THE PNC FINANCIAL SERVICES GROUP, INC.

Quarterly Report on Form 10-Q
For the quarterly period ended June 30, 2001

Page 1 represents a portion of the second 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 41.

CONSOLIDATED FINANCIAL HIGHLIGHTS
THE PNC FINANCIAL SERVICES GROUP, INC.

<TABLE>
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	Three months ended June 30		Six months ended June 30	
Dollars in millions, except per share data	2001	2000	2001	2000
<S>	<C>	<C>	<C>	<C>
FINANCIAL PERFORMANCE				
Revenue				
Net interest income (taxable-equivalent basis)	$569	$550	$1,128	$1,110
Noninterest income	720	728	1,421	1,456
Total revenue	1,289	1,278	2,549	2,566
Income from continuing operations	295	299	560	601
Discontinued operations		16	40	22
Income before cumulative effect of accounting change	295	315	600	623
Cumulative effect of accounting change			(5)	
Net income	$295	$315	$595	$623
CASH EARNINGS (a)				
Continuing operations	$324	$328	$619	$659
Discontinued operations		16	40	22
Before cumulative effect of accounting change	324	344	659	681
Cumulative effect of accounting change			(5)	
Net income from cash earnings	$324	$344	$654	$681
Per common share				
DILUTED EARNINGS				
Continuing operations	$1.00	$1.01	$1.89	$2.02
Discontinued operations		.05	.14	.07
Before cumulative effect of accounting change	1.00	1.06	2.03	2.09
Cumulative effect of accounting change			(.02)	

Net income	$1.00	$1.06	$2.01	$2.09
DILUTED CASH EARNINGS (a)				
Continuing operations	$1.10	$1.10	$2.10	$2.21
Discontinued operations		.06	.14	.08
Before cumulative effect of accounting change	1.10	1.16	2.24	2.29
Cumulative effect of accounting change			(.02)	
Net income from cash earnings	$1.10	$1.16	$2.22	$2.29
Cash dividends declared	$.48	$.45	$.96	$.90
SELECTED RATIOS				
FROM CONTINUING OPERATIONS				
Return on				
Average common shareholders' equity	18.13%	20.77%	17.36%	21.03%
Average assets	1.67	1.74	1.58	1.75
Net interest margin	3.76	3.63	3.70	3.65
Noninterest income to total revenue	55.86	56.96	55.75	56.74
Efficiency (b)	57.65	57.29	57.78	57.57
FROM NET INCOME				
Return on				
Average common shareholders' equity	18.13%	21.91%	18.47%	21.81%
Average assets	1.67	1.68	1.65	1.67
Net interest margin	3.76	3.41	3.64	3.43
Noninterest income to total revenue	55.86	58.92	56.51	58.60
Efficiency (c)	57.65	55.70	56.87	56.53

</TABLE>

(a) Excludes amortization of goodwill and does not reflect the implementation of SFAS No. 142.
(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	June 30 2001	December 31 2000	June 30 2000
<S>	<C>	<C>	<C>
BALANCE SHEET DATA			
Assets	$70,013	$69,844	$68,885
Earning assets	58,326	59,373	59,334
Loans, net of unearned income	44,167	50,601	50,281
Securities available for sale	11,258	5,902	5,315
Loans held for sale	1,613	1,655	2,305
Deposits	45,826	47,664	46,381
Borrowed funds	12,119	11,718	13,028
Shareholders' equity	6,748	6,656	6,157

Common shareholders' equity	6,532	6,344	5,844
Book value per common share	22.60	21.88	20.22
Loans to deposits	96%	106%	108%
CAPITAL RATIOS			
Leverage	8.1%	8.0%	6.7%
Common shareholders' equity to total assets	9.33	9.08	8.48
ASSET QUALITY RATIOS			
Nonperforming assets to total loans, loans held for sale and foreclosed assets	.85%	.71%	.67%
Allowance for credit losses to total loans	1.53	1.33	1.34
Allowance for credit losses to nonaccrual loans	180.48	208.98	217.04
Net charge-offs to average loans (For the three months ended)	.40	.32	.27

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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 certain 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 certain 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 regional 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 global fund services internationally.

Financial services organizations today are challenged to demonstrate that they can generate high-quality earnings growth in an increasingly competitive and weakened economic environment, one with slower growth rates, asset quality concerns and weaker equity markets. 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 and decreasing the contribution from lending-based traditional banking businesses. Earnings from asset management and processing businesses represented 26% of total business earnings for the first six months of 2001 and noninterest income was 57% 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 96% at June 30, 2001.

On January 31, 2001, PNC closed the sale of its residential mortgage banking business. The gain on sale and earnings from operations included in the first six months of 2001 totaled $40 million or $.14 per diluted share. These earnings were partially offset by a $32 million or $.11 per diluted share charge in the first quarter of 2001 related to the charge-off of loans in the communications and energy, metals and mining portfolios that PNC has designated for 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.

SUMMARY FINANCIAL RESULTS
Consolidated net income for the first six months of 2001 was $595 million or $2.01 per diluted share. Excluding the effect of adopting the new accounting standard for financial derivatives, net income was $600 million or $2.03 per diluted share compared with $623 million or $2.09 per diluted share for the first six months of 2000. These results include the negative impact of a $49 million or $.17 per diluted share net loss from venture capital activities. Excluding this loss and the effect of the accounting change, results for the first six months of 2001 were $649 million or $2.20 per diluted share.

Return on average common shareholders' equity was 18.47% and return on average assets was 1.65% for the first six months of 2001 compared with 21.81% and 1.67%, respectively, for the first six months of 2000.

The residential mortgage banking business 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 six months of 2001 was $560 million or $1.89 per diluted share. Excluding the $49 million net loss from venture capital activities and a $32 million charge in the first quarter of 2001 related to loans designated for downsizing and severance costs, income from continuing operations increased 7% to $641 million or $2.17 per diluted share for the first six months of 2001 compared with the same period a year ago.

Taxable-equivalent net interest income of $1.128 billion for the first six months of 2001 increased 2% compared with the first six months of 2000. The net interest margin was 3.70% for the first six months of 2001 compared with 3.65% for the first six months of 2000. The increases were primarily due to the positive impact of transaction deposit growth and a lower rate environment that was partially offset by the impact of continued downsizing of the loan portfolio.

The provision for credit losses was $125 million for the first six months of 2001 compared with $66 million for the same period in 2000. The increase was primarily related to loans in the communications and energy, metals and mining portfolios that PNC is downsizing.

Noninterest income was $1.421 billion for the first six months of 2001 and included $69 million of equity management losses from venture capital activities. Excluding equity management gains and losses from both years, noninterest income increased 13% compared with the first six months of 2000 primarily due to growth in asset management and processing revenue.

Noninterest expense was $1.564 billion for the first six months of 2001 compared with $1.572 billion for the first six months of 2000 and the efficiency ratio remained flat at 58% during both periods. The decrease in expense was primarily due to aggressive expense management.

Total assets were $70.0 billion at June 30, 2001 compared with $69.8 billion at December 31, 2000. Average interest-earning assets were $60.7 billion for the first six months of 2001 compared with $60.3 billion for the first six months of 2000. A decline in loans and loans held for sale was offset by an increase in securities available for sale that are used for balance sheet and interest rate risk management activities.

Shareholders' equity totaled $6.7 billion at June 30, 2001 and the regulatory capital ratios were 8.1% for leverage, 9.0% for tier I risk-based and 12.8% for total risk-based capital. During the first six months of 2001, PNC repurchased 3.4 million shares of common stock.

Nonperforming assets were $390 million at June 30, 2001 compared with $372 million at December 31, 2000. The ratio of nonperforming assets to total loans, loans held for sale and foreclosed assets increased to .85% at June 30, 2001 compared with .71% at December 31, 2000 primarily due to the impact of downsizing the loan portfolio.

The allowance for credit losses was $675 million and represented 1.53% of total loans and 180% of nonaccrual loans at June 30, 2001. The comparable amounts were $675 million, 1.33% and 209%, respectively, at December 31, 2000. The increase in the allowance as a percentage of total loans primarily resulted from the downsizing of the loan portfolio. Net charge-offs were $125 million or .53% of average loans for the first six months of 2001 compared with $65 million or .26% for the same period in 2000. The increase was primarily related to loans in institutional lending portfolios that PNC is downsizing.

REVIEW OF BUSINESSES

PNC operates seven major businesses engaged in regional 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 designated for downsizing 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

<TABLE>
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	Earnings		Revenue (taxable-equivalent basis)		Return on Assigned Capital		Average Assets	
Six months ended June 30 - dollars in millions	2001	2000	2001	2000	2001	2000	2001	2000
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
PNC Bank								
Regional Community Banking	$339	$281	$1,100	$991	25%	22%	$40,321	$38,182
Corporate Banking	66	120	384	420	11	20	16,612	16,110
Total PNC Bank	405	401	1,484	1,411	21	21	56,933	54,292
Secured Finance								
PNC Real Estate Finance	38	33	106	103	19	17	5,291	5,604
PNC Business Credit	30	26	71	57	38	36	2,429	2,173
Total Secured Finance	68	59	177	160	25	23	7,720	7,777
Total Banking	473	460	1,661	1,571	21	22	64,653	62,069
Asset Management and Processing								
PNC Advisors	83	86	389	398	30	31	3,420	3,577
BlackRock	52	40	269	221	26	27		

							571	434
PFPC	32	16	370	331	31	16	1,742	1,587
Total Asset Management and Processing	167	142	1,028	950	29	27	5,733	5,598
Total business results	640	602	2,689	2,521	23	23	70,386	67,667
Other	(80)	(1)	(140)	45			861	833
Results from continuing operations	560	601	2,549	2,566	17	21	71,247	68,500
Discontinued operations	40	22					103	430
Cumulative effect of accounting change	(5)							
Total Consolidated	$595	$623	$2,549	$2,566	18	22	$71,350	$68,930

</TABLE>

REGIONAL COMMUNITY BANKING

Six months ended June 30 - dollars in millions	2001	2000
INCOME STATEMENT		
Net interest income	$718	$703
Other noninterest income	339	292
Net securities gains (losses)	43	(4)
Total revenue	1,100	991
Provision for credit losses	20	22
Noninterest expense	551	534
Pretax earnings	529	435
Income taxes	190	154
Earnings	$339	$281
AVERAGE BALANCE SHEET		
Loans		
Consumer		
Home equity	$6,121	$5,311
Indirect	895	1,352
Other consumer	924	871
Total consumer	7,940	7,534
Commercial	3,624	3,711
Residential mortgage	9,603	11,599
Leasing	1,799	1,179
Other	136	172
Total loans	23,102	24,195
Securities available for sale	9,346	5,470
Loans held for sale	1,288	1,358
Assigned assets and other assets	6,585	7,159
Total assets	$40,321	$38,182
Deposits		
Noninterest-bearing demand	$4,488	$4,591
Interest-bearing demand	5,517	5,377
Money market	11,919	9,776
Savings	1,870	2,063
Certificates	12,741	13,524
Total deposits	36,535	35,331
Other liabilities	1,066	274
Assigned capital	2,720	2,577
Total funds	$40,321	$38,182

PERFORMANCE RATIOS		
Return on assigned capital	25%	22%
Noninterest income to total revenue	35	29
Efficiency	48	52

Regional 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.

Regional 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. Regional 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.

Regional 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.

Regional Community Banking contributed 53% of total business earnings for the first six months of 2001 compared with 47% for the first six months of 2000. Earnings increased $58 million or 21% to $339 million for the first six months of 2001 primarily due to business growth and net securities gains. Excluding net securities gains from the first six months of 2001 and net securities losses from the first six months of 2000, earnings increased 10% primarily driven by higher noninterest income, deposit growth and improved efficiency.

Total revenue increased 11% to $1.1 billion for the first six months of 2001. Excluding net securities gains and losses from both periods, revenue increased 6% in the period-to-period comparison primarily due to higher consumer transaction activity in 2001 and residential mortgage loan securitization gains.

The provision for credit losses for the first six months of 2001 decreased $2 million compared with the same period in 2000 primarily due to the impact of downsizing indirect lending.

Total loans decreased in the comparison as the reduction of residential mortgage loans due to securitizations and the continued downsizing of the indirect automobile lending portfolio were partially offset by higher home equity loans and leases that resulted from strategic acquisitions. The decrease in residential mortgage loans was offset by an increase in securities available for sale.

Total deposits grew 3% in the comparison driven by a $2.2 billion increase in transaction 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

Six months ended June 30 - dollars in millions	2001	2000
INCOME STATEMENT		
Credit-related revenue	$205	$199
Noncredit revenue	179	221
Total revenue	384	420
Provision for credit losses	88	38
Noninterest expense	196	196
Pretax earnings	100	186
Income taxes	34	66
Earnings	$66	$120
AVERAGE BALANCE SHEET		
Loans		

Middle market	$5,943	$6,132
Large corporate	3,161	3,106
Energy, metals and mining	1,273	1,334
Communications	1,169	1,451
Leasing	2,216	1,734
Other	321	368
Total loans	14,083	14,125
Other assets	2,529	1,985
Total assets	$16,612	$16,110
Deposits	$4,862	$4,539
Assigned funds and other liabilities	10,504	10,363
Assigned capital	1,246	1,208
Total funds	$16,612	$16,110
PERFORMANCE RATIOS		
Return on assigned capital	11%	20%
Noncredit revenue to total revenue	47	53
Efficiency	51	46

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 on the middle market with an emphasis on higher-margin noncredit products and services, especially treasury management and capital markets. Approximately 35% 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 downsize the communications portfolio and certain portions of the energy, metals and mining and large corporate portfolios. The designated loans are included 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 10% of total business earnings for the first six months of 2001 compared with 20% for the first six months of 2000. Earnings declined to $66 million for the first six months of 2001 compared with $120 million for the first six months of 2000 primarily due to provision for credit losses in 2001 related to portfolios that PNC is downsizing.

Total revenue of $384 million for the first six months of 2001 decreased $36 million compared with the same period in 2000. Credit-related revenue increased 3% compared with the first six months of 2000 as an increase in net interest margin was partially offset by a decrease in average loans. The decrease in average loans in the period-to-period comparison was primarily due to reductions in the energy, metals and mining, communications and middle market portfolios, partially offset by 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 $42 million compared with the first six months of 2000 primarily due to the impact of weak equity market conditions that resulted in lower capital markets fees and valuation losses associated with equity investments.

The provision for credit losses was $88 million for the first six months of 2001 compared with $38 million for the first six months of 2000. The higher provision was primarily related to portfolios that are being downsized. 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 was $170 million for the first six months of 2001 compared with $169 million for the first six months of 2000. Increases in fee revenue were offset by lower income earned on customers' deposit balances resulting from the lower interest rate environment in 2001 and the impact of downsizing institutional lending. Consolidated revenue from capital markets was $57 million for the first six months of 2001, an $11 million decrease compared with the first six months of 2000. The decrease was primarily due to weak equity market conditions as well as the impact of downsizing certain lending portfolios.

PNC REAL ESTATE FINANCE

Six months ended June 30 - dollars in millions	2001	2000
INCOME STATEMENT		
Net interest income	$57	$59
Noninterest income		
Commercial mortgage banking	32	30
Other	17	14
Total noninterest income	49	44
Total revenue	106	103
Provision for credit losses	(2)	
Noninterest expense	76	67
Pretax earnings	32	36
Income tax (benefit) expense	(6)	3
Earnings	$38	$33
AVERAGE BALANCE SHEET		
Loans		
Commercial - real estate related	$1,804	$2,041
Commercial real estate	2,326	2,428
Total loans	4,130	4,469
Commercial mortgages held for sale	188	151
Other assets	973	984
Total assets	$5,291	$5,604
Deposits	$362	$244
Assigned funds and other liabilities	4,533	4,977
Assigned capital	396	383
Total funds	$5,291	$5,604
PERFORMANCE RATIOS		
Return on assigned capital	19%	17%
Noninterest income to total revenue	46	43
Efficiency	58	51

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 lending as well as processing businesses. The processing businesses include Midland Loan Services, Inc., a leading third-party provider of loan servicing and technology to the commercial real estate finance industry, and Columbia Housing Partners, LP, a national syndicator of affordable housing equity.

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 and increasing the value of its lending business by selling more fee-based products. During the first six months of 2001, 46% of total revenue was generated by fee-based activities compared with 43% for the first six months of 2000. Management also continues to evaluate opportunities to reduce credit exposure and improve the risk/return characteristics of the lending business.

PNC Real Estate Finance contributed 6% of total business earnings for the first six months of 2001 compared with 5% for the first six months of 2000. Earnings increased $5 million or 15% in the period-to-period comparison primarily due to growth in processing businesses. Average loans decreased 8% in the period-to-period comparison reflecting management's ongoing strategy to reduce balance sheet leverage.

Total revenue was $106 million for the first six months of 2001 compared with $103 million for the first six months of 2000. The increase of $3 million or 3% was primarily due to growth in commercial mortgage loan servicing fees, reflecting a larger servicing portfolio, partially offset by lower commercial mortgage-backed securitization gains. The commercial mortgage servicing portfolio grew 29% in the comparison to $62 billion at June 30, 2001.

COMMERCIAL MORTGAGE SERVICING PORTFOLIO In billions	2001	2000
January 1	$51	$45

Acquisitions/additions	15	6
Repayments/transfers	(4)	(3)
June 30	$62	$48

PNC Real Estate Finance had net recoveries of $2 million during the first six months of 2001.

Noninterest expense was $76 million and the efficiency ratio was 58% for the first six months of 2001 compared with $67 million and 51%, respectively, in the same period last year. The increases were primarily due to non-cash (passive) losses on affordable housing investments that were more than offset by related income tax credits.

PNC BUSINESS CREDIT

Six months ended June 30 - dollars in millions	2001	2000
INCOME STATEMENT		
Net interest income	$51	$49
Noninterest income	20	8
Total revenue	71	57
Provision for credit losses	8	2
Noninterest expense	16	14
Pretax earnings	47	41
Income taxes	17	15
Earnings	$30	$26
AVERAGE BALANCE SHEET		
Loans	$2,305	$2,100
Other assets	124	73
Total assets	$2,429	$2,173
Deposits	$80	$56
Assigned funds and other liabilities	2,188	1,973
Assigned capital	161	144
Total funds	$2,429	$2,173
PERFORMANCE RATIOS		
Return on assigned capital	38%	36%
Noninterest income to total revenue	28	14
Efficiency	21	23

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 10% to $2.3 billion at June 30, 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 six months of 2001 compared with 4% for the first six months of 2000. Earnings increased $4 million or 15% in the period-to-period comparison to $30 million for the first six months of 2001 as higher revenue was partially offset by an increase in the provision for credit losses.

Revenue was $71 million for the first six months of 2001, a $14 million or 25% increase compared with the first six 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.

The provision for credit losses increased $6 million to $8 million for the first six months of 2001 as a result of declining credit conditions in a weaker economy. PNC Business Credit loans are secured loans to borrowers with a weaker financial condition. As a result, in a weaker economy, the provision for credit losses may be adversely affected. See Credit Risk in the Risk Management section of this Financial Review for additional information regarding credit risk.

Noninterest expense was $16 million and the efficiency ratio improved to 21% for the first six months of 2001 compared with $14 million and 23%, respectively, for the first six months of 2000. The efficiency ratio improved in the comparison primarily due to higher noninterest income and economies of scale resulting from a centralized back office.

PNC ADVISORS

Six months ended June 30 - dollars in millions	2001	2000
INCOME STATEMENT		
Net interest income	$68	$68
Noninterest income		
Investment management and trust	210	205
Brokerage	70	90
Other	41	35
Total noninterest income	321	330
Total revenue	389	398
Provision for credit losses	1	3
Noninterest expense	256	258
Pretax earnings	132	137
Income taxes	49	51
Earnings	$83	$86
AVERAGE BALANCE SHEET		
Loans		
Commercial	$521	$643
Consumer	1,098	957
Residential mortgage	911	978
Other	405	548
Total loans	2,935	3,126
Other assets	485	451
Total assets	$3,420	$3,577
Deposits	$2,045	$2,086
Assigned funds and other liabilities	823	941
Assigned capital	552	550
Total funds	$3,420	$3,577
PERFORMANCE RATIOS		
Return on assigned capital	30%	31%
Noninterest income to total revenue	83	83
Efficiency	65	64

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 primary geographic region and leveraging its comprehensive distribution platform.

PNC Advisors contributed 13% of total business earnings for the first six months of 2001 compared with 14% for the first six months of 2000. Earnings were $83 million and $86 million for the first six months of 2001 and 2000, respectively.

Revenue decreased $9 million in the period-to-period comparison primarily due to lower levels of retail investor trading activity and weak equity markets. Management expects that revenues in this business will continue to be challenged at least until equity market conditions improve.

Noninterest expense decreased $2 million in the period-to-period comparison primarily due to lower production-based compensation and effective expense management initiatives.

ASSETS UNDER MANAGEMENT (a)

June 30 - in billions	2001	2000(b)
Personal investment management and trust	$49	$49
Institutional trust	14	15
Total	$63	$64

(a) Assets under management do not include brokerage assets administered.
(b) Restated to reflect the transfer of assets under management between PNC businesses.

Assets under management decreased $1 billion as approximately $4 billion of net new asset inflows during the past twelve months were more than offset by a decline in the value of the equity component of customers' portfolios. See Asset Management Performance in the Risk Factors section of this Financial Review for additional information regarding the potential impact of market conditions and asset management performance on PNC's revenue.

Brokerage assets administered by PNC Advisors were $28 billion at June 30, 2001 and 2000 and were also impacted by weak market conditions.

PNC Advisors will continue to focus on acquiring new customers and growing and expanding existing customer relationships while aggressively managing the revenue/expense relationship.

BLACKROCK

Six months ended June 30 - dollars in millions	2001	2000
INCOME STATEMENT		
Investment advisory and administrative fees	$252	$209
Other income	17	12
Total revenue	269	221
Operating expense	147	111
Fund administration and servicing costs - affiliates	32	38
Amortization	5	5
Total expense	184	154
Operating income	85	67
Nonoperating income	4	2
Pretax earnings	89	69
Income taxes	37	29
Earnings	$52	$40
PERIOD-END BALANCE SHEET		
Intangible assets	$187	$197
Other assets	384	237
Total assets	$571	$434
Other liabilities	$142	$113
Stockholders' equity	429	321
Total liabilities and stockholders' equity	$571	$434
PERFORMANCE DATA		
Return on equity	26%	27%
Operating margin (a)	36	36
Diluted earnings per share	$.80	$.62

(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 $213 billion of assets under management at June 30, 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 brand name.

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

BlackRock contributed 8% of total business earnings for the first six months of 2001 compared with 7% for the first six months of 2000.

Earnings increased 29% in the period-to-period comparison primarily due to a 20% increase in assets under management. New client mandates and additional funding from existing clients was $31 billion or 86% of the increase in assets under management.

Total revenue for the first six months of 2001 increased $48 million or 22% compared with the first six months of 2000 primarily due to new institutional 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 June 30 - in billions	2001	2000
Separate accounts		
Fixed income	$111	$84
Liquidity	7	7
Liquidity - securities lending	10	11
Equity	8	7
Alternative investment products	4	2
Total separate accounts	140	111
Mutual funds (a)		
Fixed income	12	14
Liquidity	49	36
Equity	12	16
Total mutual funds	73	66
Total assets under management	$213	$177

(a) Includes BlackRock Funds, BlackRock Provident Institutional Funds, BlackRock Closed End Funds, Short Term Investment Funds and BlackRock Global Series Funds.

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

Six months ended June 30 - dollars in millions	2001	2000
INCOME STATEMENT		
Fund servicing revenue	$370	$331
Operating expense	264	256
Amortization	13	16
Operating income	93	59
Nonoperating income (a)	7	14
Debt financing	47	47
Pretax earnings	53	26
Income taxes	21	10
Earnings	$32	$16
AVERAGE BALANCE SHEET		
Intangible assets	$1,079	$1,110
Other assets	663	477

Total assets	$1,742	$1,587
Assigned funds and other liabilities	$1,534	$1,380
Assigned capital	208	207
Total funds	$1,742	$1,587
PERFORMANCE RATIOS		
Operating margin	25%	18%
Return on assigned capital	31	16

(a) Net of nonoperating expense

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 fund services to the investment management industry. PFPC also provides customized processing solutions 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 5% of total business earnings for the first six months of 2001 and 3% for the first six months of 2000. Earnings increased $16 million in the period-to-period comparison and performance ratios improved significantly. The increase in earnings was primarily due to strong growth in transfer agency and sub accounting revenue that resulted from an increase in shareholder accounts serviced. The first six months of 2001 also benefited from focused expense control efforts and the comparative impact of Investor Services Group integration costs incurred in the prior-year period.

Revenue of $370 million for the first six months of 2001 increased $39 million or 12% compared with the first six 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 matters that could impact fund servicing revenue.

Operating expense increased 3% in the period-to-period comparison primarily due to business expansion partially offset by the comparative impact of one-time integration costs in the prior-year period.

SERVICING STATISTICS

June 30	2001	2000
Accounting/administration		
Assets ($ in billions) (a)	$502	$449
Custody assets ($ in billions)	442	416
Shareholder accounts (in millions)	45	41

(a) Includes net assets serviced offshore of approximately $14 billion and $8 billion at June 30, 2001 and 2000, respectively.

CONSOLIDATED INCOME STATEMENT REVIEW
NET INTEREST INCOME ANALYSIS

<TABLE>
<CAPTION>

Taxable-equivalent basis Six months ended June 30 - dollars in millions	Average Balances 2001	2000	Change	Interest Income/Expense 2001	2000	Change	Average Yields/Rates 2001	2000	Change
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Interest-earning assets									
Loans held for sale	$1,862	$2,948	$(1,086)	$68	$116	$(48)	7.19%	7.76%	(57)bp
Securities available for sale	9,895	6,068	3,827	300	193	107	6.06	6.35	(29)
Loans, net of unearned income									

Commercial	20,575	21,917	(1,342)	797	911	(114)	7.70	8.23	(53)
Commercial real estate	2,576	2,690	(114)	103	118	(15)	7.92	8.67	(75)
Consumer	9,090	9,228	(138)	382	389	(7)	8.49	8.46	3
Residential mortgage	10,554	12,577	(2,023)	384	446	(62)	7.27	7.08	19
Lease financing	4,024	3,004	1,020	145	109	36	7.19	7.26	(7)
Other	490	682	(192)	18	28	(10)	7.36	8.28	(92)
Total loans, net of unearned income	47,309	50,098	(2,789)	1,829	2,001	(172)	7.72	7.95	(23)
Other	1,592	1,194	398	63	41	22	8.03	6.99	104
Total interest-earning assets/ interest income	60,658	60,308	350	2,260	2,351	(91)	7.44	7.76	(32)
Noninterest-earning assets	10,692	8,622	2,070						
Total assets	$71,350	$68,930	$2,420						
Interest-bearing liabilities									
Deposits									
Demand and money market	$20,707	$18,125	$2,582	296	297	(1)	2.88	3.30	(42)
Savings	1,928	2,123	(195)	11	18	(7)	1.12	1.69	(57)
Retail certificates of deposit	13,190	14,497	(1,307)	374	386	(12)	5.73	5.35	38
Other time	551	639	(88)	18	20	(2)	6.58	6.40	18
Deposits in foreign offices	1,248	1,486	(238)	32	45	(13)	5.05	5.94	(89)
Total interest-bearing deposits	37,624	36,870	754	731	766	(35)	3.92	4.17	(25)
Borrowed funds	14,201	14,877	(676)	401	475	(74)	5.63	6.33	(70)
Total interest-bearing liabilities/ interest expense	51,825	51,747	78	1,132	1,241	(109)	4.38	4.79	(41)
Noninterest-bearing liabilities, capital securities and shareholders' equity	19,525	17,183	2,342						
Total liabilities, capital securities and shareholders' equity	$71,350	$68,930	$2,420						
Interest rate spread							3.06	2.97	9
Impact of noninterest-bearing sources							.64	.68	(4)
Net interest income/margin				$1,128	$1,110	$18	3.70%	3.65%	5bp

</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 $1.128 billion for the first six months of 2001 increased 2% compared with the first six months of 2000. The net interest margin widened 5 basis points to 3.70% for the first six months of 2001 compared with 3.65% for the first six months of 2000. The increases were primarily due to the positive impact of transaction deposit growth and a lower rate environment that was partially offset by the impact of continued downsizing of the loan portfolio. PNC expects modest growth in net interest income during the second half of 2001 compared with the first six months of 2001. See Interest Rate Risk in the Risk Management section of this Financial Review for additional information regarding interest rate risk.

Loans represented 78% of average earning assets for the first six months of 2001 compared with 83% for the first six months of 2000. The decrease was primarily due to the continued downsizing of certain institutional lending portfolios and the securitization of residential mortgage loans during the first six months of 2001. Average loans held for sale decreased $1.1 billion in the period-to-period comparison due to a reduction in commercial loans held for sale.

Securities available for sale represented 16% of average earning assets for the first six months of 2001 compared with 10% for the first six months of 2000. The increase was primarily due to the purchase of U.S. agencies, asset-backed and other debt 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% and 65% of total sources of funds for the first six months of 2001 and 2000, respectively, with the remainder primarily comprised of wholesale funding obtained at prevailing market rates.

Average demand and money market deposits increased $2.6 billion or 14% compared with the first six 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 six months of 2001 decreased $676 million compared with the first six months of 2000 as lower bank notes and senior debt 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 $125 million for the first six months of 2001 compared with $66 million for the first six months of 2000. The increase was primarily related to institutional lending portfolios that PNC is downsizing. See Credit Risk in the Risk Management section of this Financial Review for additional information regarding credit risk.

NONINTEREST INCOME

Noninterest income was $1.421 billion for the first six months of 2001 and included $69 million of equity management losses. Excluding equity management income and losses in both years, noninterest income increased 13% compared with the first six months of 2000 primarily due to growth in asset management and processing revenue.

Asset management fees of $437 million for the first six months of 2001 increased $55 million or 14% primarily driven by new institutional business and strong fixed-income performance at BlackRock. Consolidated assets under management were $260 billion at June 30, 2001, a 16% increase compared with June 30, 2000. Fund servicing fees were $363 million for the first six months of 2001, a $44 million or 14% increase compared with the first six months of 2000 primarily driven by existing client growth and new business.

Service charges on deposits increased 4% to $104 million for the first six months of 2001 primarily due to an increase in transaction deposit accounts. Brokerage fees were $109 million for the first six months of 2001 compared with $131 million for the first six months of 2000. The decrease was primarily due to a decline in equity markets activity. Consumer services revenue of $113 million for the first six months of 2001 increased $15 million or 15% compared with the first six months of 2000 primarily due to the expansion of PNC's ATM network and the increase in transaction deposit accounts.

Corporate services revenue was $152 million for the first six months of 2001 compared with $162 million for the first six months of 2000. Higher commercial mortgage servicing revenue was more than offset by valuation adjustments of other assets, lower commercial mortgage-backed securitization gains and lower capital markets revenue.

Equity management, which is comprised of venture capital activities, reflected a net loss of $69 million for the first six months of 2001 compared with $135 million of income for the first six months of 2000. The decrease primarily resulted from a decline in the estimated fair value of partnership and direct investments. Equity management investments totaling approximately $700 million were evenly split between direct and partnership investments. Net unrealized appreciation on equity management investments was $38 million at June 30, 2001. These valuations are subject to market conditions and may be volatile. PNC is currently evaluating strategies to mitigate the impact of the inherent volatility of this business.

Net securities gains were $46 million for the first six months of 2001 and were mostly offset by valuation adjustments and write-downs of other assets and e-commerce investments totaling $32 million that are reflected in corporate services and other noninterest income.

Other noninterest income was $166 million for the first six months of 2001 compared with $132 million for the first six months of 2000. The increase was primarily due to higher revenue from trading activities and residential mortgage loan securitizations.

NONINTEREST EXPENSE
Noninterest expense was $1.564 billion for the first six months of 2001 compared with $1.572 billion for the first six months of 2000 and the efficiency ratio remained flat at 58% during both periods. The decrease in expense was primarily due to aggressive expense management. Average full-time equivalent employees totaled approximately 24,700 and 23,900 for the first six months of 2001 and 2000, respectively. The increase was primarily in asset management and processing businesses.

CONSOLIDATED BALANCE SHEET REVIEW

LOANS
Loans were $44.2 billion at June 30, 2001, a $6.4 billion decrease from year-end 2000 primarily due to residential mortgage loan securitizations and reductions in most commercial loan categories as a result of continuing efforts to reduce balance sheet leverage.

DETAILS OF LOANS

In millions	June 30 2001	December 31 2000 (a)
Commercial		
Manufacturing	$5,054	$5,581
Retail/wholesale	4,485	4,413
Service providers	2,584	2,944
Real estate related	1,831	1,783
Financial services	1,592	1,726
Communications	948	1,296
Health care	593	722
Other	2,465	2,742
Total commercial	19,552	21,207
Commercial real estate		
Mortgage	635	673
Real estate project	1,922	1,910
Total commercial real estate	2,557	2,583
Consumer		
Home equity	6,751	6,228
Automobile	953	1,166
Other	1,410	1,739
Total consumer	9,114	9,133
Residential mortgage	8,219	13,264
Lease financing	5,354	4,845
Other	444	568
Unearned income	(1,073)	(999)
Total, net of unearned income	$44,167	$50,601

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

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

During 1999, total outstandings and exposure designated for downsizing totaled $3.7 billion and $10.5 billion, respectively. At June 30, 2001, remaining outstandings associated with this initiative were $572 million, of which $472 million were classified as loans with the remainder included in loans held for sale. Total remaining exposure related to this initiative was $1.6 billion at June 30, 2001.

In addition, outstandings and exposure totaling approximately $2.5 billion and $7.0 billion, respectively, were designated for 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. At June 30, 2001, remaining outstandings and exposure associated with this initiative were $1.9 billion and $5.4 billion, respectively.

NET UNFUNDED COMMITMENTS (a)

In millions	June 30 2001	December 31 2000
Commercial	$19,859	$24,253
Commercial real estate	1,233	1,039
Consumer	4,693	4,414
Lease financing	112	123
Other	130	173
Total	$26,027	$30,002

(a) Excludes unfunded commitments related to loans designated for downsizing 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 June 30, 2001 and December 31, 2000.

Net outstanding letters of credit totaled $4.1 billion and $4.0 billion at June 30, 2001 and December 31, 2000, respectively, and consisted primarily of standby letters of credit that commit the Corporation to make payments on behalf of customers if specified future events occur. Unfunded commitments and letters of credit related to loans designated for downsizing in 2001 and 1999 totaled $4.5 billion at June 30, 2001 and $1.7 billion at December 31, 2000.

SECURITIES AVAILABLE FOR SALE

The fair value of securities available for sale at June 30, 2001 was $11.3 billion compared with $5.9 billion at December 31, 2000. Securities represented 16% of total assets at June 30, 2001 compared with 8% at December 31, 2000. The increase was primarily due to residential mortgage loan securitizations and purchases of U.S. agencies, asset-backed and other debt securities during the first six months of 2001. The expected weighted-average life of securities available for sale was 5 years and 6 months at June 30, 2001 compared with 4 years and 5 months at December 31, 2000.

At June 30, 2001, the securities available for sale balance included a net unrealized loss of $92 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
JUNE 30, 2001		
Debt securities		
U.S. Treasury and government agencies	$1,467	$1,439
Mortgage-backed	7,643	7,601
Asset-backed	1,333	1,317
State and municipal	67	69
Other debt	439	439
Corporate stocks and other	401	393
Total securities available for sale	$11,350	$11,258
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 $57.9 billion at June 30, 2001 and decreased $1.4 billion compared with December 31, 2000. Demand, savings and money market deposits increased due to ongoing strategic marketing efforts to retain customers and increase money market balances as funds shifted from certificates of deposit. 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	June 30 2001	December 31 2000
Deposits		
Demand, savings and money market	$31,861	$30,686
Retail certificates of deposit	12,057	14,175
Other time	516	567
Deposits in foreign offices	1,392	2,236
Total deposits	45,826	47,664
Borrowed funds		
Federal funds purchased	1,444	1,445
Repurchase agreements	569	607
Bank notes and senior debt	4,496	6,110
Federal Home Loan Bank borrowings	2,464	500
Subordinated debt	2,349	2,407
Other borrowed funds	797	649
Total borrowed funds	12,119	11,718
Total	$57,945	$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 June 30, 2001, the Corporation and each bank subsidiary were considered well capitalized based on regulatory capital ratio requirements.

RISK-BASED CAPITAL

Dollars in millions	June 30 2001	December 31 2000
Capital components		
Shareholders' equity		
Common	$6,532	$6,344
Preferred	216	312
Trust preferred capital securities	848	848
Goodwill and other	(2,140)	(2,214)
Net unrealized securities losses	58	77
Tier I risk-based capital	5,514	5,367
Subordinated debt	1,665	1,811
Eligible allowance for credit losses	675	667
Total risk-based capital	$7,854	$7,845
Assets		
Risk-weighted assets and off-balance-sheet instruments	$61,569	$62,430
Average tangible assets	68,500	66,809
Capital ratios		
Tier I risk-based	9.0%	8.6%
Total risk-based	12.8	12.6
Leverage	8.1	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.

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. During the first six months of 2001, PNC repurchased 3.4 million shares of its common stock. Management currently expects that share repurchases will increase in the second half of 2001 compared with the first half of 2001.

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 risks 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. Changes in interest rates could also affect the value of assets under management. In a period of rapidly rising interest rates, certain assets under management would likely be negatively impacted by reduced asset values and increased redemptions. 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

PNC 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 expanded competition and 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 other things, 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 value 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;

- key employee, customer 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 other things, 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	June 30 2001	December 31 2000
Nonaccrual loans		
Commercial	$334	$312
Commercial real estate	20	3
Consumer	4	2
Residential mortgage	4	4
Lease financing	12	2
Total nonaccrual loans	374	323
Foreclosed and other assets		
Commercial real estate	2	3
Residential mortgage	3	8
Other	11	38
Total foreclosed and other assets	16	49
Total nonperforming assets	$390	$372
Nonaccrual loans to total loans	.85%	.64%
Nonperforming assets to total loans, loans held for sale and foreclosed assets	.85	.71
Nonperforming assets to total assets	.56	.53

The above table excludes $24 million and $18 million of equity management assets carried at estimated fair value at June 30, 2001 and December 31, 2000, respectively. The amount of nonperforming loans that were current as to principal and interest was $108 million at June 30, 2001 and $67 million at December 31, 2000. Approximately one-fourth of nonperforming assets were from portfolios that were designated for downsizing at June 30, 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	371	190
Returned to performing	(13)	(3)
Principal reductions	(96)	(73)
Sales	(110)	(11)
Charge-offs and other	(134)	(75)
June 30	$390	$353

ACCRUING LOANS PAST DUE 90 DAYS OR MORE

	Amount		Percent of Loans	
Dollars in millions	June 30 2001	December 31 2000	June 30 2001	December 31 2000
Commercial	$11	$46	.06%	.22%
Commercial real estate	1	6	.04	.23
Consumer	21	24	.23	.26
Residential mortgage	37	36	.45	.27
Lease financing	2	1	.05	.03
Total	$72	$113	.16	.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 $130 million at June 30, 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 six months of 2001 and the evaluation of the allowance for credit losses as of June 30, 2001 reflected changes in loan portfolio composition, the net impact of downsizing credit exposure and changes in asset quality. The unallocated portion of the allowance for credit losses represented 17% of the total allowance and .26% of total loans at June 30, 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	(148)	(88)
Recoveries	23	23
Net charge-offs	(125)	(65)
Provision for credit losses	125	66
June 30	$675	$675

The allowance as a percent of nonaccrual loans and total loans was 180% and 1.53%, respectively, at June 30, 2001. The comparable year-end 2000 percentages were 209% and 1.33%, respectively.

CHARGE-OFFS AND RECOVERIES

Six months ended June 30 Dollars in millions	Charge-offs	Recoveries	Net Charge-offs	Percent of Average Loans
2001				
Commercial	$119	$12	$107	1.05%
Consumer	20	9	11	.24
Residential mortgage	1		1	.02
Lease financing	8	2	6	.30
Total	$148	$23	$125	.53
2000				
Commercial	$59	$10	$49	.45%
Consumer	23	11	12	.26
Residential mortgage	3	1	2	.03
Lease financing	3	1	2	.13
Total	$88	$23	$65	.26

Net charge-offs were $125 million or .53% of average loans for the first six months of 2001 compared with $65 million or .26% for the same period in 2000. The increase was primarily related to loans in institutional lending portfolios that PNC is downsizing.

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 June 30, 2001, credit default swaps of $4.4 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 June 30, 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 .5%. If interest rates were to gradually decrease by 100 basis points over the next twelve months, the model indicated that net interest income would decrease by .3%.

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 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 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 June 30, 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 1.3% 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 .4% 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, asset 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 June 30, 2001, such assets totaled $13.7 billion, with $5.9 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, other real-estate related loans and mortgage-backed securities. At June 30, 2001, approximately $12.0 billion of residential mortgages and other real-estate related loans 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 June 30, 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 at June 30, 2001.

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 $313 million at June 30, 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 $600 thousand at June 30, 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 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. 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 six months of 2001, in the notional value of financial derivatives used for risk management and designated as accounting hedges under Statement of Financial Accounting Standards ("SFAS") No. 133.

<TABLE>
<CAPTION>
FINANCIAL DERIVATIVES ACTIVITY

Dollars in millions	December 31 2000	Adjustments (a)	January 1 2001	Additions	Maturities	Terminations	June 30 2001	Weighted-Average Maturity
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Interest rate risk management								
Interest rate swaps								
Receive fixed	$4,756	$180	$4,936	$4,700	$(1,368)	$(120)	$8,148	2 yrs. 10 mos.
Pay fixed	1	248	249	243		(284)	208	3 yrs.
Basis swaps	2,230	(1,773)	457	190		(360)	287	3 yrs. 2 mos.
Interest rate caps	308	(243)	65	44		(74)	35	3 yrs. 10 mos.
Interest rate floors	3,238	(238)	3,000	55		(3,020)	35	10 mos.
Futures contracts				116		(116)		
Total interest rate risk management	10,533	(1,826)	8,707	5,348	(1,368)	(3,974)	8,713	
Commercial mortgage banking risk management								
Interest rate swaps	311		311	588		(556)	343	9 yrs. 5 mos.
Total rate of return swaps	75		75	75	(75)		75	2 mos.
Total commercial mortgage banking risk management	386		386	663	(75)	(556)	418	
Student lending activities - Forward contracts	347	(347)						
Credit-related activities - Credit default swaps	4,391	(4,391)						
Total	$15,657	$(6,564)	$9,093	$6,011	$(1,443)	$(4,530)	$9,131	

</TABLE>

(a) 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 June 30, 2001.

FINANCIAL DERIVATIVES

June 30, 2001 - dollars in millions	Notional Value	Fair Value	Weighted-Average Interest Rates Paid	Weighted-Average Interest Rates Received
Interest rate risk management				
Asset rate conversion				
Interest rate swaps (a)				
Receive fixed designated to loans	$6,835	$ 48	4.77%	5.34%
Pay fixed designated to loans	208	(3)	5.59	5.15
Basis swaps designated to loans	287		5.23	5.43
Interest rate caps designated to loans (b)	35		NM	NM
Interest rate floors designated to loans (c)	35		NM	NM
Total asset rate conversion	7,400	45		
Liability rate conversion				
Interest rate swaps (a)				
Receive fixed designated to borrowed funds	1,313	60	5.99	6.61
Total liability rate conversion	1,313	60		
Total interest rate risk management	8,713	105		
Commercial mortgage banking risk management				
Pay fixed interest rate swaps designated to securities (a)	154		6.02	6.16
Pay fixed interest rate swaps designated to loans (a)	189	4	5.99	6.29
Pay total rate of return swaps designated to loans (a)	75	(1)	6.45	3.31
Total commercial mortgage banking risk management	418	3		
Total financial derivatives	$9,131	$108		

(a) The floating rate portion of interest rate contracts is based on money-market indices. As a percent of notional value, 78% were based on 1-month LIBOR, 20% on 3-month LIBOR and the remainder on other short-term indices.

(b) Interest rate caps with notional values of $25 million require the counterparty to pay the Corporation the excess, if any, of 3-month LIBOR over a weighted-average strike of 6.34%. At June 30, 2001, 3-month LIBOR was 3.84%.

(c) Interest rate floors with notional values of $28 million require the counterparty to pay the excess, if any, weighted-average strike of 4.30% over 3-month LIBOR. At June 30, 2001, 3-month LIBOR was 3.84%.

NM- Not meaningful

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.

<TABLE>
<CAPTION>
FINANCIAL DERIVATIVES

			Weighted-Average Interest Rates	
December 31, 2000 - dollars in millions	Notional Value	Estimated Fair Value	Paid	Received
<S>	<C>	<C>	<C>	<C>
Interest rate risk management				
Asset rate conversion				
Interest rate swaps (a)				
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 (b)	308	4	NM	NM
Interest rate floors designated to loans (c)	3,238	(1)	NM	NM
Total asset rate conversion	7,022	33		
Liability rate conversion				
Interest rate swaps (a)				
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 (a)	135	(8)	6.94	6.04
Pay fixed interest rate swaps designated to loans (a)	176	3	5.76	5.99
Pay total rate of return swaps designated to loans (a)	75	(5)	5.76	6.15
Total commercial mortgage banking risk management	386	(10)		
Student lending activities - Forward contracts (d)	347		NM	NM
Credit-related activities - Credit default swaps (d)	4,391	(2)	NM	NM
Total financial derivatives	$15,657	$92		

</TABLE>

(a) 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.
(b) 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%.
(c) 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%.
(d) 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.

<TABLE>
<CAPTION>
OTHER DERIVATIVES

In millions	Notional Value	Positive Fair Value	Negative Fair Value	Net Asset (Liability)	2001 Average Fair Value (a)
	At June 30, 2001				
Customer-related					
Interest rate					
Swaps	$15,551	$182	$(196)	$(14)	$(8)
Caps/floors					
Sold	4,361		(20)	(20)	(20)
Purchased	3,349	18		18	18
Foreign exchange	4,306	62	(53)	9	12
Other	3,659	51	(48)	3	2
Total customer-related	31,226	313	(317)	(4)	4
Other	4,615	23	(5)	18	19
Total other derivatives	$35,841	$336	$(322)	$14	$23

</TABLE>
(a) Represents average for six months ended June 30, 2001.

SECOND QUARTER 2001 VS.
SECOND QUARTER 2000

Earnings for the second quarter of 2001 were $295 million or $1.00 per diluted share compared with earnings of $299 million or $1.01 per diluted share for the second quarter of 2000. Excluding a $22 million or $0.08 per diluted share net loss from venture capital activities, second quarter 2001 earnings per diluted share increased 7% to $1.08 per diluted share. Return on average common shareholders' equity was 18.13% and return on average assets was 1.67% for the second quarter of 2001 compared with 20.77% and 1.74%, respectively, for the second quarter of 2000.

Taxable-equivalent net interest income of $569 million for the second quarter of 2001 increased $19 million or 3% compared with the second quarter of 2000 and the net interest margin widened 13 basis points to 3.76% for the second quarter of 2001. The increases were primarily due to the positive impact of transaction deposit growth and a lower rate environment that was partially offset by the impact of continued downsizing of the loan portfolio.

The provision for credit losses was $45 million for the second quarter of 2001 compared with $35 million for the second quarter of 2000. The increase was primarily related to institutional lending portfolios that PNC is downsizing.

Noninterest income was $720 million for the second quarter of 2001 and included $30 million of venture capital losses. Excluding venture capital gains and losses in both years, noninterest income increased 10% compared with the second quarter of 2000 primarily due to growth in asset management and processing revenue.

Asset management fees of $214 million for the second quarter of 2001 increased $18 million or 9% compared with the second quarter of 2000. The increase was primarily driven by new institutional business and strong fixed-income performance at BlackRock, partially offset by the impact of weak equity markets on investment management and trust revenue in PNC Advisors. Fund servicing fees of $182 million for the second quarter of 2001 increased $18 million or 11% compared with the second quarter of 2000 primarily due to existing and new client growth.

Service charges on deposits were $54 million for the second quarter of 2001, up 8% compared with the same period last year primarily due to an increase in transaction deposit accounts. Brokerage fees were $55 million for the second quarter of 2001 compared with $60 million for the second quarter of 2000. The decrease was primarily due to a decline in equity markets activity. Consumer services revenue of $58 million for the second quarter of 2001 increased $7 million or 14% compared with the prior-year quarter primarily due to the expansion of PNC's ATM network and the increase in transaction deposit accounts.

Corporate services revenue was $76 million for the second quarter of 2001 compared with $80 million for the second quarter of 2000. Higher commercial mortgage servicing and treasury management revenue was more than offset by valuation adjustments of other assets and lower commercial mortgage-backed securitization gains.

Equity management reflected net losses of $30 million for the second quarter of 2001 compared with $48 million of net gains for the second quarter of 2000. The decrease primarily resulted from a decline in the estimated fair value of partnership and direct investments.

Net securities gains were $17 million for the second quarter of 2001. The gains were mostly offset by $10 million of valuation adjustments that are reflected in corporate services revenue. Other noninterest income was $94 million for the second quarter of 2001 compared with $79 million for the second quarter of 2000. The increase was primarily due to higher revenue from trading activities and residential mortgage loan securitization gains.

Noninterest expense was $789 million and the efficiency ratio was 58% in the second quarter of 2001 compared with $780 million and 57%, respectively, during the second quarter of 2000. The increases were primarily related to the expansion of asset management and processing businesses.

Total assets were $70.0 billion at June 30, 2001 compared with $75.7 billion at June 30, 2000 prior to the sale of PNC's residential mortgage banking business. On the same basis, average interest-earning assets were $60.0 billion for the second quarter of 2001 compared with $64.8 billion for the second quarter of 2000. The decrease was primarily due to an $8.7 billion reduction in loans and loans held for sale that resulted from the sale of the residential mortgage banking business and other balance sheet downsizing initiatives, partially offset by a $3.7 billion increase in securities available for sale that primarily resulted from the securitization of certain residential mortgage loans.

Average deposits from continuing operations were $45.4 billion and represented 64% of total sources of funds for the second quarter of 2001 compared with $45.5 billion and 66%, respectively, in the second quarter of 2000. While total deposits remained essentially unchanged, an increase in transaction deposits of $2.3 billion or 8% was mostly offset by a $2.2 billion decrease in higher-cost retail certificates and wholesale deposits.

Average borrowed funds declined to $14.0 billion for the second quarter of 2001 compared with $19.4 billion for the second quarter of 2000 prior to the sale of PNC's residential mortgage banking business.

Nonperforming assets were $390 million at June 30, 2001 compared with $353 million at June 30, 2000. The ratio of nonperforming assets to total loans, loans held for sale and foreclosed assets was .85% at June 30, 2001 compared with .67% at June 30, 2000. The increase primarily resulted from the downsizing of the loan portfolio.

The allowance for credit losses was $675 million and represented 1.53% of period-end loans and 180% of nonaccrual loans at June 30, 2001. The comparable ratios were 1.34% and 217%, respectively, at June 30, 2000. Net charge-offs were $45 million or .40% of average loans in the second quarter of 2001. The comparable amounts were $34 million or .27%, respectively, in the second quarter of 2000.

FORWARD-LOOKING STATEMENTS

This report and other statements made by the Corporation may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act with respect to the outlook or expectations for earnings, revenues, asset quality, share repurchases, and other future financial or business performance, strategies and expectations. Forward-looking statements are typically identified by words or phrases such as "believe," "expect," "anticipate," "intend," "outlook," "forecast," "estimate," "position," "target," "mission," "assume," "achievable," "potential," "strategy," "goal," "objective," "plan," "aspiration," "outcome," "continue," "remain," "maintain," "seek," "strive," "trend" and variations of such words and similar expressions, or future or conditional verbs such as "will," "would," "should," "could," "might," "can," "may" or similar expressions.

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 factors mentioned elsewhere in this report or previously disclosed in the Corporation's SEC reports (accessible on the SEC's website at www.sec.gov), the following factors, among others, could cause actual results to differ materially from forward-looking statements or historical performance:

(1) adjustments to recorded results of the sale of the residential mortgage banking business after final settlement is completed;

(2) changes in economic or industry conditions, the interest rate environment or financial and capital markets, which could result in: a deterioration in credit quality and increased credit losses; an adverse effect on the allowance for loan losses; a reduction in demand for credit or fee-based products and services, net interest income, value of assets under management and assets serviced, value of debt and equity investments, or value of on-balance sheet and off-balance-sheet assets; or changes in the availability and terms of funding necessary to meet PNC's liquidity needs;

(3) relative investment performance of assets under management;

(4) the introduction, withdrawal, success and timing of business initiatives and strategies, decisions regarding further reductions in balance sheet leverage, and PNC's inability to realize cost savings or revenue enhancements, implement integration plans and other consequences of mergers, acquisitions, restructurings and divestitures;

(5) customer borrowing, repayment, investment and deposit practices and their acceptance of PNC's products and services;

(6) the impact of increased competition;

(7) the means PNC chooses to redeploy available capital, including the extent and timing of any share repurchases and investments in PNC businesses;

(8) the inability to manage risks inherent in PNC's business;

(9) the unfavorable resolution of legal proceedings;

(10) the denial of insurance coverage for claims made by PNC;

(11) an increase in the number of customer or counterparty delinquencies, bankruptcies or defaults that could result in, among other things, increased credit and asset quality risk, a higher loan loss provision and reduced profitability;

(12) the impact, extent and timing of technological changes; and

(13) actions of the Federal Reserve Board and legislative and regulatory actions and reforms.

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 June 30		Six months ended June 30	
In millions, except per share data	2001	2000	2001	2000
<S>	<C>	<C>	<C>	<C>
INTEREST INCOME				
Loans and fees on loans	$839	$1,009	$1,820	$1,993

Securities available for sale	177	97	299	191
Loans held for sale	31	52	68	116
Other	32	22	64	41
Total interest income	1,079	1,180	2,251	2,341
INTEREST EXPENSE				
Deposits	334	397	731	766
Borrowed funds	180	238	401	475
Total interest expense	514	635	1,132	1,241
Net interest income	565	545	1,119	1,100
Provision for credit losses	45	35	125	66
Net interest income less provision for credit losses	520	510	994	1,034
NONINTEREST INCOME				
Asset management	214	196	437	382
Fund servicing	182	164	363	319
Service charges on deposits	54	50	104	100
Brokerage	55	60	109	131
Consumer services	58	51	113	98
Corporate services	76	80	152	162
Equity management	(30)	48	(69)	135
Net securities gains (losses)	17		46	(3)
Other	94	79	166	132
Total noninterest income	720	728	1,421	1,456
NONINTEREST EXPENSE				
Staff expense	418	396	839	807
Net occupancy	54	48	107	101
Equipment	60	55	117	111
Amortization	27	28	53	56
Marketing	16	19	25	32
Distributions on capital securities	16	17	33	33
Other	198	217	390	432
Total noninterest expense	789	780	1,564	1,572
Income from continuing operations before income taxes	451	458	851	918
Income taxes	156	159	291	

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Income from continuing operations	295	299	560	601
Income from discontinued operations (less applicable income taxes of $10, $0 and $15)		16	40	22
Net income before cumulative effect of accounting change	295	315	600	623
Cumulative effect of accounting change (less applicable income taxes of $2)			(5)	
Net income	$295	$315	$595	$623
EARNINGS PER COMMON SHARE				
Continuing operations				
Basic	$1.01	$1.01	$1.91	$2.03
Diluted	1.00	1.01	1.89	2.02
Net income				
Basic	$1.01	$1.07	$2.03	$2.11
Diluted	1.00	1.06	2.01	2.09
CASH DIVIDENDS DECLARED PER COMMON SHARE	$.48	$.45	$.96	$.90
AVERAGE COMMON SHARES OUTSTANDING				
Basic	288	290	289	291
Diluted	291	292	292	293

</TABLE>

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED BALANCE SHEET
THE PNC FINANCIAL SERVICES GROUP, INC.

<TABLE>
<CAPTION>

In millions, except par value	June 30 2001	December 31 2000
<S>	<C>	<C>
ASSETS		
Cash and due from banks	$3,659	$3,662
Short-term investments	793	1,151
Loans held for sale	1,613	1,655
Securities available for sale	11,258	5,902
Loans, net of unearned income of $1,073 and $999	44,167	50,601
Allowance for credit losses	(675)	(675)
Net loans	43,492	49,926
Goodwill and other amortizable assets	2,405	2,468
Investment in discontinued operations		356
Other	6,793	4,724
Total assets	$70,013	$69,844
LIABILITIES		
Deposits		
Noninterest-bearing	$9,009	$8,490

Interest-bearing	36,817	39,174
Total deposits	45,826	47,664
Borrowed funds		
Federal funds purchased	1,444	1,445
Repurchase agreements	569	607
Bank notes and senior debt	4,496	6,110
Federal Home Loan Bank borrowings	2,464	500
Subordinated debt	2,349	2,407
Other borrowed funds	797	649
Total borrowed funds	12,119	11,718
Other	4,472	2,958
Total liabilities	62,417	62,340
Mandatorily redeemable capital securities of subsidiary trusts	848	848
SHAREHOLDERS' EQUITY		
Preferred stock	5	7
Common stock - $5 par value		
Authorized 800 and 450 shares		
Issued 353 shares	1,764	1,764
Capital surplus	1,257	1,303
Retained earnings	7,010	6,736
Deferred benefit expense	(25)	(25)
Accumulated other comprehensive loss from continuing operations	(60)	(43)
Accumulated other comprehensive loss from discontinued operations		(45)
Common stock held in treasury at cost: 64 and 63 shares	(3,203)	(3,041)
Total shareholders' equity	6,748	6,656
Total liabilities, capital securities and shareholders' equity	$70,013	$69,844

</TABLE>

See accompanying Notes to Consolidated Financial Statements.

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

<TABLE>
<CAPTION>

Six months ended June 30 - in millions	2001	2000
<S>	<C>	<C>
OPERATING ACTIVITIES		
Net income	$595	$623
Discontinued operations	(40)	(22)
Cumulative effect of accounting change	5	
Income from continuing operations	560	601
Adjustments to reconcile income from continuing operations to net cash provided by operating activities		
Provision for credit losses	125	66
Depreciation, amortization and accretion	167	173
Deferred income taxes	171	191
Net securities (gains) losses	(45)	1

Valuation adjustments	9	23
Change in		
Loans held for sale	26	1,149
Other	(284)	(936)
Net cash provided by operating activities	729	1,268
INVESTING ACTIVITIES		
Net change in loans	90	(717)
Repayment of securities available for sale	1,153	442
Sales		
Securities available for sale	10,301	3,455
Loans	2,557	16
Foreclosed assets	11	20
Purchases		
Securities available for sale	(13,113)	(3,293)
Loans	(234)	
Net cash received (paid) for acquisitions/divestitures	503	(4)
Other	11	(117)
Net cash provided (used) by investing activities	1,279	(198)
FINANCING ACTIVITIES		
Net change in		
Noninterest-bearing deposits	519	705
Interest-bearing deposits	(2,357)	(126)
Federal funds purchased	(1)	(399)
Sales/issuances		
Repurchase agreements	115,246	76,929
Bank notes and senior debt		2,847
Federal Home Loan Bank borrowings	3,123	2,081
Subordinated debt	1	593
Other borrowed funds	18,960	20,335
Common stock	128	71
Repayments/maturities		
Repurchase agreements	(115,284)	(76,827)
Bank notes and senior debt	(1,615)	(2,945)
Federal Home Loan Bank borrowings	(1,155)	(3,000)
Subordinated debt	(100)	(494)
Other borrowed funds	(18,813)	(20,292)
Acquisition of treasury stock	(279)	(238)
Series F preferred stock tender offer	(96)	
Cash dividends paid	(288)	(271)
Net cash used by financing activities	(2,011)	(1,031)
(DECREASE) INCREASE IN CASH AND DUE FROM BANKS	(3)	39
Cash and due from banks at beginning of year	3,662	

		3,080
Cash and due from banks at end of period	$3,659	$3,119
CASH PAID FOR		
Interest	$1,105	$1,262
Income taxes	100	185
NON-CASH ITEMS		
Transfer of residential loans to securities available for sale	3,775	
Transfer from loans held for sale to loans	6	
Transfer from loans to other assets	5	22

</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 regional 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 global fund 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, in 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.

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.

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. Adjustments related to the ineffective portion of fair value hedging instruments are recorded in either net interest income or noninterest income depending on the hedged item.

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 Financial Accounting Standards Board ("FASB") Statement No. 125) was issued in September 2000. 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 began application of the new rules prospectively to transactions beginning in the second quarter of 2001. SFAS No. 140 also requires certain disclosures pertaining to securitization transactions effective for fiscal years ended after December 15, 2000. PNC included these required disclosures in its December 31, 2000 consolidated financial statements.

In July 2001, the FASB issued SFAS No. 141, "Business Combinations." SFAS No. 141 requires the purchase method of accounting be used for all business combinations initiated or completed after June 30, 2001 and eliminates the pooling-of-interests method of accounting. The statement also addresses disclosure requirements for business combinations and initial recognition and measurement criteria for goodwill and other intangible assets as a result of purchase business combinations.

Also in July 2001, the FASB issued SFAS No. 142, "Goodwill and Other Intangible Assets," which changes the accounting from amortizing goodwill to an impairment-only approach. The amortization of goodwill, including goodwill recognized relating to past business combinations, will cease upon adoption of the new standard. Impairment testing for goodwill at a reporting unit level will be required on at least an annual basis. The new standard also addresses other accounting matters, disclosure requirements and financial statement presentation issues relating to goodwill and other intangible assets. The Corporation will adopt SFAS No. 142 effective January 1, 2002. Assuming no impairment adjustments are necessary, no future business combinations and no other changes to goodwill, the Corporation expects net income to increase by approximately $94 million in 2002 resulting from the cessation of goodwill amortization.

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

Six months ended June 30 - in millions	2001	2000
Total income from operations after tax	$15	$22

Total gain on disposal after tax	25	
Total income from discontinued operations	$40	$22

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 six months of 2001, divestiture activity that affected cash flows consisted of $383 million of divested net assets and cash receipts of $503 million. During the first six months of 2000, acquisition activity that affected cash flows consisted of $22 million of acquired assets, $2 million of acquired liabilities and cash payments of $3 million.

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 six months of 2001 totaled $78 million compared with $37 million for the prior-year period and was included in noninterest income as follows:

Six months ended June 30 - in millions	2001	2000
Corporate services	$1	
Equity management		$(4)
Other noninterest income		
Market making	25	21
Derivatives trading	39	7
Foreign exchange	12	11
Other	1	2
Net trading income	$78	$37

SECURITIES AVAILABLE FOR SALE

<TABLE>
<CAPTION>

In millions	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value

<S>	<C>	<C>	<C>	<C>
JUNE 30, 2001				
Debt securities				
U.S. Treasury and government agencies	$1,467	$1	$(29)	$1,439
Mortgage-backed	7,643	12	(54)	7,601
Asset-backed	1,333		(16)	1,317
State and municipal	67	2		69
Other debt	439			439
Total debt securities	10,949	15	(99)	10,865
Corporate stocks and other	401	53	(61)	393
Total securities available for sale	$11,350	$68	$(160)	$11,258
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

</TABLE>

The fair value of securities available for sale at June 30, 2001 was $11.3 billion compared with $5.9 billion at December 31, 2000. Securities represented 16% of total assets at June 30, 2001 compared with 8% at December 31, 2000. The increase was primarily due to residential mortgage loan securitizations and purchases of U.S. agencies, asset-backed and other debt securities during the first six months of 2001. The expected weighted-average life of securities available for sale was 5 years and 6 months at June 30, 2001 compared with 4 years and 5 months at December 31, 2000.

At June 30, 2001, the securities available for sale balance included a net unrealized loss of $92 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 $46 million for the first six months of 2001 compared with net losses of $3 million for the first six months of 2000. Net securities losses of $1 million for the first six months of 2001, and net securities gains of $2 million for the first 6 months of 2000, related to commercial mortgage banking activities, were included in corporate services revenue.

NONPERFORMING ASSETS
Nonperforming assets were as follows:

In millions	June 30 2001	December 31 2000
Nonaccrual loans	$374	$323
Foreclosed and other assets	16	49
Total nonperforming assets	$390	$372

The above table excludes $24 million and $18 million of equity management assets carried at estimated fair value at June 30, 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		
Commercial	(119)	(59)
Consumer	(20)	(23)
Residential mortgage	(1)	(3)
Lease financing	(8)	(3)
Total charge-offs	(148)	(88)
Recoveries		
Commercial	12	10
Consumer	9	11
Residential mortgage		1
Lease financing	2	1
Total recoveries	23	23
Net charge-offs		
Commercial	(107)	(49)
Consumer	(11)	(12)
Residential mortgage	(1)	(2)
Lease financing	(6)	(2)
Total net charge-offs	(125)	(65)
Provision for credit losses	125	66
Allowance at June 30	$675	$675

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 is reflected in the results of discontinued operations.

Earnings adjustments resulting from cash flow and fair value hedge ineffectiveness were not significant to the results of operations of the Corporation during the first six months of 2001.

During the next twelve months, the Corporation expects to reclassify to earnings $50 million of pretax net gains on cash flow hedge derivatives currently reported in accumulated other comprehensive income. These net gains may result from anticipated net cash flows on receive fixed interest rate swaps and would offset reductions in net interest income recognized on the related floating rate commercial loans.

At June 30, 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 $228 million for the second quarter of 2001 and $543 million for the first six months of 2001, compared with $301 million and $595 million, respectively, in 2000.

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

Six months ended June 30, 2001 In millions	Pretax Amount	Tax Benefit (Expense)	After-tax Amount
Unrealized securities losses	$(43)	$15	$(28)
Less: Reclassification adjustment for losses realized in net income	(5)	2	(3)
Net unrealized securities losses	(38)	13	(25)
SFAS No. 133 transition adjustment	(6)	2	(4)
Unrealized gains on cash flow hedge derivatives	9	(3)	6
Less: Reclassification adjustment for losses realized in net income	(11)	4	(7)
Net unrealized gains on cash flow hedge derivatives	14	(5)	9
Foreign currency translation adjustment	(2)	1	(1)
Other comprehensive loss from continuing operations	$(26)	$9	$(17)

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 loss are as follows:

In millions	June 30 2001	December 31 2000
Net unrealized securities losses	$(57)	$(32)
Net unrealized gains on cash flow hedge derivatives	9	
Minimum pension liability adjustment	(11)	(11)
Foreign currency translation adjustment	(1)	
Accumulated other comprehensive loss from continuing operations	$(60)	$(43)

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

<TABLE>
<CAPTION>

Three months ended

Six months ended

June 30

June 30

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In millions, except share and per share data	2001	2000	2001	2000
<S>	<C>	<C>	<C>	<C>
CALCULATION OF BASIC EARNINGS PER COMMON SHARE				
Income from continuing operations	$295	$299	$560	$601
Less: Preferred dividends declared	5	5	10	10
Income from continuing operations applicable to basic earnings per common share	290	294	550	591
Income from discontinued operations applicable to basic earnings per common share		16	40	22
Cumulative effect of accounting change applicable to basic earnings per common share			(5)	
Net income applicable to basic earnings per common share	$290	$310	$585	$613
Basic weighted-average common shares outstanding (in thousands)	288,269	289,804	288,734	290,847
Basic earnings per common share from continuing operations	$1.01	$1.01	$1.91	$2.03
Basic earnings per common share from discontinued operations		.06	.14	.08
Basic earnings per common share from cumulative effect of accounting change			(.02)	
Basic earnings per common share	$1.01	$1.07	$2.03	$2.11
CALCULATION OF DILUTED EARNINGS PER COMMON SHARE				
Income from continuing operations	$295	$299	$560	$601
Less: Dividends declared on nonconvertible preferred stock Series F	5	4	9	9
Income from continuing operations applicable to diluted earnings per common share	290	295	551	592
Income from discontinued operations applicable to diluted earnings per common share		16	40	22
Cumulative effect of accounting change applicable to diluted earnings per common share			(5)	
Net income applicable to diluted earnings per common share	$290	$311	$586	$614
Basic weighted-average common shares outstanding (in thousands)	288,269	289,804	288,734	290,847
Weighted-average common shares to be issued using average market price and assuming:				
Conversion of preferred stock Series A and B	107	121	109	121
Conversion of preferred stock Series C and D	884	1,012	892	1,020
Conversion of debentures	17	20	17	21
Exercise of stock options	1,830	1,163	2,044	924
Incentive share awards	309	69	305	216
Diluted weighted-average common shares outstanding (in thousands)	291,416	292,189	292,101	293,149
Diluted earnings per common share from continuing operations	$1.00	$1.01	$1.89	$2.02
Diluted earnings per common share from discontinued operations		.05	.14	.07
Diluted earnings per common share from cumulative effect of accounting change			(.02)	
Diluted earnings per common share	$1.00	$1.06		

$2.01 $2.09
===
</TABLE>

SEGMENT REPORTING

PNC operates seven major businesses engaged in regional 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 designated for downsizing 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

Regional 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's commercial real estate financial services platform includes lending as well as processing businesses. The processing businesses include Midland Loan Services, Inc., a leading third-party provider of loan servicing and technology to the commercial real estate finance industry, and Columbia Housing Partners, LP, a national syndicator of affordable housing equity.

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 $213 billion of assets under management at June 30, 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 brand 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 fund services to the investment management industry. PFPC also provides customized processing solutions to the international marketplace through its Dublin, Ireland and Luxembourg operations.

RESULTS OF BUSINESSES
<TABLE>
<CAPTION>

Three months ended June 30 In millions	Regional 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)	$364	$128	$28	$27	$36	$2	$(16)		$569
Noninterest income	194	64	25	6	154	135	183	$(41)	720
Total revenue	558	192	53	33	190	137	167	(41)	1,289
Provision for credit losses	10	31	(2)	3	1			2	45
Depreciation and amortization	21	4	6		4	6	11	15	67
Other noninterest expense	251	91	34	8	124	86	131	(3)	722
Pretax earnings	276	66	15	22	61	45	25	(55)	455
Income taxes	99	24	(3)	8	22	19	10	(19)	160
Earnings	$177	$42	$18	$14	$39	$26	$15	$(36)	$295
Inter-segment revenue	$1	$1			$16	$5	$3	$(26)	
AVERAGE ASSETS	$40,028	$16,289	$5,205	$2,480	$3,336	$571	$1,749	$1,058	$70,716
2000									
INCOME STATEMENT									
Net interest income (a)	$359	$138	$32	$25	$33	$1	$(12)	$(26)	$550
Noninterest income	155	68	25	4	161	113	165	37	728
Total revenue	514	206	57	29	194	114	153	11	1,278
Provision for credit losses	10	23		2					35
Depreciation and amortization	21	4	5		3	5	13	12	63
Other noninterest expense	249	91	27	7	120	73	124	26	717
Pretax earnings	234	88	25	20	71	36	16	(27)	463
Income taxes	82	32	5	7	26	15	6	(9)	164
Earnings	$152	$56	$20	$13	$45	$21	$10		

									$(18)	$299
Inter-segment revenue	$1	$1			$21	$3			$(26)	
AVERAGE ASSETS	$38,498	$16,270	$5,826	$2,262	$3,556	$434	$1,571		$240	$68,657

Six months ended June 30 In millions										
2001										
INCOME STATEMENT										
Net interest income (a)	$718	$268	$57	$51	$68	$4	$(31)		$(7)	$1,128
Noninterest income	382	116	49	20	321	269	363		(99)	1,421
Total revenue	1,100	384	106	71	389	273	332		(106)	2,549
Provision for credit losses	20	88	(2)	8	1				10	125
Depreciation and amortization	42	7	11	1	8	12	21		29	131
Other noninterest expense	509	189	65	15	248	172	258		(23)	1,433
Pretax earnings	529	100	32	47	132	89	53		(122)	860
Income taxes	190	34	(6)	17	49	37	21		(42)	300
Earnings	$339	$66	$38	$30	$83	$52	$32		$(80)	$560
Inter-segment revenue	$2	$2			$35	48	$3		$(50)	
AVERAGE ASSETS	$40,321	$16,612	$5,291	$2,429	$3,420	$571	$1,742		$861	$71,247
2000										
INCOME STATEMENT										
Net interest income (a)	$703	$272	$59	$49	$68	$2	$(22)		$(21)	$1,110
Noninterest income	288	148	44	8	330	221	320		97	1,456
Total revenue	991	420	103	57	398	223	298		76	2,566
Provision for credit losses	22	38		2	3				1	66
Depreciation and amortization	42	7	10	1	7	10	26		26	129
Other noninterest expense	492	189	57	13	251	144	246		51	1,443
Pretax earnings	435	186	36	41	137	69	26		(2)	928
Income taxes	154	66	3	15	51	29	10		(1)	327
Earnings	$281	$120	$33	$26	$86	$40	$16		$(1)	$601
Inter-segment revenue	$2	$2			$43	$6			$(53)	

AVERAGE ASSETS	$38,182	$16,110	$5,604	$2,173	$3,577	$434	$1,587	$833	$68,500

</TABLE>
(a) Taxable-equivalent basis

CONSOLIDATED AVERAGE BALANCE SHEET AND NET INTEREST ANALYSIS
<TABLE>
<CAPTION>

	Six months ended June 30					
	2001			2000		
Dollars in millions Taxable-equivalent basis	Average Balances	Interest	Average Yields/ Rates	Average Balances	Interest	Average Yields/ Rates
ASSETS						
Interest-earning assets						
Loans held for sale	$1,862	$68	7.19%	$2,948	$116	7.76%
Securities available for sale						
U.S. Treasury and government agencies and corporations	3,813	111	5.82	1,792	52	5.76
Other debt	5,968	185	6.22	3,660	120	6.52
Other	114	4	6.39	616	21	6.97
Total securities available for sale	9,895	300	6.06	6,068	193	6.35
Loans, net of unearned income						
Commercial	20,575	797	7.70	21,917	911	8.23
Commercial real estate	2,576	103	7.92	2,690	118	8.67
Consumer	9,090	382	8.49	9,228	389	8.46
Residential mortgage	10,554	384	7.27	12,577	446	7.08
Lease financing	4,024	145	7.19	3,004	109	7.26
Other	490	18	7.36	682	28	8.28
Total loans, net of unearned income	47,309	1,829	7.72	50,098	2,001	7.95
Other	1,592	63	8.03	1,194	41	6.99
Total interest-earning assets/interest income	60,658	2,260	7.44	60,308	2,351	7.76
Noninterest-earning assets						
Investment in discontinued operations	103			430		
Allowance for credit losses	(683)			(686)		
Cash and due from banks	2,942			2,571		
Other assets	8,330			6,307		
Total assets	$71,350			$68,930		
LIABILITIES, CAPITAL SECURITIES AND SHAREHOLDERS' EQUITY						
Interest-bearing liabilities						
Interest-bearing deposits						
Demand and money market	$20,707	296	2.88	$18,125	297	3.30

Savings	1,928	11	1.12	2,123	18	1.69
Retail certificates of deposit	13,190	374	5.73	14,497	386	5.35
Other time	551	18	6.58	639	20	6.40
Deposits in foreign offices	1,248	32	5.05	1,486	45	5.94
Total interest-bearing deposits	37,624	731	3.92	36,870	766	4.17
Borrowed funds						
Federal funds purchased	2,775	72	5.14	2,221	67	5.96
Repurchase agreements	1,116	23	4.04	682	19	5.49
Bank notes and senior debt	5,540	158	5.67	6,869	217	6.25
Federal Home Loan Bank borrowings	2,001	52	5.20	1,922	57	5.89
Subordinated debt	2,386	86	7.22	2,398	89	7.44
Other borrowed funds	383	10	5.29	785	26	6.43
Total borrowed funds	14,201	401	5.63	14,877	475	6.33
Total interest-bearing liabilities/interest expense	51,825	1,132	4.38	51,747	1,241	4.79
Noninterest-bearing liabilities and shareholders' equity						
Demand and other noninterest-bearing deposits	8,210			8,028		
Accrued expenses and other liabilities	3,803			2,341		
Mandatorily redeemable capital securities of subsidiary trusts	848			848		
Shareholders' equity	6,664			5,966		
Total liabilities, capital securities and shareholders' equity	$71,350			$68,930		
Interest rate spread			3.06			2.97
Impact of noninterest-bearing sources			.64			.68
Net interest income/margin		$1,128	3.70%		$1,110	3.65%

</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 six months ended June 30, 2001 and June 30, 2000, were $59 million and $60 million, respectively. For each of the three months ended June 30, 2001, March 31, 2001 and June 30, 2000 loan fees were $30 million, $29 million and $31 million, respectively.

<TABLE>
<CAPTION>

Second Quarter 2001	First Quarter 2001	Second Quarter

2000

Average Balances	Interest	Average Yields/ Rates	Average Balances	Interest	Average Yields/ Rates	Average Balances	Interest	Average Yields/ Rates
$1,720	$31	7.06%	$2,005	$37	7.31%	$2,577	$52	8.11%
3,696	54	5.79	3,933	57	5.84	1,648	25	6.11
7,913	122	6.18	4,001	63	6.32	3,742	62	6.58
101	2	7.33	127	2	5.63	619	11	7.02
11,710	178	6.07	8,061	122	6.08	6,009	98	6.50
20,271	375	7.31	20,882	422	8.09	22,042	464	8.33
2,572	48	7.40	2,580	55	8.44	2,682	59	8.74
9,096	188	8.29	9,085	194	8.70	9,209	198	8.63
8,459	152	7.18	12,673	232	7.32	12,571	223	7.09
4,149	74	7.08	3,897	71	7.32	3,049	55	7.19
459	7	6.66	520	11	7.98	676	14	8.50
45,006	844	7.46	49,637	985	7.96	50,229	1,013	8.03
1,562	30	7.94	1,831	33	7.20	1,276	22	7.01
59,998	1,083	7.19	61,534	1,177	7.67	60,091	1,185	7.86
			207			448		
(683)			(683)			(689)		
2,907			2,977			2,837		
8,494			7,957			6,418		
$70,716			$71,992			$69,105		
$20,944	134	2.57	$20,468	162	3.20	$18,549	159	3.46
1,936	5	.94	1,919	6	1.31	2,107	9	1.75
12,662	175	5.54	13,724	199	5.90	14,403	195	5.45
537	8	6.48	565	10	6.67	641	10	6.44
1,096	12	4.17	1,402	20	5.75	1,483	24	6.25
37,175	334	3.60	38,078	397	4.22	37,183	397	4.30
2,604	28	4.31	2,948	44	5.89	2,162	34	6.28
958	9	3.64	1,145	14	4.83	769	11	5.56
5,189	67	5.09	5,896	91	6.19	6,762	110	6.40
2,550	31	4.78	1,576	21	5.46	1,514	24	6.35

2,364	42	7.15	2,408	44	7.09	2,420	45	7.45
365	3	3.32	402	7	7.30	795	14	6.89
14,030	180	5.09	14,375	221	6.15	14,422	238	6.54
51,205	514	4.01	52,453	618	4.75	51,605	635	4.92
8,229			8,190			8,357		
3,777			3,830			2,290		
848			848			848		
6,657			6,671			6,005		
$70,716			$71,992			$69,105		
		3.18			2.92			2.94
		.58			.70			.69
	$569	3.76%		$559	3.62%		$550	3.63%

</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 June 30, 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 July 31, 2001 The PNC Financial Services Group, Inc. had 287,972,782 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 6. EXHIBITS AND REPORTS ON FORM 8-K

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

10.5	The Corporation's 1997 Long-Term Incentive Award Plan, as amended
10.6	The Corporation's 1996 Executive Incentive Award Plan, as amended
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.

Since June 30, 2001, the Corporation filed a Current Report on Form 8-K dated as of July 25, 2001, reporting the public offering of $450,000,000 of Floating Rate Senior Notes due 2003, and $700,000,000 of 5.75% Senior Notes due 2006, filed pursuant to Item 5.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on August 14, 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
Second	71.110	62.400	65.790	.48
Total				$.96
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

THE PNC FINANCIAL SERVICES GROUP, INC.
1997 LONG-TERM INCENTIVE AWARD PLAN

(As amended and restated effective February 15, 2001)

1. DEFINITIONS

In this Plan, except where the context otherwise indicates, the following definitions apply.

1.1. "Agreement" means a written agreement implementing a grant of an Option, Right or Performance Unit or an award of Incentive Shares.

1.2. "Board" means the Board of Directors of the Corporation.

1.3. "Code" means the Internal Revenue Code of 1986, as amended, and the rules and regulations promulgated thereunder.

1.4. "Committee" means (a) in the case of grants and awards to Eligible Persons other than Directors ("Employee Awards"), the Board's Personnel and Compensation Committee, or such other committee appointed by the Board to administer Employee Awards, all of the members of which shall be "non-employee directors" as defined in Rule 16b-3 (b)(3)(i) under the Exchange Act or any similar successor rule and "outside directors" as defined in Treas. Reg. Section 1.162-27(e)(3) or any similar successor regulation and (b) in the case of grants and awards to Directors, the Board's Committee on Corporate Governance, unless otherwise determined by the Board.

1.5. "Common Stock" means the common stock of the Corporation.

1.6. "Corporation" means The PNC Financial Services Group, Inc.

1.7. "Date of Exercise" means the date on which the Corporation receives notice of the exercise of an Option, Right or Performance Unit in accordance with the terms of Article 9.

1.8. "Date of Grant" means the date on which an Option, Right or Performance Unit is granted or Incentive Shares are awarded by the Committee or such later date as may be specified by the Committee in authorizing the grant or award.

1.9. "Director" means any member of the Board who is not also an employee of the Corporation or any Subsidiary.

1.10. "Eligible Person" means a Senior Executive or Director.

1.11. "Exchange Act" means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

1.12. "Fair Market Value" of a Share means the amount equal to the fair market value of a Share as determined pursuant to a reasonable method adopted by the Committee in good faith for such purpose.

1.13. "Grantee" means an Eligible Person to whom Incentive Shares have been awarded pursuant to Article 12.

1.14. "Incentive Shares" means Shares awarded pursuant to the provisions of Article 12.

1.15. "Incentive Stock Option" means an Option granted under the Plan that qualifies as an incentive stock option under Section 422 of the Code and that the Corporation designates as such in the Agreement granting the Option.

1.16. "Nonstatutory Stock Option" means an Option granted under the Plan that is not an Incentive Stock Option.

1.17. "Option" means an option to purchase Shares granted under the Plan in accordance with the terms of Article 6.

1.18. "Option Period" means the period during which an Option may be exercised.

1.19. "Option Price" means the price per Share at which an Option may be exercised. The Option Price shall be determined by the Committee, but, unless otherwise determined by the Committee pursuant to Section 3.7, in no event shall the Option Price be less than the Fair Market Value per Share determined as of the Date of Grant.

1.20. "Optionee" means an Eligible Person to whom an Option, Right or Performance Unit has been granted.

1.21. "Performance Period" means the period or periods during which each performance criterion of a Performance Unit will be measured against the performance standards established by the Committee and specified in the Agreement relating thereto.

1.22. "Performance Unit" means a performance unit granted under the Plan in accordance with the terms of Article 8.

1.23. "Performance Unit Exercise Period" means the period during which a Performance Unit may be exercised.

1.24. "Plan" means The PNC Financial Services Group, Inc. 1997 Long-Term Incentive Award Plan, as amended from time to time.

1.25. "Related Option" means an Option granted in connection with a specified Right or Performance Unit.

1.26. "Related Performance Unit" means a Performance Unit granted in connection with a specified Option.

1.27. "Related Right" means a Right granted in connection with a specified Option.

1.28. "Right" means a stock appreciation right granted under the Plan in accordance with the terms of Article 7.

1.29. "Right Period" means the period during which a Right may be exercised.

1.30. "Senior Executive" means any officer or key employee of the Corporation or a Subsidiary who is designated as a "Senior Executive" by the Committee.

1.31. "Share" means a share of authorized but unissued Common Stock or a reacquired share of Common Stock.

1.32. "Subsidiary" means a corporation at least 80% of the total combined voting power of all classes of stock of which is owned by the Corporation, either directly or through one or more other Subsidiaries, except that with respect to Nonstatutory Stock Options, Rights, Performance Units and Incentive Shares granted or awarded after March 27, 2000, such term shall mean a corporation, bank, partnership, business trust, limited liability company or other form of business organization which is a consolidated subsidiary of the Corporation under generally accepted accounting principles.

2. PURPOSE

The Plan is intended to assist in attracting, retaining, and motivating Eligible Persons of outstanding ability and to promote the identification of their interests with those of the shareholders of the Corporation.

3. ADMINISTRATION

The Plan shall be administered by the Committee or by the Chairman of the Committee in the exercise of such authority as the Committee may delegate to him or her from time to time, provided that Section 162(m)(4)(C) of the Code does not require action by the Committee as a whole. In addition to any other powers granted to the Committee, it shall have the following powers, subject to the express provisions of the Plan:

3.1. to determine in its discretion the Eligible Persons to whom Options, Performance Units or Rights shall be granted and to whom Incentive Shares shall be awarded, the number of Shares to be subject to each Option, Right, Performance Unit grant, or Incentive Share award, and the terms upon which Options, Rights or Performance Units may be acquired, exercised, or forfeited and the terms and conditions of Incentive Share awards;

3.2. to determine all other terms and provisions of each Agreement, which need not be identical;

3.3. without limiting the generality of the foregoing, to provide in its discretion in an Agreement:

(i) for an agreement by the Optionee or Grantee to render services to the Corporation or a Subsidiary upon such terms and conditions as may be specified in the Agreement, provided that the Committee shall not have the power under the Plan to commit the Corporation or any Subsidiary to employ or otherwise retain any

Optionee or Grantee;

(ii) for restrictions on the transfer, sale or other disposition of Shares issued to the Optionee upon the exercise of an Option, Right or Performance Unit, or for conditions with respect to the issuance of Incentive Shares;

(iii) for an agreement by the Optionee or Grantee to resell to the Corporation, under specified conditions, Shares issued upon the exercise of an Option, Right or Performance Unit or awarded as Incentive Shares;

(iv) for the payment of the Option Price upon the exercise of an Option otherwise than in cash, including without limitation by delivery of Shares valued at Fair Market Value on the Date of Exercise of the Option or a combination of cash and Shares; by means of any attestation procedure approved or ratified by the Committee; or by delivery of a properly executed exercise notice together with irrevocable instructions to a broker to promptly deliver to the Corporation the amount of sale or loan proceeds to pay the exercise price;

(v) for the deferral of receipt of amounts that otherwise would be distributed upon exercise of a Performance Unit, the terms and conditions of any such deferral and any interest or dividend equivalent or other payment that shall accrue with respect to deferred distributions, subject to the provisions of Article 11;

(vi) for the forfeiture by any Optionee or Grantee of any Option, Right, Performance Unit or Incentive Shares upon such terms and conditions as the Committee may deem advisable from time to time; and

(vii) for the effect of a "change in control," as defined in the Agreement, of the Corporation on the rights of an Optionee or Grantee with respect to any Options, Rights, Performance Units or Incentive Shares;

3.4. to construe and interpret the Agreements and the Plan;

3.5. to require, whether or not provided for in the pertinent Agreement, of any person exercising an Option, Right or Performance Unit or acquiring Incentive Shares, at the time of such exercise or acquisition, the making of any representations or agreements

which the Committee may deem necessary or advisable in order to comply with applicable securities, tax, or other laws;

3.6. to provide for satisfaction of an Optionee's or Grantee's tax liabilities arising in connection with the Plan through, without limitation, retention by the Corporation of shares of Common Stock otherwise issuable on the exercise of a Nonstatutory Stock Option, Right or Performance Unit or pursuant to an award of Incentive Shares or through delivery of Common Stock to the Corporation by the Optionee or Grantee under such terms and conditions as the Committee deems appropriate, including but not limited to any attestation procedure approved or ratified by the Committee;

3.7. to provide with respect to any Option (other than a Reload Option, as hereinafter defined) granted under the Plan on or after January 1, 1997, that, if the Optionee, while an Eligible Person, exercises the Option or satisfies any related tax withholding obligation in whole or in part by surrendering already-owned shares of Common Stock, the Optionee will, subject to this Section 3.7 and such other terms and conditions as may be imposed by the Committee, receive an additional option ("Reload Option"). The Reload Option will be to purchase, at Fair Market Value as of the date the original Option was exercised, a number of shares of Common Stock equal to the number of whole shares surrendered by the Optionee to exercise the original Option or to satisfy any related tax withholding obligation. The Reload Option will be exercisable only between its Date of Grant and the date of the expiration of the original Option. A Reload Option shall be subject to such additional terms and conditions as the Committee shall approve, which terms may provide that the Committee may cancel the Optionee's right to receive the Reload Option and that the Reload Option will be granted only if the Committee has not canceled such right prior to the exercise of the original Option.

3.8. to make all other determinations and take all other actions necessary or advisable for the administration of the Plan; and

3.9. to delegate to officers or managers of the Corporation or any Subsidiary the authority to perform administrative functions under the Plan with respect to grants and awards to Eligible Persons other than Directors, provided that Section 162(m)(4)(C) of the Code does not require action by the Committee as a whole with respect to such function.

Any determinations or actions made or taken by the Committee pursuant to this Article shall be binding and final.

4. ELIGIBILITY

Options, Rights, Performance Units and Incentive Shares may be granted or awarded only to Eligible Persons; provided, however, that Directors shall not be granted Incentive Stock Options.

5. STOCK SUBJECT TO THE PLAN

5.1. The maximum number of Shares that may be issued or as to which grants or awards may be made under the Plan (excluding Shares issued pursuant to grants or awards made prior to February 20, 1997) shall not exceed the sum of (i) 10,141,853 Shares plus (ii) as of January 1 of each calendar year commencing with 1998 an additional number of Shares (which shall be cumulative from year to year) equal to one and one-half percent (1.5%) of the total issued shares of Common Stock (including reacquired Shares) at the end of the immediately preceding calendar year. Notwithstanding the foregoing, in no event shall more than three percent (3%) of the total issued shares of Common Stock (including reacquired Shares) at the end of the immediately preceding calendar year be cumulatively available for grants and awards made in any calendar year. The maximum number of Shares as to which grants or awards may be made under the Plan to one Senior Executive with respect to one calendar year shall be 1,000,000 (250,000 for calendar years 1997 through 1999). Notwithstanding the foregoing, (a) grants of Incentive Stock Options may not be made with respect to more than 1,000,000 Shares during any calendar year, and (b) Incentive Share awards may not be granted during any calendar year with respect to more than twenty percent (20%) of the maximum number of Shares available for grants and awards made during such calendar year. The limitation provided in the first sentence of this Section 5.1 is hereinafter called the "Cumulative Limitation;" the limitation provided in the second sentence is hereinafter called the "Annual Limitation;" the limitation provided in the third sentence is hereinafter called the "Individual Limitation;" the limitation provided in clause (a) of the fourth sentence is hereinafter called the "ISO Limitation;" and the limitation provided in clause (b) of the fourth sentence is hereinafter called the "Incentive Share Limitation." For purposes of the Individual Limitation, to the extent consistent with the requirements of the performance-based compensation exception under Section 162(m) of the Code, a Reload Option (a) shall be deemed to have been granted at the same time as, and as a part of, the original Option in respect of which the Reload Option is granted and (b) shall not be deemed to increase the number of Shares covered by such original Option.

5.2. If an Option, Right or Performance Unit expires or terminates for any reason (other than termination by virtue of the exercise of a Related Option, Related Right or Related Performance Unit, as the case may be) without having been fully exercised, or if Shares covered by an Incentive Share award are not issued or are forfeited Shares which had been subject to the Agreement relating thereto shall for purposes of the Cumulative Limitation (and if granted or awarded in the same calendar year, then also for purposes of the Annual Limitation, the ISO Limitation, and the Incentive Share Limitation) again become available for the grant of other Options, Rights and Performance Units or for the award of additional Incentive Shares.

5.3. The Shares issued upon the exercise of a Right or Performance Unit (or if cash is payable in connection with such exercise, that number of Shares having a Fair Market Value equal to the cash payable upon such exercise), shall be charged against the number of Shares issuable under the Plan and shall not become available for the grant of

other Options, Rights and Performance Units or for the award of Incentive Shares. If the Right referred to in the preceding sentence is a Related Right, or if the Performance Unit referred to in the preceding sentence is a Related Performance Unit, the Shares subject to the Related Option, to the extent not charged against the number of Shares subject to the Plan in accordance with this Section 5.3, shall for purposes of the Cumulative Limitation (and if granted in the same calendar year, then also for purposes of the Annual Limitation) again become available for the grant of other Options, Rights or Performance Units or for the award of additional Incentive Shares.

6. OPTIONS

6.1. The Committee is hereby authorized to grant Incentive Stock Options and Nonstatutory Stock Options to Senior Executives and to grant Nonstatutory Stock Options to Directors, provided that the number of Options granted to a Senior Executive during a calendar year shall not exceed the Individual Limitation when aggregated with other grants or awards made to that Senior Executive during that calendar year.

6.2. All Agreements granting Options shall contain a statement that the Option is intended to be either (i) a Nonstatutory Stock Option or (ii) an Incentive Stock Option.

6.3. The Option Period shall be determined by the Committee and specifically set forth in the Agreement, provided that an Option shall not be exercisable until the expiration of at least six months from the Date of Grant (except that this limitation need not apply in the event of the death or disability of the Optionee or as otherwise permitted by the Agreement upon a change in control of the Corporation) or after ten years from the Date of Grant.

6.4. All Incentive Stock Options granted under the Plan shall comply with the provisions of the Code governing incentive stock options and with all other applicable rules and regulations.

6.5. All other terms of Options granted under the Plan shall be determined by the Committee in its sole discretion.

7. RIGHTS

7.1. The Committee is hereby authorized to grant Rights to Eligible Persons, provided that the number of Rights granted to a Senior Executive during a calendar year shall not exceed the Individual Limitation when aggregated with other grants or awards made to that Senior Executive during that calendar year.

7.2. A Right may be granted under the Plan:

(i) in connection with, and at the same time as, the grant of an Option to an Eligible Person;

(ii) by amendment of an outstanding Nonstatutory Stock Option granted under the Plan to an Eligible Person; or

(iii) independently of any Option granted under the Plan.

A Right granted under clause (i) or (ii) of the preceding sentence is a Related Right. A Related Right may, in the Committee's discretion, apply to all or a portion of the Shares subject to the Related Option.

7.3. A Right may be exercised in whole or in part as provided in the Agreement, and, subject to the provisions of the Agreement, entitles its Optionee to receive, without any payment to the Corporation (other than required tax withholding amounts), either cash or that number of Shares (equal to the highest whole number of Shares), or a combination thereof, in an amount or having a Fair Market Value determined as of the Date of Exercise not to exceed the number of Shares subject to the portion of the Right exercised multiplied by an amount equal to the excess of the Fair Market Value per Share on the Date of Exercise of the Right over either (i) the Fair Market Value per Share on the Date of Grant of the Right or the base price determined by the Committee pursuant to Section 3.7 if the Right is not a Related Right, or (ii) the Option Price as provided in the Related Option if the Right is a Related Right.

7.4. The Right Period shall be determined by the Committee and specifically set forth in the Agreement, provided, however:

(i) a Right may not be exercised until the expiration of at least six months from the Date of Grant (except that this limitation need not apply in the event of the death or disability of the Optionee or as otherwise permitted by the Agreement upon a change in control of the Corporation);

(ii) a Right will expire no later than the earlier of (A) ten years from the Date of Grant, or (B) in the case of a Related Right, the expiration of the Related Option; and

(iii) a Right that is a Related Right may be exercised only when and to the extent the Related Option is exercisable.

7.5. The exercise, in whole or in part, of a Related Right shall cause a reduction in the number of Shares subject to the Related Option equal to the number of Shares with respect to which the Related Right is exercised. Similarly, the exercise, in whole or in part, of a Related Option shall cause a reduction in the number of Shares subject to the Related Right equal to the number of Shares with respect to which the Related Option is exercised.

8. PERFORMANCE UNITS

8.1. The Committee is hereby authorized to grant Performance Units to

Eligible Persons, provided that the number of Performance Units granted to a Senior Executive during a calendar year shall not exceed the Individual Limitation when aggregated with other grants or awards made to that Senior Executive during that calendar year.

8.2. Performance Units may be granted under the Plan:

(i) in connection with, and at the same time as, the grant of a Nonstatutory Stock Option to an Eligible Person;

(ii) by amendment of an outstanding Nonstatutory Stock Option granted under the Plan to an Eligible Person; or

(iii) independently of any Option granted under the Plan.

A Performance Unit granted under Subparagraph (i) or (ii) of the preceding sentence is a Related Performance Unit. A Related Performance Unit may, in the Committee's discretion, apply to all or a portion of the Shares subject to the Related Option. A Performance Unit may not be granted in connection with, or by amendment to, an Incentive Stock Option.

8.3. A Performance Unit may be exercised in whole or in part as provided in the Agreement, and, subject to the provisions of the Agreement, entitles its Optionee to receive, without any payment to the Corporation (other than required tax withholding amounts), cash, Shares or a combination of cash and Shares, based upon the degree to which performance standards established by the Committee and specified in the Agreement have been achieved. During the Performance Period, such performance standards may be particular to an Eligible Person or the department, branch, Subsidiary or other unit in which he works, or may be based on the performance of the Corporation generally. The performance standards may be based on earnings or earnings growth; return on assets, equity or investment; regulatory compliance; satisfactory internal or external audits; improvement of financial ratings; reduction of nonperforming loans; achievement of balance sheet or income statement objectives; or any other objective goals established by the Committee, and may be absolute in their terms or measured against or in relationship to other companies comparably, similarly or otherwise situated.

8.4. The Performance Unit Exercise Period shall be determined by the Committee and specifically set forth in the Agreement; provided, however:

(i) A Performance Unit may not be exercised until the expiration of at least six months from the Date of Grant (except that this limitation need not apply in the event of the death or disability of the Optionee or as otherwise permitted by an Agreement upon a change in control of the Corporation); and

(ii) a Performance Unit will expire no later than the earlier of (A) ten years from the Date of Grant, or (B) in the case of a Related Performance Unit, the expiration of the Related Option.

8.5. Each Agreement granting Performance Units shall specify the number of Performance Units granted; provided, that the maximum number of Related Performance Units may not exceed the maximum number of Shares subject to the Related Option and the number of Performance Units may not exceed the maximum number of Shares subject to the Related Option and the maximum value of a Related Performance Unit may not exceed the Fair Market Value of a Share subject to the Related Option.

8.6. The exercise, in whole or in part, of Related Performance Units shall cause a reduction in the number of Shares subject to the Related Option and the number of Performance Units in accordance with the terms of the Agreement. Similarly, the exercise, in whole or in part, of a Related Option shall cause a reduction in the number of Related Performance Units equal to the number of Shares with respect to which the Related Option is exercised.

9. EXERCISE; PAYMENT OF WITHHOLDING TAXES

An Option, Right or Performance Unit may, subject to the provisions of the Agreement under which it was granted, be exercised in whole or in part by the delivery to the Corporation of written notice of the exercise, in such form as the Committee may prescribe, accompanied, in the case of an Option, by full payment for the Shares with respect to which the Option is exercised, and in the case of an Option, Right or Performance Unit, full payment for related withholding taxes, if any. The receipt of Incentive Shares shall be subject to full payment by the Grantee of any withholding taxes then required to be paid.

10. NONTRANSFERABILITY

Except as the Committee may expressly provide otherwise in or with respect to an Agreement, including any Agreement in effect as of February 20, 1997, Options, Rights and Performance Units granted under the Plan shall not be transferable otherwise than by will or the laws of descent and distribution, and an Option, Right or Performance Unit may be exercised during his or her lifetime only by the Optionee or, in the event of his or her legal incapacity, by his or her legal representative. A Related Right or Related Performance Unit is transferable only when the Related Option is transferable and only with the Related Option and under the same conditions. An Optionee may also designate a beneficiary to exercise his or her Options after the Optionee's death, provided that the Committee has first expressly approved the procedures and forms necessary to effect such a designation.

11. DEFERRAL OF AWARDS

If an Optionee so elects in accordance with the terms of an Agreement, the Optionee may defer any or all of the amount otherwise payable on the exercise of Performance Units in accordance with the provisions of a deferred compensation plan maintained by the Corporation or a Subsidiary, provided:

(i) that the Optionee makes such election by delivering to the Corporation written notice of such election, in such form as the Committee may from time to time prescribe, prior to the beginning of the Performance Period;

(ii) that such election shall be irrevocable until at least six months after termination of the Optionee's employment; and

(iii) that such deferred payment shall be made in accordance with the provisions of such deferred compensation plan.

12. INCENTIVE SHARE AWARDS

The Committee may, in its sole discretion, grant Incentive Share awards to Eligible Persons, provided that the number of Incentive Share awards granted to a Senior Executive during a calendar year shall not exceed the Individual Limitation when aggregated with other grants or awards made to that Senior Executive during that calendar year. Incentive Share awards shall entitle an Eligible Person to receive Shares, to be issued at such times, subject to the achievement of such performance standards or other goals, in recognition of such performance or other achievements or for such other purposes, and on such other terms and conditions, if any, as the Committee shall deem appropriate. Performance standards may be based on earnings or earnings growth; return on assets, equity or investment; regulatory compliance; satisfactory internal or external audits; improvement of financial ratings; reduction of nonperforming loans; achievement of balance sheet or income statement objectives; or any other objective goals established by the Committee, and may be absolute in their terms or measured against or in relationship to other companies comparably, similarly or otherwise situated. The number of Incentive Share awards made to a Senior Executive during a calendar year shall not exceed the Individual Limitation when aggregated with other grants or awards made to that Senior Executive during that calendar year.

13. CAPITAL ADJUSTMENTS

The number and class of Shares (or the Performance Unit equivalent) subject to each outstanding Option, Right or Performance Unit or Incentive Share award, the Option Price, and the aggregate number and class of Shares for which grants or awards thereafter may be made, the Annual Limitation, the Individual Limitation, the ISO Limitation, and the Incentive Share Limitation provided for in Section 5.1, shall be subject to such adjustment, if any, as the Committee in its sole discretion deems appropriate to reflect

such events as stock dividends, stock splits, recapitalizations, mergers, consolidations or reorganizations of or by the Corporation.

14. TERMINATION OR AMENDMENT

The Board or the Committee may amend, alter or terminate this Plan in any respect, at any time; provided, however, that, after this Plan has been approved by the Shareholders of the Corporation, no amendment, alteration or termination of this Plan shall be made by the Board or the Committee without approval of (i) the Corporation's shareholders to the extent shareholder approval of the amendment is required by applicable law or regulations or the requirements of the principal exchange or interdealer quotation system on which the Common Stock is listed or quoted, and (ii) each affected Optionee if such amendment, alteration or termination would adversely affect his or her rights or obligations under any grant or award made prior to the date of such amendment, alteration or termination.

15. MODIFICATION, EXTENSION AND RENEWAL OF OPTIONS, RIGHTS AND PERFORMANCE UNITS

Subject to the terms and conditions and within the limitations of the Plan, the Committee may modify, extend or renew outstanding Options, Rights and Performance Units, or accept the surrender of outstanding options, rights and performance units (to the extent not theretofore exercised) granted under the Plan or under any other plan of the Corporation, a Subsidiary or a company or similar entity acquired by the Corporation or a Subsidiary, and authorize the granting of new Options, Rights and Performance Units pursuant to the Plan in substitution therefor (to the extent not theretofore exercised), and the substituted Options, Rights and Performance Units may specify a longer term than the surrendered Options, Rights and Performance Units or have any other provisions that are authorized by the Plan; provided, however, that the substituted Options, Rights and Performance Units may not specify a lower exercise price than the surrendered options, rights and performance units. Subject to the terms and conditions and within the limitations of the Plan, the Committee may modify the terms of any outstanding Agreement providing for awards of Incentive Shares. Notwithstanding the foregoing, however, no modification of an Option, Right or Performance Unit granted under the Plan, or an award of Incentive Shares, shall (i) without the consent of the Optionee or Grantee, adversely affect the rights or obligations of the Optionee or Grantee or (ii) reduce the exercise price or base price of an Option, Right or Performance Unit.

16. EFFECTIVENESS OF THE PLAN AND AMENDMENTS

The effective date of the Plan was December 17, 1987. The effective date of any amendment to the Plan will be the date specified by the Board or Committee, as applicable. Any amendments to the Plan requiring shareholder approval pursuant to Article 14 are subject to approval by vote of the shareholders of the Corporation within 12 months after their adoption by the Board or the Committee. Subject to that approval,

any such amendments are effective on the date on which they are adopted by the Board. Options, Rights, Performance Units or Incentive Shares may be granted or awarded prior to shareholder approval of amendments, but each Option, Right, Performance Unit or Incentive Share grant or award requiring such amendments shall be subject to the approval of the amendments by the shareholders. The date on which any Option, Right, Performance Unit or Incentive Shares granted or awarded prior to shareholder approval of the amendment shall be the Date of Grant for all purposes of the Plan as if the Option, Right, Performance Unit or Incentive Shares had not been subject to approval. No Option, Right or Performance Unit granted subject to shareholder approval of an amendment may be exercised prior to such shareholder approval, and any Incentive Share award subject to shareholder approval of an amendment and any dividends payable thereon are subject to forfeiture if such shareholder approval is not obtained.

17. TERM OF THE PLAN

Unless sooner terminated by the Board or the Committee pursuant to Article 14, the Plan shall terminate on February 20, 2007, and no Options, Rights, Performance Units or Incentive Share awards may be granted or awarded after termination. The termination shall not affect the validity of any Option, Right, Performance Unit or Incentive Share awards outstanding on the date of termination.

18. INDEMNIFICATION OF COMMITTEE

In addition to such other rights of indemnification as they may have as directors or as members of the Committee, the members of the Committee shall be indemnified by the Corporation against the reasonable expenses, including attorneys' fees, actually and reasonably incurred in connection with the defense of any action, suit or proceeding, or in connection with any appeal therein, to which they or any of them may be a party by reason of any action taken or failure to act under or in connection with the Plan or any Option, Right, Performance Unit or Incentive Shares granted or awarded hereunder, and against all amounts reasonably paid by them in settlement thereof or paid by them in satisfaction of a judgment in any such action, suit or proceeding, if such members acted in good faith and in a manner which they believed to be in, and not opposed to, the best interests of the Corporation.

19. COMPLIANCE WITH SECTION 162(M) OF THE CODE

To the extent that any provision of the Plan or an Agreement, or any action of the Committee, may result in the application of Section 162(m)(1) of the Code to compensation payable to a Grantee or Optionee, such provision or action shall be deemed to be null and void, to the extent permitted by law and deemed advisable by the Committee. The Committee shall have the authority to override the application of this Article by an action duly approved or ratified by the Committee and reflected in the Committee's records.

20. GENERAL PROVISIONS

20.1. The establishment of the Plan shall not confer upon any Eligible Person any legal or equitable right against the Corporation, any Subsidiary or the Committee, except as expressly provided in the Plan.

20.2. Neither the Plan nor any Agreement constitutes inducement or consideration for the employment or retention of any Eligible Person, nor are they a contract between the Corporation or any Subsidiary and any Eligible Person. Participation in the Plan shall not give an Eligible Person any right to be retained in the service of the Corporation or any Subsidiary.

20.3. The Corporation and its Subsidiaries may assume options, warrants, or rights to purchase stock issued or granted by other corporations whose stock or assets shall be acquired by the Corporation or its Subsidiaries, or which shall be merged into or consolidated with the Corporation or its Subsidiaries. Neither the adoption of this Plan, nor its submission to the shareholders, shall be taken to impose any limitations on the powers of the Corporation or its affiliates to issue, grant, or assume options, warrants, or rights, otherwise than under this Plan, or to adopt other stock option or restricted stock plans or to impose any requirement of shareholder approval upon the same.

20.4. Except as the Committee may otherwise provide pursuant to Article 10, or as otherwise required by a deferral election pursuant to Article 11, the interests of any Eligible Person under the Plan are not subject to the claims of creditors and may not, in any way, be assigned, alienated or encumbered.

20.5. The Plan shall be governed, construed and administered in accordance with the laws of the Commonwealth of Pennsylvania, and it is the intention of the Corporation that Incentive Stock Options granted under the Plan qualify as such under Section 422 of the Code.

Exhibit 10.6

THE PNC FINANCIAL SERVICES GROUP, INC.
1996 EXECUTIVE INCENTIVE AWARD PLAN
(AS AMENDED AND RESTATED EFFECTIVE FEBRUARY 15, 2001)

1. GENERAL PURPOSES OF PLAN

The PNC Financial Services Group, Inc. 1996 Executive Incentive Award Plan is designed to (i) assist The PNC Financial Services Group, Inc. and its Subsidiaries in attracting, motivating, and retaining the senior executive officers most critical to the long-term success of the Corporation and its Subsidiaries, (ii) promote the identification of their interest with those of the Corporation's shareholders, and (iii) enable the Corporation to pay annual bonuses which are based upon the achievement of specified levels of performance.

2. DEFINITIONS

Terms not otherwise defined herein shall have the following meanings:

2.1. "Additional Stock" means "Additional Stock" as defined in Section 6.2 hereof.

2.2. "Award Amount" means the amount payable to a Participant from the Compensation Pool pursuant to the terms of an Incentive Award.

2.3. "Award Period" means the Corporation's fiscal year, except to the extent the Committee determines otherwise, provided that the last day of an Award Period must be the last day of the Corporation's fiscal year.

2.4. "Board" means the Board of Directors of the Corporation.

2.5. "Code" means the Internal Revenue Code of 1986, as amended.

2.6. "Common Stock" means the common stock of the Corporation.

2.7. "Committee" means the committee appointed by the Board to establish and administer the Plan as provided herein; provided, that the Committee shall have two or more members and each member of the Committee shall be an "outside director" as defined for purposes of Section 162(m) of the Code. Unless otherwise determined by the Board, the Personnel and Compensation Committee of the Board shall be the Committee.

2.8. "Compensation Pool" means, with respect to each Award Period, an amount equal to the sum of: (a) one-half of one percent of Net Income for the Award Period, plus (b) any amounts not paid out of a Compensation Pool for the immediately preceding Award Period and added to the existing Compensation Pool, as determined in the Committee's sole discretion; provided, that the preceding component (b) of a Compensation Pool shall not exceed an aggregate amount of $3 million during any given

Award Period and shall be available for the payment of Incentive Awards only upon the achievement of one or more Performance Conditions.

2.9. "Corporation" means The PNC Financial Services Group, Inc. and its successors and assigns and any corporation which shall acquire substantially all of its assets.

2.10. "Fair Market Value" means an amount equal to the most recent closing price, as of the date Fair Market Value is being determined, of a share of Common Stock on the New York Stock Exchange as reported by the Wall Street Journal.

2.11. "Incentive Award" means an award granted under the Plan that, subject to the terms hereof and such terms as may be specified by the Committee in accordance with this Plan, provides for the payment (including in the form of shares of Common Stock) to a Participant of a percentage of the Compensation Pool and, in the discretion of the Committee, the issuance of Additional Stock.

2.12. "Incentive Award Percentage" means, with respect to each Participant, the percentage of the Compensation Pool that may be paid to the Participant pursuant to the terms of an Incentive Award and this Plan.

2.13. "Net Income" means the consolidated pre-tax net income of the Corporation as determined in accordance with generally accepted accounting principles ("GAAP"), after adjustment to exclude or include unusual, infrequently occurring or extraordinary items or cumulative effects of changes in accounting principles, as defined under GAAP.

2.14. "Participant" means a "covered employee" within the meaning of Section 162(m) of the Code who is eligible to receive an Incentive Award, subject to the terms of the Plan.

2.15. "Performance Conditions" means any objective performance factors the Committee may deem relevant in determining the availability of amounts carried forward from the immediately preceding Award Period as described in Sections 5.2 and 5.5 hereof, including, but not limited to, the Corporation's return on average assets, return on average equity, earnings per share, or other financial measure or ratio, whether on an absolute basis or in comparison to a predetermined peer group.

2.16. "Plan" means The PNC Financial Services Group, Inc. 1996 Executive Incentive Award Plan.

2.17. "Subsidiary" means a corporation of which at least 50% of the total combined voting power of all classes of stock is owned by the Corporation either directly or through one or more other subsidiaries.

3. ADMINISTRATION

Subject to the express provisions of the Plan, the Committee shall have plenary authority to interpret the Plan, to prescribe, amend and rescind rules and regulations relating to it and to make all other determinations deemed necessary or advisable for the administration of the Plan, including but not limited to determinations regarding whether to make Incentive Awards, the terms of all Incentive Awards, the Participants who receive Incentive Awards, the time or times at which Incentive Award grants are made, the Award Period to which each Incentive Award shall relate, the actual dollar amount of any Award Amounts, the form of payment of any Award Amounts and the issuance of any Additional Stock. The determinations of the Committee pursuant to this authority shall be conclusive and binding. The Committee may, in its discretion, authorize the Chief Executive Officer of the Corporation to act on its behalf except with respect to matters relating to such Chief Executive Officer or which are required to be certified by the Committee under the Plan or in order to satisfy the requirements of the performance-based compensation exception under Section 162(m) of the Code and the regulations promulgated thereunder.

4. ELIGIBILITY

Incentive Awards may be made only to a Participant who is not paid an incentive award pursuant to the Corporation's 1994 Annual Incentive Award Plan or any successor plan or program, with respect to that Award Period.

5. INCENTIVE AWARDS; TERMS OF AWARDS; PAYMENT

5.1. No later than 90 days after the commencement of an Award Period, the Committee shall, in its sole discretion, establish in writing: (a) an Incentive Award Percentage for each Participant for the Award Period; (b) the extent, if any, to which the Award Amount, if and to the extent payable to a Participant, shall be paid in the form of Common Stock; (c) whether any shares of Additional Stock shall be issued to the Participant in respect of any shares of Common Stock issued in full or partial payment of an Award Amount pursuant to the preceding clause (b); and (d) any other terms and conditions applicable to the Incentive Award and any shares of Common Stock (including Additional Stock) that may be issued pursuant to the terms of the Incentive Award. For purposes of this Section 5.1, each Participant may be identified in terms of position or title held, or base salary paid, during the applicable Award Period, or by such other means at the Committee may deem appropriate. No Participant shall be assigned an Incentive Award Percentage greater than 40% of the Compensation Pool, and the sum of all Incentive Award Percentages for an Award Period shall not exceed 100% under any circumstances. The maximum amount that a Participant may receive pursuant to the terms of any Incentive Award in respect of any Award Period is (a) an Award Amount equal to 40% of the Compensation Pool, plus (b) if a portion of the Award Amount is paid in the form of Common Stock, shares of Additional Stock not in excess of 25% of the number of shares of Common Stock issued to the Participant in full or partial payment of the Award Amount.

5.2. As soon as practicable following the end of an Award Period, but in all events prior to the payment of any Award Amounts, the Committee shall compute and certify in writing the amount of the Compensation Pool for that Award Period, and shall determine whether any Performance Conditions established for that Award Period were satisfied. In performing such computation, the Committee may rely upon financial statements supplied by the Corporation's officers, provided that the Committee believes such statements to have been prepared in accordance with generally accepted accounting principles.

5.3. As soon as practicable following the Committee's completion of the actions specified in Section 5.2, the Committee shall (a) certify in writing the Award Amount and the number of shares of Common Stock (including Additional Stock), if any, to be paid or issued to each Participant for that Award Period and (b) authorize the Corporation to pay the Award Amount and issue shares of Common Stock to each Participant in accordance with the terms and conditions of the Plan and the applicable Incentive Award.

5.4. Except to the extent that, pursuant to the terms of Section 5.1 hereof, the terms of an Incentive Award require that all or a portion of an Award Amount, to the extent paid, be paid in the form of Common Stock, the Committee may, in its discretion at the time of payment of an Award Amount pay such Award Amount in the form of cash, Common Stock (valued based on Fair Market Value) or a combination thereof.

5.5. In the event that the Committee does not exhaust the full amount of the Compensation Pool through the payment of Incentive Awards, the Committee may, in its sole discretion and no later than 90 days after the commencement of an Award Period, certify in writing that all or a portion of the remaining Compensation Pool shall be added to the Compensation Pool for the Award Period then commenced; provided, that the Committee shall not be authorized to direct any such carryover in an amount that exceeds $3 million; and, provided further, that the Committee establishes one or more Performance Conditions that must be achieved during the Award Period in order for such carryover amount to be available for the payment of Incentive Awards for that Award Period.

5.6. The Committee may, in its sole discretion, determine not to pay an Award Amount or not to issue shares of Additional Stock or to reduce an Award Amount or the number of shares of Additional Stock below the amount or number of shares payable or issuable under the terms of the Incentive Award without the consent of a Participant. Unless otherwise determined by the Committee, no Award Amount or Additional Stock shall be paid or issued to a Participant unless the Participant is employed by the Corporation or a Subsidiary as of the date of payment or issuance.

5.7. Award Amounts payable, and shares of Common Stock issuable, hereunder shall be subject to applicable federal, state and local withholding taxes and other applicable withholding in accordance with the Corporation's payroll practices as in effect from time to time.

5.8. The Committee, subject to such terms and conditions as it may determine, and a Participant pursuant to any deferred compensation plan of the Corporation, shall have the right to defer the payment of an Award Amount or the receipt of Additional Stock, provided, in either case, that any additional amounts credited to such deferred amounts or shares will be based either on a reasonable rate of interest or the actual rate of return of one or more predetermined investments specified by the Committee or pursuant to the terms of such deferred compensation plan.

6. ISSUANCE OF COMMON STOCK

6.1. Common Stock issued under this Plan shall be subject to such terms and conditions as may be established by the Committee pursuant to the terms of an Incentive Award or at the time of issuance, including but not limited to, terms and conditions that provide for the lapse of transfer restrictions or forfeiture provisions to be contingent on continued employment.

6.2. To the extent that, pursuant to the terms of an Incentive Award, shares of Common Stock are required to be issued to a Participant in full or partial payment of an Award Amount, the terms of an Incentive Award may provide for the issuance of additional shares of Common Stock ("Additional Stock") not in excess of 25% of the number of shares of Common Stock issued to the Participant in payment of the Award Amount pursuant to the terms of the Incentive Award (and not pursuant to Section 5.4 hereof).

6.3 Fractional shares will not be issued pursuant to the Plan.

7. TRANSFERABILITY

Incentive Awards and Common Stock issued hereunder (to the extent provided by the terms on which such shares are issued hereunder) shall not be subject to the claims of creditors and may not be assigned, alternated, transferred or encumbered in any way other than by will or pursuant to the laws of descent and distribution.

8. TERMINATION OR AMENDMENT

The Board may amend, modify or terminate the Plan in any respect at any time without the consent of the Participants.

9. EFFECTIVENESS OF PLAN AND AWARDS

The Plan shall be void ab initio unless the Plan, is approved by a vote of the Corporation's shareholders at the first meeting of the Corporation's shareholders following adoption of the Plan by the Board.

10. EFFECTIVE DATE; TERM OF THE PLAN

Subject to shareholder approval pursuant to Section 9, the Plan shall be effective as of January 1, 1996 and the first Award Period shall be fiscal year 1996. The effective

date of any amendment to the Plan will be the date specified by the Board. The Plan shall remain in effect until terminated by the Board pursuant to Section 8. No Incentive Awards may be made under the Plan after its termination, provided that termination of the Plan shall not affect any Incentive Awards or shares of Common Stock granted or issued prior to termination of the Plan, and such Incentive Awards and shares of Common Stock shall continue to be subject to the terms of the Plan notwithstanding termination of the Plan.

11. INDEMNIFICATION OF COMMITTEE

In addition to such other rights of indemnification as they may have as directors or as members of the Committee, each of the members of the Committee shall be indemnified by the Corporation against the reasonable expenses, including attorneys' fees, actually and reasonably incurred in connection with the defense of any action, suit or proceeding, or in connection with any appeal therein, to which they or any of them may be a party by reason of any action taken or failure to act under or in connection with the Plan or any Incentive Award made hereunder; and against all amounts reasonably paid by them in settlement thereof or paid by them in satisfaction of a judgment in any such action, suit or proceeding to the maximum extent permitted by law.

12. GENERAL PROVISIONS

12.1. The establishment of the Plan shall not confer upon any Participant any legal or equitable right against the Corporation or any Subsidiary, except as expressly provided in the Plan.

12.2. The Plan does not constitute an inducement or consideration for the employment of any Participant, nor is it a contract between the Corporation, or any Subsidiary, and any Participant. Participation in the Plan shall not give a Participant any right to be retained in the employ of the Corporation or any Subsidiary.

12.3. Nothing contained in this Plan shall prevent the Board or Committee from adopting other or additional compensation arrangements, subject to shareholder approval if such approval is required, and such arrangements may be either generally applicable or applicable only in specific cases.

12.4. The Plan shall be governed, construed and administered in accordance with the laws of the Commonwealth of Pennsylvania.

EXHIBIT 12.1

THE PNC FINANCIAL SERVICES GROUP, INC.
COMPUTATION OF RATIO OF EARNINGS
TO FIXED CHARGES

Dollars in millions	Six months ended June 30, 2001	Year ended December 31 2000	1999	1998	1997	1996
EARNINGS						
Income from continuing operations before taxes	$851	$1,848	$1,788	$1,651	$1,595	$1,526
Fixed charges excluding interest on deposits	460	1,033	980	1,159	1,080	1,014
Subtotal	1,311	2,881	2,768	2,810	2,675	2,540
Interest on deposits	731	1,653	1,369	1,471	1,457	1,428
Total	$2,042	$4,534	$4,137	$4,281	$4,132	$3,968
FIXED CHARGES						
Interest on borrowed funds	$401	$915	$870	$1,065	$1,010	$985
Interest component of rentals	26	50	44	33	26	27
Amortization of notes and debentures		1	1	1	1	1
Distributions on Mandatorily Redeemable Capital Securities of Subsidiary Trusts	33	67	65	60	43	1
Subtotal	460	1,033	980	1,159	1,080	1,014
Interest on deposits	731	1,653	1,369	1,471	1,457	1,428
Total	$1,191	$2,686	$2,349	$2,630	$2,537	$2,442
RATIO OF EARNINGS TO FIXED CHARGES						
Excluding interest on deposits	2.85 x	2.79 x	2.82 x	2.42 x	2.48 x	2.50 x
Including interest on deposits	1.71	1.69	1.76	1.63	1.63	1.62

EXHIBIT 12.2

THE PNC FINANCIAL SERVICES GROUP, INC.
COMPUTATION OF RATIO OF EARNINGS
TO FIXED CHARGES AND PREFERRED STOCK DIVIDENDS

Dollars in millions	Six months ended June 30, 2001	Year ended December 31 2000	1999	1998	1997	1996
EARNINGS						
Income from continuing operations before taxes	$851	$1,848	$1,788	$1,651	$1,595	$1,526
Fixed charges and preferred stock dividends excluding interest on deposits	474	1,063	1,010	1,188	1,110	1,022
Subtotal	1,325	2,911	2,798	2,839	2,705	2,548
Interest on deposits	731	1,653	1,369	1,471	1,457	1,428
Total	$2,056	$4,564	$4,167	$4,310	$4,162	$3,976
FIXED CHARGES						
Interest on borrowed funds	$401	$915	$870	$1,065	$1,010	$985
Interest component of rentals	26	50	44	33	26	27
Amortization of notes and debentures		1	1	1	1	1
Distributions on Mandatorily Redeemable Capital Securities of Subsidiary Trusts	33	67	65	60	43	1
Preferred stock dividend requirements	14	30	30	29	30	8
Subtotal	474	1,063	1,010	1,188	1,110	1,022
Interest on deposits	731	1,653	1,369	1,471	1,457	1,428
Total	$1,205	$2,716	$2,379	$2,659	$2,567	$2,450
RATIO OF EARNINGS TO FIXED CHARGES AND PREFERRED STOCK DIVIDENDS						
Excluding interest on deposits	2.80 x	2.74 x	2.77 x	2.39 x	2.44 x	2.49 x
Including interest on deposits	1.71	1.68	1.75	1.62	1.62	1.62