which event he shall be deemed to have become a holder of such Common Stock of record on the next succeeding date on which the transfer books are open, but the conversion price shall be that in effect on the conversion date.

(c) No payment or adjustment shall be made for dividends accrued on any shares of Series D Preferred Stock converted or for dividends on any shares of Common Stock issuable on conversion.

(d) The Corporation shall not be required to issue any fraction of a share upon conversion of any share or shares of Series D Preferred Stock. If more than one share of Series D Preferred Stock shall be surrendered for conversion at one time by the same holder, the number of full shares of Common Stock issuable upon conversion thereof shall be computed on the basis of the total number of shares of Series D Preferred Stock so surrendered. If any fractional interest in a share of Common Stock would be deliverable upon conversion, the Corporation shall make an adjustment therefor in cash unless its Board of Directors shall have determined to adjust fractional interests by issuance of scrip certificates or in some other manner. Adjustment in cash shall be made on the basis of the current market value of one share of Common Stock, which shall be taken to be the last reported sale price of the Corporation's Common Stock on the principal stock exchange on which the Common Stock is then listed (or if not so listed, on the over-the-counter market) for the last business day before the conversion date or, if there was no reported sale on that day, the last reported sales price on the first preceding day for which such price is available.

(e) The issuance of Common Stock on conversion of Series D Preferred Stock shall be without charge to the converting holder of Series D Preferred Stock for any tax in respect of the issuance thereof, but the Corporation shall not be required to pay any tax which may be payable in respect of any transfer involved in the issuance and delivery of shares in any name other than that of the holder of record on the books of the Corporation of the shares of Series D Preferred Stock converted, and the Corporation shall not be required to issue or deliver any certificate for shares of Common Stock unless and until the person requesting the issuance thereof shall have paid to the Corporation the amount of such tax or shall have established to the satisfaction of the Corporation that such tax has been paid.

(f) The conversion price provided in Section 34(a) shall be subject to the following adjustments, which shall be made to the nearest cent:

(1) If the Corporation shall pay to the holders of its Common Stock a dividend in shares of Common Stock, the conversion price in effect immediately prior to the record date fixed for the determination of the holders of Common Stock entitled to such dividend shall be proportionately decreased, effective at the opening of business on the next following full business day.

(2) If the Corporation shall split the outstanding shares of its Common Stock into a greater number of shares or combine the outstanding shares into a smaller number, the conversion price in effect immediately prior to such action shall be proportionately decreased in the case of a split or increased in the case of a combination, effective at the opening of business on the full business day next following the day such action becomes effective.

(3) If the Corporation shall issue to the holders of its Common Stock rights or warrants to subscribe for or purchase shares of its Common Stock at a price less than 90% of the Current Market Price (as defined below in this paragraph) of the Corporation's Common Stock at the record date fixed for the determination of the holders of Common Stock entitled to such rights or warrants, the conversion price in effect immediately prior to said record date shall be adjusted, effective at the opening of business on the next following full business day, to an amount determined by multiplying such conversion price by a fraction the numerator of which is the number of shares of Common Stock of the Corporation outstanding immediately prior to said record date plus the number of shares of Common Stock of the Corporation which the aggregate subscription or purchase price of the total number of shares so offered would purchase at the Current Market Price of the Corporation's Common Stock at said record date and the denominator of which is said number of shares outstanding immediately prior to said record date plus the number of additional shares of its Common Stock offered for subscription or purchase. The term "Current Market Price" at said record date shall mean the average of the daily last reported sale prices per share of the Corporation's Common Stock on the principal stock exchange on which the Common Stock is then listed (or if not so listed, then on the over-the-counter market) during the 20 consecutive full business days commencing with the 30th full business day before said record date, provided that if there was no reported sale on any such day or days there shall be substituted the average of the closing bid and asked quotations on that day obtained from the market specialist assigned to the Corporation (or a market maker in the case of the over-the-counter market).

(4) The Corporation may make such reductions in the conversion price, in addition to those required by the foregoing provisions, as it considers to be advisable in order that any event treated for federal income tax purposes as a dividend of stock or stock rights shall not be taxable to the recipients.

(g) No adjustment of the conversion price provided in Section 34(a) shall be made by reason of the issuance of Common Stock for cash except as provided in Section 34(f)(3), or by reason of the issuance of Common Stock for property or services. Whenever the conversion price is adjusted pursuant to Section 34(f) the Corporation shall (1) promptly place on file at its principal office and at the office of each of its transfer agents for the Series D Preferred Stock a statement signed by the Chairman of the Board, the President or a Vice President of the Corporation and by its Treasurer or an Assistant Treasurer showing in detail the facts requiring such adjustment and the conversion price after such adjustment, and shall make such statement available for inspection by shareholders of the Corporation, and (2) cause a notice to be published at least once in a newspaper printed in the English language and of general circulation in the City of Scranton, Pennsylvania, or in the Borough of Manhattan, the City of New York, New York, stating that such adjustment has been made and the adjusted conversion price.

(h) If the Corporation shall issue to the holders of its Common Stock rights or warrants to subscribe for or purchase shares of its Common Stock or any other security, or if the

Corporation shall distribute to the holders of its Common Stock any evidences of indebtedness or any other assets (excluding dividends and distributions in cash), the Corporation shall mail to each holder of record of a share or shares of Series D Preferred Stock, at his address as it shall appear on the books of the Corporation, a notice stating the record date fixed or to be fixed for the determination of the holders of Common Stock of record entitled to such issuance or distribution. Such notice shall be mailed at least 10 days before such record date. Failure to mail such notice or any defect therein or failure of any addressee to receive it shall not affect the validity of such issuance or distribution or any vote thereon.

(i) In case of any reclassification or change in the outstanding shares of Common Stock of the Corporation (except a split or combination of shares) or in case of any consolidation or merger to which the Corporation is a party (except a merger in which the Corporation is the surviving corporation and which does not result in any reclassification of or change in the outstanding Common Stock of the Corporation except an increase in the number of outstanding shares or a split or combination of shares) or in case of any sale or conveyance to another corporation of all or substantially all of the property of the Corporation, effective provision shall be made by the Corporation or by the successor or purchasing corporation (1) that the holder of each share of Series D Preferred Stock then outstanding shall thereafter have the right to convert such share into the kind and amount of stock and other securities and property receivable upon such reclassification, change, consolidation, merger, sale or conveyance by a holder of the number of shares of Common Stock of the Corporation into which such share of Series D Preferred Stock might have been converted immediately prior thereto, and (2) that there shall be subsequent adjustments of the conversion price which shall be equivalent, as nearly as practicable, to the adjustments provided for in Section 34(f). The provisions of this Section 34(i) shall similarly apply to successive reclassifications, changes, consolidations, mergers, sales or conveyances.

(j) Shares of Common Stock issued on conversion of shares of Series D Preferred Stock shall be issued as fully paid shares and shall be non-assessable by the Corporation. The Corporation shall at all times reserve and keep available for the purpose of effecting the conversion of Series D Preferred Stock, such number of its duly authorized shares of Common Stock as shall be sufficient to effect the conversion of all outstanding shares of Series D Preferred Stock.

(k) Shares of Series D Preferred Stock converted as provided herein shall not be reissued.

$2.60 CUMULATIVE NONVOTING PREFERRED STOCK, SERIES E

35. Designation. A series of Preferred Stock designated "$2.60 Cumulative Nonvoting Preferred Stock, Series E" (herein called "Series E Preferred Stock") is hereby established, consisting of 338,100 shares subject to increase or decrease in the number of shares in accordance with law.

36. Rank. Series E Preferred Stock shall rank, as to dividends and assets, equally with the Series A Preferred Stock, the Series B Preferred Stock, the Series C Preferred Stock and the Series D Preferred Stock and every other share of capital stock from time to time outstanding which is not Common Stock of the Corporation and which is not specifically made senior or subordinate to the Series E Preferred Stock as to dividends or assets.

37. Dividends. The dividend rate of shares of this series shall be

$2.60 per share per year, payable in equal quarterly installments on the first day of each January, April, July and October. Dividends shall be cumulative from the January 1, April 1, July 1 and October 1 next preceding the date of issue of each share, unless the date of issue is a quarterly dividend payment date or a date between the record date for the determination of holders of record of Series E Preferred Stock entitled to receive a quarterly dividend and the date of payment of such quarterly dividend, in either of which events such dividends shall be cumulative from such dividend payment date.

38. Liquidation. The amount payable upon shares of Series E Preferred Stock in the event of voluntary or involuntary liquidation of the Corporation, prior to any payment to the holders of Common Stock or of any class or series of stock of the Corporation ranking as to assets subordinate to the Series E Preferred Stock, shall be $27.75 per share plus an amount equal to accrued and unpaid dividends thereon computed to the date on which payment thereof is made available, whether or not earned or declared.

39. Redemption. Shares of Series E Preferred Stock shall be redeemable at any time after February 1, 1990 at $27.75 per share plus an amount equal to accrued and unpaid dividends thereon computed to the date fixed for redemption, whether or not earned or declared.

40. Voting rights. The holder of Series E Preferred Stock shall not be entitled to vote on any matter, except as otherwise required by law.

41. Conversion rights. The holders of Series E Preferred Stock shall have no right to convert shares of Series E Preferred Stock into any other security of the Corporation.

FIXED/ADJUSTABLE RATE NONCUMULATIVE PREFERRED STOCK, SERIES F

42. Designation. A series of Preferred Stock designated "Fixed/Adjustable Rate Noncumulative Preferred Stock, Series F" (herein called "Series F Preferred Stock") is hereby established, consisting of 6,000,000 shares subject to increase or decrease in the number of shares in accordance with law.

43. Rank. Series F Preferred Stock shall rank, as to dividends and assets, equally with the Series A Preferred Stock, the Series B Preferred Stock, the Series C Preferred Stock, the Series D Preferred Stock and every other share of capital stock from time to time outstanding which is not Common Stock of the Corporation and which is not specifically made senior to or subordinate to the Series F Preferred Stock as to dividends or assets.

44. Dividends. (a) Through September 29, 2001, the dividend rate per share of Series F Preferred Stock shall be 6.05% or $3.025 per annum, payable quarterly on March 31, June 30, September 30 and December 31 of each year (each a "Dividend Payment Date"), commencing December 31, 1996. The initial dividend for the dividend period commencing on October 9. 1996 to (but not including) December 31, 1996, shall be $.6806 per share and shall be payable on December 31, 1996. On and after September 30, 2001, dividends on the Series F Preferred Stock shall be payable quarterly on each Dividend Payment Date at the Applicable Rate (as defined in subsection (c) of this Section 44) per share from time to time in effect. If a Dividend Payment Date is not a business day, dividends (if declared) on the Series F Preferred Stock shall be paid on the immediately preceding business day. A dividend period with respect to a Dividend Payment Date is the period commencing on the immediately preceding Dividend Payment Date and ending on the day immediately prior to the next succeeding Dividend Payment Date. Each such dividend shall be payable to holders of record as they appear on the stock books of the Corporation on such record dates, not more than 30 nor less than 15 days preceding the payment dates thereof, as will be fixed by the Corporation's Board of Directors or a duly authorized committee thereof.

(b) Dividends on the Series F Preferred Stock shall not be cumulative and no rights shall accrue to the holders of the Series F Preferred Stock by reason of the fact that the Corporation may fail to declare or pay dividends on the Series F Preferred Stock in any amount in any year, whether or not the earnings of the Corporation in any year were sufficient to pay such dividends in whole or in part.

(c) Except as provided below in this subsection c of this Section 44, the "Applicable Rate" per annum for any dividend period beginning on or after September 30, 2001 shall be equal to .35% plus the Effective Rate (as hereinafter defined), but not less than 6.55% nor greater than 12.55% (without taking into account any adjustments as described in subsection (d) of this Section 44). The "Effective Rate" for any dividend period beginning on or after September 30, 2001 shall be equal to the highest of the Treasury Bill Rate, the Ten Year Constant Maturity Rate and the Thirty Year Constant Maturity Rate (each as hereinafter defined) for such dividend period. In the event that the Corporation determines in good faith that for any reason: (i) any one of the Treasury Bill Rate, the Ten Year Constant Maturity Rate or the Thirty Year Constant Maturity Rate cannot be determined for any dividend period, then the

Effective Rate for such dividend period shall be equal to the higher of whichever two of such rates can be so determined; (ii) only one of the Treasury Bill Rate, the Ten Year Constant Maturity Rate or the Thirty Year Constant Maturity Rate can be determined for any dividend period, then the Effective Rate for such dividend period shall be equal to whichever such rate can be so determined; or (iii) none of the Treasury Bill Rate, the Ten Year Constant Maturity Rate or the Thirty Year Constant Maturity Rate can be determined for any dividend period, then the Effective Rate for the preceding dividend period shall be continued for such dividend period.

Except as described in this subsection (c) of this Section 44, the "Treasury Bill Rate" for each dividend period shall be the arithmetic average of the two most recent weekly per annum market discount rates (or the one weekly per annum market discount rate, if only one such rate is published during the relevant Calendar Period (as hereinafter defined)) for three-month U.S. Treasury bills, as published weekly by the Federal Reserve Board (as hereinafter defined) during the Calendar Period immediately preceding the last 10 calendar days preceding the dividend period for which the dividend rate on the Series F Preferred Stock is being determined. In the event that the Federal Reserve Board does not publish such a weekly per annum market discount rate during any such Calendar Period, then the Treasury Bill Rate for such dividend period shall be the arithmetic average of the two most recent weekly per annum market discount rates (or the one weekly per annum market discount rate, if only one such rate is published during the relevant Calendar Period) for three-month U.S. Treasury bills, as published weekly during such Calendar Period by any Federal Reserve Bank or by any U.S. Government department or agency selected by the Corporation. In the event that a per annum market discount rate for three-month U.S. Treasury bills is not published by the Federal Reserve Board or by any Federal Reserve Bank or by any U.S. Government department or agency during such Calendar Period, then the Treasury Bill Rate for such dividend period shall be the arithmetic average of the two most recent weekly per annum market discount rates (or the one weekly per annum market discount rate, if only one such rate is published during the relevant Calendar Period) for all of the U.S. Treasury bills then having remaining maturities of not less than 80 nor more than 100 days, as published during such Calendar Period by the Federal Reserve Board or, if the Federal Reserve Board does not publish such rates, by any Federal Reserve Bank or by any U.S. Government department or agency selected by the Corporation. In the event that the Corporation determines in good faith that for any reason no such U.S. Treasury bill rates are published as provided above during such Calendar Period, then the Treasury Bill Rate for such dividend period shall be the arithmetic average of the per annum market discount rates based upon the closing bids during such Calendar Period for each of the issues of marketable non-interest-bearing U.S. Treasury securities with a remaining maturity of not less than 80 nor more than 100 days from the date of each such quotation, as chosen and quoted daily for each business day in New York City (or less frequently if daily quotations are not generally available) to the Corporation by at least three recognized dealers in U.S. Government securities selected by the Corporation. In the event that the Corporation determines in good faith that for any reason the Corporation cannot determine the Treasury Bill Rate for any dividend period as provided in this paragraph, the Treasury Bill Rate for such dividend period shall be the arithmetic average of the per annum market discount rates based upon the closing bids during such Calendar Period for each of the issues of marketable interest-bearing U.S. Treasury securities with a remaining maturity of not less than 80 or more than 100 days, as chosen and quoted daily for each business day in New York City (or less frequently if daily quotations are not generally available) to the Corporation by at least three recognized dealers in U.S. Government securities selected by the Corporation.

Except as described in this subsection (c) of this Section 44, the "Ten Year Constant Maturity Rate" for each dividend period shall be the arithmetic average of the two most recent weekly per annum Ten Year Average Yields (as hereinafter defined) (or the one weekly per annum Ten Year Average Yield, if only one such yield is published during the relevant Calendar Period), as published weekly by the Federal Reserve Board during the Calendar Period immediately preceding the last 10 calendar days preceding the dividend period for which the dividend rate on the Series F Preferred Stock is being determined. In the event that the Federal Reserve Board does not publish such a weekly per annum Ten Year Average Yield during such Calendar Period, then the Ten Year Constant Maturity Rate for such dividend period shall be the arithmetic average of the two most recent weekly per annum Ten Year Average Yields (or the one weekly per annum Ten Year Average Yield, if only one such yield is published during the relevant Calendar Period), as published weekly during such Calendar Period by any Federal Reserve Bank or by any U.S. Government department or agency selected by the Corporation. In the event that a per annum Ten Year Average Yield is not published by the Federal Reserve Board or by any Federal Reserve Bank or by any U.S. Government department or agency during such Calendar Period, then the Ten Year Constant Maturity Rate for such dividend period shall be the arithmetic average of the two most recent weekly per annum average yields to maturity (or the one weekly per annum average yield to maturity, if only one such yield is published during the relevant Calendar Period) for all of the actively traded marketable U.S. Treasury fixed interest rate securities (other than Special Securities (as hereinafter defined)) then having remaining maturities of not less than eight nor more than 12 years, as published during such Calendar Period by the Federal Reserve Board or, if the Federal Reserve Board does not publish such yields, by any Federal Reserve Bank or by any U.S. Government department or agency selected by the Corporation. In the event that the Corporation determines in good faith that for any reason the Corporation cannot determine the Ten Year Constant Maturity Rate for any dividend period as provided above in this paragraph, then the Ten Year Constant Maturity Rate for such dividend period shall be the arithmetic average of the per annum average yields to maturity based upon the closing bids during such Calendar Period for each of the issues of actively traded marketable U.S. Treasury fixed interest rate securities (other than Special Securities) with a final maturity date not less than eight nor more than 12 years from the date of each such quotation, as chosen and quoted daily for each business day in New York City (or less frequently if daily quotations are not generally available) to the Corporation by at least three recognized dealers in U.S. Government securities selected by the Corporation.

Except as described in this subsection (c) of this Section 44, the "Thirty Year Constant Maturity Rate" for each dividend period shall be the arithmetic average of the two most recent weekly per annum Thirty Year Average Yields (as hereinafter defined) (or the one weekly per annum Thirty Year Average Yield, if only one such yield is published during the relevant Calendar Period), as published weekly by the Federal Reserve Board during the Calendar Period immediately preceding the last 10 calendar days preceding the dividend period for which the dividend rate on the Series F Preferred Stock is being determined. In the event that the Federal Reserve Board

does not publish such a weekly per annum Thirty Year Average Yield during such Calendar Period, then the Thirty Year Constant Maturity Rate for such dividend period shall be the arithmetic average of the two most recent weekly per annum Thirty Year Average Yields (or the one weekly per annum Thirty Year Average Yield, if only one such yield is published during the relevant Calendar Period), as published weekly during such Calendar Period by any Federal Reserve Bank or by any U.S. Government department or agency selected by the Corporation. In the event that a per annum Thirty Year Average Yield is not published by the Federal Reserve Board or by any Federal Reserve Bank or by any U.S. Government department or agency during such Calendar Period, then the Thirty Year Constant Maturity Rate for such dividend period shall be the arithmetic average of the two most recent weekly per annum average yields to maturity (or the one weekly per annum average yield to maturity, if only one such yield is published during the relevant Calendar Period) for all of the actively traded marketable U.S. Treasury fixed interest rate securities (other than Special Securities) then having remaining maturities of not less than 28 nor more than 30 years, as published during such Calendar Period by the Federal Reserve Board or, if the Federal Reserve Board does not publish such yields, by any Federal Reserve Bank or by any U.S. Government department or agency selected by the Corporation. In the event that the Corporation determines in good faith that for any reason the Corporation cannot determine the Thirty Year Constant Maturity Rate for any dividend period as provided above in this paragraph, then the Thirty Year Constant Maturity Rate for such dividend period shall be the arithmetic average of the per annum average yields to maturity based upon the closing bids during such Calendar Period for each of the issues of actively traded marketable U.S. Treasury fixed interest rate securities (other than Special Securities) with a final maturity date not less than 28 nor more than 30 years from the date of each such quotation, as chosen and quoted daily for each business day in New York City (or less frequently if daily quotations are not generally available) to the Corporation by at least three recognized dealers in U.S. Government securities selected by the Corporation.

The Treasury Bill Rate, the Ten Year Constant Maturity Rate and the Thirty Year Constant Maturity Rate shall each be rounded to the nearest five hundredths of a percent, with .025% being rounded upward.

The Applicable Rate with respect to each dividend period beginning on or after September 30, 2001 shall be calculated as promptly as practicable by the Corporation according to the appropriate method described in this subsection (c) of this Section 44. The Corporation shall cause notice of each Applicable Rate to be enclosed with the dividend payment checks next mailed to the holders of Series F Preferred Stock.

For the purposes of this subsection (c) of this Section 44, the following terms shall have the following meanings: (i) "Calendar Period" means a period of 14 calendar days; (ii) "Federal Reserve Board" means the Board of Governors of the Federal Reserve System or any successor agency; (iii) "Special Securities" means securities which can, at the option of the holder, be

surrendered at face value in payment of any Federal estate tax or which provide tax benefits to the holder and are priced to reflect such tax benefits or which were originally issued at a deep or substantial discount; (iv) the term "Ten Year Average Yield" means the average yield to maturity for actively traded marketable U.S. Treasury fixed interest rate securities (adjusted to constant maturities of 10 years); and (v) "Thirty Year Average Yield" means the average yield to maturity for actively traded Treasury fixed interest rate securities (adjusted to constant maturities of 30 years).

(d) If one or more amendments to the Internal Revenue Code of 1986, as amended (the "Code"), are enacted that change the percentage of the dividends received deduction (70% as of October 4, 1996) as specified in Section 243(a)(l) of the Code or any successor provision (the "Dividends Received Percentage"), as applicable to the Series F Preferred Stock, the amount of each dividend payable per share of the Series F Preferred Stock for dividend payments made on or after the later of the date of enactment or the effective date of such change shall be adjusted by multiplying the amount of the dividend payable determined as described under subsection (a) of this Section 44 (before adjustment) by a factor, which shall be the number determined in accordance with the following formula (the "DRD Formula"), and rounding the result to the nearest cent:

$$\frac{1 - [.35 (1 - .70)]}{1 - [.35 (1 - DRP)]}$$

For purposes of the DRD Formula. "DRP" means the Dividends Received Percentage applicable to the dividend in question. No amendment to the Code, other than a change in the dividends received deduction set forth in Section 243(a)(l) of the Code or any successor provision, as applicable to the Series F Preferred Stock, shall give rise to an adjustment. Notwithstanding the foregoing provisions of this subsection (d) of this Section 44, in the event that, with respect to any such amendment, the Corporation shall receive an unqualified opinion of nationally recognized independent tax counsel selected by the Corporation and approved by Cravath, Swaine & Moore (which approval shall not be unreasonably withheld) or a private letter ruling or similar form of authorization from the Internal Revenue Service to the effect that such an amendment would not apply to dividends payable on the Series F Preferred Stock, then any such amendment shall not result in the adjustment provided for pursuant to the DRD Formula. The opinion referenced in the previous sentence shall be based upon a specific provision in the legislation or upon a published pronouncement of the Internal Revenue Service addressing such legislation. The Corporation's calculation of the dividends payable as so adjusted and as certified accurate as to calculation and reasonable as to method by the independent certified public accountants then regularly engaged by the Corporation, shall be final and not subject to review.

If any amendment to the Code which reduces the Dividends Received Percentage, as applicable to the Series F Preferred Stock, is enacted and becomes effective after a dividend payable on a Dividend Payment Date has been declared, the amount of dividend payable on such Dividend

Payment Date shall not be increased; but instead, an amount, equal to the excess of (x) the product of the dividends paid by the Corporation on such Dividend Payment Date and the DRD Formula (where the DRP used in the DRD Formula would be equal to the reduced Dividends Received Percentage) and (y) the dividends paid by the Corporation on such Dividend Payment Date, shall be payable to holders of record on the next succeeding Dividend Payment Date in addition to any other amounts payable on such date.

If prior to April 1, 1997, an amendment to the Code is enacted that reduces the Dividends Received Percentage, as applicable to the Series F Preferred Stock, and such reduction retroactively applies to a Dividend Payment Date as to which the Corporation previously paid dividends on the Series F Preferred Stock (each an "Affected Dividend Payment Date"), the Corporation shall pay (if declared) additional dividends (the "Additional Dividends") on the next succeeding Dividend Payment Date (or if such amendment is enacted after the dividend payable on such Dividend Payment Date has been declared, on the second succeeding Dividend Payment Date following the date of enactment) to holders of record on such succeeding Dividend Payment Date in an amount equal to the excess of (x) the product of the dividends paid by the Corporation on each Affected Dividend Payment Date and the DRD Formula (where the DRP used in the DRD Formula would be equal to the Dividends Received Percentage applicable to each Affected Dividend Payment Date) over (y) the dividends paid by the Corporation on each Affected Dividend Payment Date.

Additional Dividends shall not be paid in respect of the enactment of any amendment to the Code on or after April 1, 1997 which retroactively reduces the Dividends Received Percentage, or if prior to April l, 1997, such amendment would not result in an adjustment due to the Corporation having received either an opinion of counsel or tax ruling referred to in the third preceding paragraph. The Corporation shall only make one payment of Additional Dividends.

In the event that the amount of dividend payable per share of the Series F

Preferred Stock shall be adjusted pursuant to the DRD Formula and/or Additional Dividends are to be paid, the Corporation will cause notice of each such adjustment and, if applicable, any Additional Dividends, to be sent to the holders of the Series F Preferred Stock.

In the event that the Dividends Received Percentage, applicable to the Series F Preferred Stock, is reduced to 40% or less, the Corporation may at its option, redeem the Series F Preferred Stock as a whole, but not in part, as described in Section 46 below.

45. Liquidation. The amount payable upon shares of Series F Preferred Stock in the event of voluntary or involuntary liquidation of the Corporation, prior to any payment to the holders of Common Stock or of any class or series of stock of the Corporation ranking as to assets subordinated to the Series F Preferred Stock, shall be $50.00 per share plus an amount equal to accrued and unpaid dividends, whether or not earned or declared, computed thereon from the immediately preceding Dividend Payment Date (but without cumulation for unpaid

dividends for prior dividend periods on the Series F Preferred Stock) to the date on which payment thereof is made available.

46. Redemption. (a) Prior to September 30, 2001, shares of Series F Preferred Stock shall not be redeemable, except under the circumstances described in subsection (b) of this Section 46. Shares of Series F Preferred Stock shall be redeemable by the Corporation, in whole or in part, at any time and from time to time on and after September 30, 2001 at $50.00 per share plus an amount equal to accrued and unpaid dividends, whether or not earned or declared, computed thereon from the immediately preceding Dividend Payment Date (but without cumulation for unpaid dividends for prior dividend periods on the Series F Preferred Stock) to the date fixed for redemption, including any changes in dividends payable due to changes in the Dividends Received Percentage and Additional Dividends, if any (each as defined in subsection (d) of Section 44).

(b) Notwithstanding anything to the contrary in subsection (a) of this Section 46, if the Dividends Received Percentage is equal to or less than 40% and, as a result, the amount of dividends on the Series F Preferred Stock on any Dividend Payment Date will be or is adjusted upwards as described in subsection (d) of Section 44 above, the Corporation, at its option, may redeem all, but not less than all, of the outstanding shares of Series F Preferred Stock; provided, however, that within 60 days of the date on which an amendment to the Code is enacted which reduces the Dividends Received Percentage to 40 percent or less, the Corporation sends notice to the holders of the Series F Preferred Stock of such redemption. Any redemption of Series F Preferred Stock in accordance with this Section 46(b) shall take place on the date specified in the notice, which shall not be less than 30 days nor more than 60 days from the date such notice is sent to holders of Series F Preferred Stock. Any redemption of Series F Preferred Stock in accordance with this Section 46(b) shall be on notice as aforesaid at the applicable redemption price set forth in the following table, in each case plus accrued and unpaid dividends computed thereon from the immediately preceding Dividend Payment Date (but without any cumulation for unpaid dividends for prior dividend periods on Series F Preferred Stock) to the date fixed for redemption, including any changes in dividends payable due to changes in the Dividends Received Percentage and Additional Dividends, if any, whether or not earned or declared.

Redemption Period	Redemption Price Per Share
October 9, 1996 through September 29, 1997	$52.50
September 30, 1997 through September 29, 1998	52.00
September 30, 1998 through September 29, 1999	51.50
September 30, 1999 through September 29, 2000	51.00
September 30, 2000 through September 29, 2001	50.50
On or after September 30, 2001	50.00

(c) Holders of Series F Preferred Stock shall have no right to require the redemption of shares of Series F Preferred Stock.

47. Voting Rights. Holders of Series F Preferred Stock shall have no voting rights except as set forth in Section 4 and Section 5 of ARTICLE SEVENTH of the Corporation's Articles of Incorporation or as otherwise required from time to time by law.

48. Conversion Rights. Shares of Series F Preferred Stock shall not be convertible into shares of Common Stock or any other security of the Corporation.

JUNIOR PARTICIPATING PREFERRED STOCK, SERIES G

49. Designation and Amount. The shares of such series shall be designated as "Series G Junior Participating Preferred Stock" (the "Series G Preferred Stock") and the number of shares constituting the Series G Preferred Stock initially shall be 450,000. Such number of shares may be increased or decreased by resolution of the Board of Directors; provided, that no decrease shall reduce the number of shares of Series G Preferred Stock to a number less than the number of shares then outstanding plus the number of shares reserved for issuance upon the exercise of outstanding options, rights or warrants or upon the conversion of any outstanding securities issued by the Corporation convertible into Series G Preferred Stock.

50. Dividends and Distributions.

(A) Subject to the rights of the holders of any shares of any series of Preferred Stock (or any similar stock) ranking prior and superior to the Series G Preferred Stock with respect to dividends, the holders of shares of Series G Preferred Stock, in preference to the holders of Common Stock, par value $5.00 per share (the "Common Stock"), of the Corporation, and of any other junior stock, shall be entitled to receive, when, as and if declared by the Board of Directors out of funds legally available for the purpose, quarterly dividends payable in cash on the first day of March, June, September and December in each year (each such date being referred to herein as a "Quarterly Dividend Payment Date"), commencing on the first Quarterly Dividend Payment Date after the first issuance of a share or fraction of a share of Series G Preferred Stock, in an amount per share (rounded to the nearest cent) equal to the greater of (a) $0.10 or (b) subject to the provision for adjustment hereinafter set forth, 1,000 times the aggregate per share amount of all cash dividends, and 1,000 times the aggregate per share amount (payable in kind) of all non-cash dividends or other distributions, other than a dividend payable in shares of Common Stock or a subdivision of the outstanding shares of Common Stock (by reclassification or otherwise), declared on the Common Stock since the immediately preceding Quarterly Dividend Payment Date or, with respect to the first Quarterly Dividend Payment Date, since the first issuance of any share or fraction of a share of Series G Preferred Stock. In the event the Corporation shall at any time declare or pay any dividend on the Common Stock payable in

shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the amount to which holders of shares of Series G Preferred Stock were entitled immediately prior to such event under clause (b) of the preceding sentence shall be adjusted by multiplying such amount by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(B) The Corporation shall declare a dividend or distribution on the Series G Preferred Stock as provided in paragraph (A) of this Section immediately after it declares a dividend or distribution on the Common Stock (other than a dividend payable in shares of Common Stock); provided that, in the event no dividend or distribution shall have been declared on the Common Stock during the period between any Quarterly Dividend Payment Date and the next subsequent Quarterly Dividend Payment Date, a dividend of $0.10 per share on the Series G Preferred Stock shall nevertheless be payable on such subsequent Quarterly Dividend Payment Date.

(C) Dividends shall begin to accrue and be cumulative on outstanding shares of Series G Preferred Stock from the Quarterly Dividend Payment Date next preceding the date of issue of such shares, unless the date of issue of such shares is prior to the record date for the first Quarterly Dividend Payment Date, in which case dividends on such shares shall begin to accrue from the date of issue of such shares, or unless the date of issue is a Quarterly Dividend Payment Date or is a date after the record date for the determination of holders of shares of Series G Preferred Stock entitled to receive a quarterly dividend and before such Quarterly Dividend Payment Date, in either of which events such dividends shall begin to accrue and be cumulative from such Quarterly Dividend Payment Date. Accrued but unpaid dividends shall not bear interest. Dividends paid on the shares of Series G Preferred Stock in an amount less than the total amount of such dividends at the time accrued and payable on such shares shall be allocated pro rata on a share-by-share basis among all such shares at the time outstanding. The Board of Directors may fix a record date for the determination of holders of shares of Series G Preferred Stock entitled to receive payment of a dividend or distribution declared thereon, which record date shall be not more than 60 days prior to the date fixed for the payment thereof.

51. Voting Rights. The holders of shares of Series G Preferred Stock shall have the following voting rights:

(A) Subject to the provision for adjustment hereinafter set forth, each share of Series G Preferred Stock shall entitle the holder thereof to 1,000 votes on all matters submitted to a vote of the shareholders of the

Corporation. In the event the Corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the number of votes per share to which holders of shares of Series G Preferred Stock were entitled immediately prior

to such event shall be adjusted by multiplying such number by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(B) Except as otherwise provided herein, in any other Statement with Respect to Shares pursuant to Section 1522 of the Business Corporation Law or amendment to the Corporation's Amended and Restated Articles of Incorporation creating a series of Preferred Stock or any similar stock, or by law, the holders of shares of Series G Preferred Stock and the holders of shares of Common Stock and any other capital stock of the Corporation having general voting rights shall vote together as one class on all matters submitted to a vote of shareholders of the Corporation.

(C) Except as set forth herein, or as otherwise provided by law, holders of Series G Preferred Stock shall have no special voting rights and their consent shall not be required (except to the extent they are entitled to vote with holders of Common Stock as set forth herein) for taking any corporate action.

52. Certain Restrictions.

(A) Whenever quarterly dividends or other dividends or distributions payable on the Series G Preferred Stock as provided in Section 50 are in arrears, thereafter and until all accrued and unpaid dividends and distributions, whether or not declared, on shares of Series G Preferred Stock outstanding shall have been paid in full, the Corporation shall not:

(i) declare or pay dividends, or make any other distributions, on any shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series G Preferred Stock;

(ii) declare or pay dividends, or make any other distributions, on any shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series G Preferred Stock, except dividends paid ratably on the Series G Preferred Stock and all such parity stock on which dividends are payable or in arrears in proportion to the total amounts to which the holders of all such shares are then entitled;

(iii) redeem or purchase or otherwise acquire for consideration shares of any stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series G Preferred Stock, provided that the Corporation may at any time redeem, purchase or otherwise acquire shares of any such junior stock in exchange for shares of any stock of the Corporation ranking junior (either as to dividends or upon dissolution, liquidation or winding up) to the Series G Preferred Stock; or

(iv) redeem or purchase or otherwise acquire for consideration any shares of Series G Preferred Stock, or any shares of stock ranking on a parity with the Series G Preferred Stock, except in accordance with a purchase offer made in writing or by publication (as determined by the Board of Directors) to all holders of such shares upon such terms as the Board of Directors, after consideration of the respective annual dividend rates and other relative rights and preferences of the respective series and classes, shall determine in good faith will result in fair and equitable treatment among the respective series or classes.

(B) The Corporation shall not permit any subsidiary of the Corporation to purchase or otherwise acquire for consideration any shares of stock of the Corporation unless the Corporation could, under paragraph (A) of this Section 52, purchase or otherwise acquire such shares at such time and in such manner.

53. Reacquired Shares. Except as otherwise provided by action of the Board of Directors, any shares of Series G Preferred Stock purchased or

otherwise acquired by the Corporation in any manner whatsoever (other than by conversion) shall not be retired or cancelled but shall become authorized but unissued shares of Preferred Stock and may be reissued as part of the same or a new series of Preferred Stock subject to the conditions and restrictions on issuance set forth herein, in the Amended and Restated Articles of Incorporation of the Corporation, or in any other Statement with Respect to Shares pursuant to Section 1522 of the Business Corporation Law creating a series of Preferred Stock or any similar stock or as otherwise required by law.

54. Liquidation, Dissolution or Winding Up. Upon any liquidation, dissolution or winding up of the Corporation, no distribution shall be made (1) to the holders of shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series G Preferred Stock unless, prior thereto, the holders of shares of Series G Preferred Stock shall have received $1.00 per share, plus an amount equal to accrued and unpaid dividends and distributions thereon, whether or not declared, to the date of such payment, provided that the holders of shares of Series G Preferred Stock shall be entitled to receive an aggregate amount per share, subject to the provision for adjustment hereinafter set forth, equal to 1,000 times the aggregate amount to be distributed per share to holders of shares of Common Stock, or (2) to the holders of shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series G Preferred Stock, except distributions made ratably on the Series G Preferred Stock and all such parity stock in proportion to the total amounts to which the holders of all such shares are entitled upon such liquidation, dissolution or winding up. In the event the Corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the aggregate amount to which holders of shares of Series G Preferred Stock were entitled immediately prior to such event under the proviso in clause (1) of the preceding sentence shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event

and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

55. Consolidation, Merger, etc. In case the Corporation shall enter into any consolidation, merger, combination, division or other transaction in which the shares of Common Stock are exchanged for or changed into other stock or securities, cash and/or any other property, then in any such case each share of Series G Preferred Stock shall at the same time be similarly exchanged or changed into an amount per share, subject to the provision for adjustment hereinafter set forth, equal to 1,000 times the aggregate amount of stock, securities, cash and/or any other property (payable in kind), as the case may be, into which or for which each share of Common Stock is changed or exchanged. In the event the Corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the amount set forth in the preceding sentence with respect to the exchange or change of shares of Series G Preferred Stock shall be adjusted by multiplying such amount by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

56. No Redemption. The shares of Series G Preferred Stock shall not be redeemable.

57. Rank. The Series G Preferred Stock shall rank, with respect to the payment of dividends and the distribution of assets, junior to all series of any other class of the Corporation's Preferred Stock.

58. Amendment. If any shares of Series G Preferred Stock are then outstanding, the Amended and Restated Articles of Incorporation of the Corporation shall not be amended in any manner which would materially alter or change the powers, preferences or special rights of the Series G Preferred Stock so as to affect them adversely without the affirmative vote of the holders of at least two-thirds of the outstanding shares of Series G Preferred Stock, voting together as a single class.

COMMON STOCK

59. Each holder of record of Common Stock shall have the right to one vote for each share of Common Stock standing in his name on the books of the Corporation.

PROVISIONS APPLICABLE TO ALL CLASSES OF CAPITAL STOCK

60. No holder of any class of capital stock of the Corporation shall be entitled to cumulate his votes for the election of directors.

61. No holder of any class of capital stock of the Corporation shall have preemptive rights, and the Corporation shall have the right to issue and to sell to any person or persons any shares of its capital stock or any option rights or any securities having conversion or option rights, without first offering such shares, rights or securities to any holders of any class of capital stock of the Corporation.

THE PNC FINANCIAL SERVICES GROUP, INC. EXHIBIT 12.1

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

<TABLE>
<CAPTION>

Dollars in millions	Three months ended March 31, 2001	Year ended December 31 2000	1999	1998	1997	1996
<S>	<C>	<C>	<C>	<C>	<C>	<C>
EARNINGS						
Income from continuing operations before taxes	$400	$1,848	$1,788	$1,651	$1,595	$1,526
Fixed charges excluding interest on deposits	251	1,033	980	1,159	1,080	1,014
Subtotal	651	2,881	2,768	2,810	2,675	2,540
Interest on deposits	397	1,653	1,369	1,471	1,457	1,428
Total	$1,048	$4,534	$4,137	$4,281	$4,132	$3,968
FIXED CHARGES						
Interest on borrowed funds	$221	$915	$870	$1,065	$1,010	$985
Interest component of rentals	13	50	44	33	26	27
Amortization of notes and debentures		1	1	1	1	1
Distributions on Mandatorily Redeemable Capital Securities of Subsidiary Trusts	17	67	65	60	43	1
Subtotal	251	1,033	980	1,159	1,080	1,014
Interest on deposits	397	1,653	1,369	1,471	1,457	1,428
Total	$648	$2,686	$2,349	$2,630	$2,537	$2,442
RATIO OF EARNINGS TO FIXED CHARGES						
Excluding interest on deposits	2.59 x	2.79 x	2.82 x	2.42 x	2.48 x	2.50 x
Including interest on deposits	1.62	1.69	1.76	1.63	1.63	1.62

</TABLE>

THE PNC FINANCIAL SERVICES GROUP, INC. EXHIBIT 12.2

COMPUTATION OF RATIO OF EARNINGS
TO FIXED CHARGES AND PREFERRED STOCK DIVIDENDS

<TABLE>
<CAPTION>

		Year ended December 31				
Dollars in millions	Three months ended March 31, 2001	2000	1999	1998	1997	1996
<S>	<C>	<C>	<C>	<C>	<C>	<C>
EARNINGS						
Income from continuing operations before taxes	$400	$1,848	$1,788	$1,651	$1,595	$1,526
Fixed charges and preferred stock dividends excluding interest on deposits	258	1,063	1,010	1,188	1,110	1,022
Subtotal	658	2,911	2,798	2,839	2,705	2,548
Interest on deposits	397	1,653	1,369	1,471	1,457	1,428
Total	$1,055	$4,564	$4,167	$4,310	$4,162	$3,976
FIXED CHARGES						
Interest on borrowed funds	$221	$915	$870	$1,065	$1,010	$985
Interest component of rentals	13	50	44	33	26	27
Amortization of notes and debentures		1	1	1	1	1
Distributions on Mandatorily Redeemable Capital Securities of Subsidiary Trusts	17	67	65	60	43	1
Preferred stock dividend requirements	7	30	30	29	30	8
Subtotal	258	1,063	1,010	1,188	1,110	1,022
Interest on deposits	397	1,653	1,369	1,471	1,457	1,428
Total	$655	$2,716	$2,379	$2,659	$2,567	$2,450
RATIO OF EARNINGS TO FIXED CHARGES AND PREFERRED STOCK DIVIDENDS						
Excluding interest on deposits	2.55 x	2.74 x	2.77 x	2.39 x	2.44 x	2.49 x
Including interest on deposits	1.61	1.68	1.75	1.62	1.62	1.62

</TABLE>