THE PNC FINANCIAL SERVICES GROUP, INC.

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

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

The Quarterly Report on Form 10-Q and cross reference index is on page 41.
CONSOLIDATED FINANCIAL HIGHLIGHTS
THE PNC FINANCIAL SERVICES GROUP, INC.

<TABLE>
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	Three months ended September 30		Nine months ended September 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)	$564	$534	$1,692	$1,644
Noninterest income	789	700	2,210	2,156
Total revenue	1,353	1,234	3,902	3,800
Income from continuing operations	298	299	858	900
Discontinued operations		23	40	45
Income before cumulative effect of accounting change	298	322	898	945
Cumulative effect of accounting change			(5)	
Net income	$298	$322	$893	$945
CASH EARNINGS (a)				
Continuing operations	$327	$328	$946	$986
Discontinued operations		24	40	46
Before cumulative effect of accounting change	327	352	986	1,032
Cumulative effect of accounting change			(5)	
Net income from cash earnings	$327	$352	$981	$1,032
Per common share				
DILUTED EARNINGS				
Continuing operations	$1.02	$1.01	$2.91	$3.03
Discontinued operations		.08	.14	.15
Before cumulative effect of accounting change	1.02	1.09	3.05	3.18
Cumulative effect of accounting change			(.02)	

Net income	$1.02	$1.09	$3.03	$3.18
DILUTED CASH EARNINGS (a)				
Continuing operations	$1.12	$1.11	$3.22	$3.32
Discontinued operations		.08	.14	.16
Before cumulative effect of accounting change	1.12	1.19	3.36	3.48
Cumulative effect of accounting change			(.02)	
Net income from cash earnings	$1.12	$1.19	$3.34	$3.48
Cash dividends declared	$.48	$.45	$1.44	$1.35
SELECTED RATIOS				
FROM CONTINUING OPERATIONS				
Return on				
Average common shareholders' equity	17.92%	19.99%	17.55%	20.67%
Average assets	1.71	1.72	1.63	1.74
Net interest margin	3.86	3.54	3.76	3.63
Noninterest income to total revenue	58.31	56.73	56.64	56.74
Efficiency (b)	54.70	56.79	56.71	57.32
FROM NET INCOME				
Return on				
Average common shareholders' equity	17.92%	21.54%	18.28%	21.72%
Average assets	1.71	1.67	1.67	1.67
Net interest margin	3.86	3.27	3.72	3.38
Noninterest income to total revenue	58.31	59.23	57.12	58.82
Efficiency (c)	54.70	54.50	56.13	55.87

</TABLE>

(a) Excludes amortization of goodwill and does not reflect the implementation of Statement of Financial Accounting Standards No. 142.

(b) Excludes amortization and distributions on capital securities.

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

<TABLE>
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Dollars in millions, except per share data	September 30 2001	December 31 2000	September 30 2000
<S>	<C>	<C>	<C>
BALANCE SHEET DATA			

Assets	$71,944	$69,844	$69,884
Earning assets	57,684	59,373	60,142
Loans, net of unearned income	42,140	50,601	49,791
Securities available for sale	11,689	5,902	6,490
Loans held for sale	1,753	1,655	2,127
Deposits	44,995	47,664	47,494
Transaction deposits	30,773	28,771	27,848
Borrowed funds	13,046	11,718	12,299
Shareholders' equity	6,827	6,656	6,383
Common shareholders' equity	6,611	6,344	6,071
Book value per common share	23.28	21.88	21.01
Loans to deposits	94%	106%	105%
CAPITAL RATIOS			
Leverage	8.1%	8.0%	6.9%
Common shareholders' equity to total assets	9.19	9.08	8.69
ASSET QUALITY RATIOS			
Nonperforming assets to total loans, loans held for sale and foreclosed assets	.85%	.71%	.68%
Allowance for credit losses to total loans	1.71	1.33	1.36
Allowance for credit losses to nonaccrual loans	199.45	208.98	219.16
Net charge-offs to average loans (For the three months ended)	.59	.32	.24

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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. Certain prior-period amounts have been reclassified to conform with the current year presentation. 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.

PNC continues to aggressively pursue strategies to create a more diverse and valuable business mix designed to create shareholder value over time. PNC's focus is on increasing the contribution from more highly-valued businesses such as asset management and processing while improving the risk/return characteristics of traditional banking businesses. Earnings from asset management and processing businesses represented 25% of total business earnings for the first nine months of 2001 and consolidated noninterest income was 57% of total revenue for the first nine months of 2001. At the same time, PNC sold its residential mortgage banking business and has been downsizing certain institutional lending portfolios resulting in an improvement of the loan to deposit ratio to 94% at September 30, 2001. Over the past three years, PNC has reduced loans by $15 billion and unfunded commitments by $32 billion. PNC continues to evaluate opportunities to reduce lending exposure and further improve the risk/return characteristics of its lending businesses. All of the actions have strenghtened PNC's position in the most difficult operating environment since the early 1990's.

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 nine 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 nine months of 2001 was $893 million or $3.03 per diluted share. Excluding the effect of adopting the new accounting standard for financial derivatives, net income was $898 million or $3.05 per diluted share compared with $945 million or $3.18 per diluted share for the first nine months of 2000. These results include the negative impact of a $59 million or $.20 per diluted share net loss from venture capital activities in 2001. Excluding this loss and the effect of the accounting change, results for the first nine months of 2001 were $957 million or $3.25 per diluted share.

Return on average common shareholders' equity was 18.28% and return on average assets was 1.67% for the first nine months of 2001 compared with 21.72% and 1.67%, respectively, for the first nine 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.

Taxable-equivalent net interest income of $1.692 billion for the first nine months of 2001 increased 3% compared with the first nine months of 2000. The increase was 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 net interest margin widened 13 basis points to 3.76% for the first nine months of 2001 compared with 3.63% for the first nine months of 2000. The increase was primarily due to the impact of the lower rate environment and the benefit of growth in transaction deposits and downsizing of higher-cost, less valuable retail certificates and wholesale deposits.

The provision for credit losses was $235 million for the first nine months of 2001 compared with $96 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. A $45 million addition to unallocated reserves, given the deterioration in overall economic conditions, also contributed to the increase.

Noninterest income was $2.210 billion for the first nine months of 2001 and included $134 million of net securities gains and $82 million of equity management losses related to venture capital activities. Excluding net securities gains and equity management gains and losses from both years, noninterest income increased 7% compared with the first nine months of 2000 primarily due to growth in asset management, fund servicing and consumer services revenue.

Noninterest expense was $2.350 billion for the first nine months of 2001 compared with $2.319 billion for the first nine months of 2000 and the efficiency ratio remained essentially flat at 57% during both periods.

Total assets were $71.9 billion at September 30, 2001 compared with $69.8 billion at December 31, 2000. Average interest-earning assets were $59.7 billion for the first nine months of 2001 compared with $60.1 billion for the first nine months of 2000. A decline in loans and loans held for sale was partially offset by an increase in securities available for sale that are used for balance sheet and interest rate risk management activities.

Shareholders' equity totaled $6.8 billion at September 30, 2001 and the regulatory capital ratios were 8.1% for leverage, 8.4% for tier I risk-based and 12.0% for total risk-based capital. During the first nine months of 2001, PNC repurchased 8.4 million shares of common stock.

Nonperforming assets were $374 million at September 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 was .85% at September 30, 2001 compared with .71% at December 31, 2000. This ratio increased as the benefit of essentially flat nonperforming assets was more than offset by a reduction in loans outstanding.

The allowance for credit losses was $720 million and represented 1.71% of total loans and 199% of nonaccrual loans at September 30, 2001. The comparable amounts were $675 million, 1.33% and 209%, respectively, at December 31, 2000. Net charge-offs were $190 million or .55% of average loans for the first nine months of 2001 compared with $95 million or .25% for the same period in 2000. The increase was primarily related to commercial loans in 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 were designated for downsizing during 1999, equity management activities, minority interests, residual asset and liability management activities, eliminations, unallocated reserves and unassigned items, the impact of which is reflected in the "Other" category. The operating results and financial impact of the disposition of the residential mortgage banking business, previously PNC Mortgage, are included in discontinued operations.

RESULTS OF BUSINESSES

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<TABLE>
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                                                                    Revenue              Return on
                                               Earnings      (taxable-equivalent basis)   Assigned Capital
Average Assets
                                            ----------------------------------------------------------------------
----------------
Nine months ended September 30 -
dollars in millions                          2001        2000       2001       2000      2001        2000
2001      2000
- ------------------------------------------------------------------------------------------------------------------
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PNC Bank								
Regional Community Banking	$525	$430	$1,685	$1,497	26%	22%	$40,188	$38,564
Corporate Banking	97	190	562	633	11	21	16,389	16,318
Total PNC Bank	622	620	2,247	2,130	21	22	56,577	54,882
Secured Finance								
PNC Real Estate Finance	53	50	161	155	18	17	5,253	5,583
PNC Business Credit	42	37	102	86	35	33	2,430	2,230
Total Secured Finance	95	87	263	241	23	22	7,683	7,813
Total Banking	717	707	2,510	2,371	21	22	64,260	62,695
Asset Management and Processing								
PNC Advisors	117	127	562	589	29	31	3,399	3,541
BlackRock	79	63	404	348	25	27	644	492
PFPC	49	31	556	505	31	20	1,759	1,578
Total Asset Management and Processing	245	221	1,522	1,442	28	28	5,802	5,611
Total business results	962	928	4,032	3,813	23	23	70,062	68,306
Other	(104)	(28)	(130)	(13)			427	221
Results from continuing operations	858	900	3,902	3,800	18	21	70,489	68,527
Discontinued operations	40	45					68	459
Cumulative effect of accounting change	(5)							
Total Consolidated	$893	$945	$3,902	$3,800	18	22	$70,557	$68,986

</TABLE>

REGIONAL COMMUNITY BANKING

Nine months ended September 30 - dollars in millions	2001	2000
INCOME STATEMENT		
Net interest income	$1,093	$1,058
Other noninterest income	507	443
Net securities gains (losses)	85	(4)
Total revenue	1,685	1,497
Provision for credit losses	35	33
Noninterest expense	827	796
Pretax earnings	823	668
Income taxes	298	238
Earnings	$525	$430
AVERAGE BALANCE SHEET		
Loans		

Consumer		
Home equity	$6,219	$5,360
Indirect automobile	853	1,281
Other consumer	870	873
Total consumer	7,942	7,514
Commercial	3,588	3,676
Residential mortgage	8,691	11,538
Vehicle leasing	1,872	1,255
Other	135	142
Total loans	22,228	24,125
Securities available for sale	9,561	5,547
Loans held for sale	1,270	1,316
Assigned assets and other assets	7,129	7,576
Total assets	$40,188	$38,564
Deposits		
Noninterest-bearing demand	$4,515	$4,570
Interest-bearing demand	5,602	5,408
Money market	12,020	9,994
Total transaction deposits	22,137	19,972
Savings	1,870	2,030
Certificates	12,292	13,641
Total deposits	36,299	35,643
Other liabilities	1,177	319
Assigned capital	2,712	2,602
Total funds	$40,188	$38,564
PERFORMANCE RATIOS		
Return on assigned capital	26%	22%
Noninterest income to total revenue	35	29
Efficiency	47	51

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 55% of total business earnings for the first nine months of 2001 compared with 46% for the first nine months of 2000. Earnings increased $95 million or 22% to $525 million for the first nine months of 2001 primarily due to business growth and net securities gains. Excluding net securities gains from the first nine months of 2001 and net securities losses from the first nine months of 2000, earnings increased approximately 10% primarily driven by higher noninterest income, deposit growth and improved efficiency.

Total revenue increased 13% to $1.685 billion for the first nine months of 2001. Excluding net securities gains and losses from both periods, revenue increased 7% 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 nine months of 2001 was $35 million compared with $33 million for the same period in 2000.

Total loans decreased in the comparison as growth in home equity loans and vehicle leases was more than offset by the reduction of residential mortgage loans due to securitizations and the continued downsizing of the indirect automobile lending portfolio. The decrease in residential mortgage loans was offset by an increase in securities available for sale.

Total deposits grew 2% 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.

FINANCIAL REVIEW
THE PNC FINANCIAL SERVICES GROUP, INC.

CORPORATE BANKING

Nine months ended September 30 - dollars in millions	2001	2000
INCOME STATEMENT		
Credit-related revenue	$289	$304
Noncredit revenue	273	329
Total revenue	562	633
Provision for credit losses	129	50
Noninterest expense	287	291
Pretax earnings	146	292
Income taxes	49	102
Earnings	$97	$190
AVERAGE BALANCE SHEET		
Loans		
Middle market	$5,834	$6,140
Large corporate	3,127	3,223
Energy, metals and mining	1,222	1,341
Communications	1,063	1,449
Leasing	2,264	1,768
Other	329	362
Total loans	13,839	14,283
Other assets	2,550	2,035
Total assets	$16,389	$16,318
Deposits	$4,764	$4,571
Assigned funds and other liabilities	10,396	10,523
Assigned capital	1,229	1,224
Total funds	$16,389	$16,318
PERFORMANCE RATIOS		
Return on assigned capital	11%	21%
Noncredit revenue to total revenue	49	52
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, and on improving the risk/return characteristics of its lending business. Approximately 35% of Corporate Banking's 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 customer.

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 aggressively evaluate opportunities to reduce lending exposure and improve the risk/return characteristics of this business. This strategy could lead to significant changes and write-downs in connection with the execution of further downsizing actions.

Corporate Banking contributed 10% of total business earnings for the first nine months of 2001 compared with 21% for the first nine months of 2000. Earnings declined to $97 million for the first nine months of 2001 compared with $190 million for the first nine months of 2000 primarily due to a higher provision for credit losses in 2001 related to portfolios that PNC is downsizing and lower noncredit revenue.

Total revenue of $562 million for the first nine months of 2001 decreased $71 million compared with the same period in 2000. Credit-related revenue decreased 5% compared with the first nine months of 2000 as the impact of a wider net interest margin was more than 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 large corporate, 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 $56 million compared with the first nine 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 $129 million for the first nine months of 2001 compared with $50 million for the first nine months of 2000. The higher provision was primarily related to portfolios that are being downsized. A sustained weakness 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 $251 million for the first nine months of 2001 compared with $253 million for the first nine 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 $89 million for the first nine months of 2001, a $10 million decrease compared with the first nine months of 2000 due to weak equity market conditions as well as the impact of downsizing certain lending portfolios.

PNC REAL ESTATE FINANCE

Nine months ended September 30 - dollars in millions	2001	2000
INCOME STATEMENT		
Net interest income	$88	$87
Noninterest income		
Commercial mortgage banking	45	45
Other	28	23
Total noninterest income	73	68
Total revenue	161	155
Provision for credit losses	3	
Noninterest expense	117	102
Pretax earnings	41	53
Income tax (benefit) expense	(12)	3
Earnings	$53	$50
AVERAGE BALANCE SHEET		
Loans		
Commercial - real estate related	$1,753	$2,021
Commercial real estate	2,321	2,427
Total loans	4,074	4,448
Commercial mortgages held for sale	220	180
Other assets	959	955
Total assets	$5,253	$5,583
Deposits	$466	$260
Assigned funds and other liabilities	4,392	4,940
Assigned capital	395	383
Total funds	$5,253	$5,583
PERFORMANCE RATIOS		
Return on assigned capital	18%	17%
Noninterest income to total revenue	45	44
Efficiency	58	53

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 provides processing services through 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, ("Columbia") a national syndicator of affordable housing equity.

On October 17, 2001, PNC announced that it completed the acquisition of certain lending and servicing-related assets from TRI Acceptance Corporation. The acquisition will expand PNC Real Estate Finance's reach in multi-family finance, combining permanent loan capacity with PNC's traditional interim lending activities and Columbia's tax credit syndication capabilities.

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 nine months of 2001, 45% of total revenue was generated by fee-based activities. Management continues to aggressively evaluate opportunities to reduce credit exposure and improve the risk/return characteristics of this business.

PNC Real Estate Finance contributed 6% of total business earnings for the first nine months of 2001 compared with 5% for the first nine months of 2000. Earnings increased $3 million or 6% in the period-to-period comparison primarily due to growth in processing services. Average loans decreased 8% in the period-to-period comparison reflecting management's ongoing strategy to reduce balance sheet leverage.

Total revenue was $161 million for the first nine months of 2001 compared with $155 million for the first nine months of 2000. The increase of $6 million or 4% was primarily due to higher commercial mortgage loan servicing fees, reflecting a larger servicing portfolio. The increase in servicing fees was offset by higher amortization of servicing intangibles that resulted from the larger servicing portfolio as well as lower commercial mortgage-backed securitization gains. The commercial mortgage servicing portfolio increased 32% in the comparison to $66 billion at September 30, 2001.

COMMERCIAL MORTGAGE SERVICING PORTFOLIO

In billions	2001	2000
January 1	$51	$45
Acquisitions/additions	23	10
Repayments/transfers	(8)	(5)
September 30	$66	$50

The provision for credit losses was $3 million for the first nine months of 2001 and was primarily related to the sale of one nonperforming asset in the third quarter of 2001.

Noninterest expense was $117 million for the first nine months of 2001 compared with $102 million in the same period last year. The increase was primarily due to non-cash (passive) losses on affordable housing investments that were more than offset by related income tax credits.

PNC BUSINESS CREDIT

Nine months ended September 30 - dollars in millions	2001	2000
INCOME STATEMENT		
Net interest income	$77	$74
Noninterest income	25	12
Total revenue	102	86
Provision for credit losses	13	7
Noninterest expense	23	22
Pretax earnings	66	57
Income taxes	24	20
Earnings	$42	$37
AVERAGE BALANCE SHEET		

Loans	$2,304	$2,158
Other assets	126	72
Total assets	$2,430	$2,230
Deposits	$81	$62
Assigned funds and other liabilities	2,188	2,020
Assigned capital	161	148
Total funds	$2,430	$2,230
PERFORMANCE RATIOS		
Return on assigned capital	35%	33%
Noninterest income to total revenue	25	14
Efficiency	22	24

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 portfolio acquisitions, expansion of existing offices as well as the addition of new marketing locations. The average loan portfolio grew 7% to $2.3 billion for the first nine months of 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 4% of total business earnings for the first nine months of 2001 and 2000. Earnings increased $5 million or 14% in the period-to-period comparison to $42 million for the first nine months of 2001 as higher revenue was partially offset by an increase in the provision for credit losses.

Revenue was $102 million for the first nine months of 2001, a $16 million or 19% increase compared with the first nine 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 $13 million for the first nine 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 $23 million and the efficiency ratio improved to 22% for the first nine months of 2001 compared with $22 million and 24%, respectively, for the first nine 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

Nine months ended September 30 - dollars in millions	2001	2000
INCOME STATEMENT		
Net interest income	$99	$102
Noninterest income		
Investment management and trust	302	307
Brokerage	100	132
Other	61	48
Total noninterest income	463	487
Total revenue	562	589
Provision for credit losses	1	3
Noninterest expense	376	385
Pretax earnings	185	201
Income taxes	68	74
Earnings	$117	$127

AVERAGE BALANCE SHEET		
Loans		
Commercial	$543	$623
Consumer	1,098	960
Residential mortgage	884	969
Other	395	547
Total loans	2,920	3,099
Other assets	479	442
Total assets	$3,399	$3,541
Deposits	$2,078	$2,048
Assigned funds and other liabilities	774	943
Assigned capital	547	550
Total funds	$3,399	$3,541
PERFORMANCE RATIOS		
Return on assigned capital	29%	31%
Noninterest income to total revenue	82	83
Efficiency	66	65

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

PNC Advisors contributed 12% of total business earnings for the first nine months of 2001 compared with 14% for the first nine months of 2000. Earnings of $117 million for the first nine months of 2001 decreased 8% compared with the same period last year due to the impact of weak equity markets.

Revenue decreased $27 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 $9 million in the period-to-period comparison primarily due to lower production-based compensation and expense management initiatives.

ASSETS UNDER MANAGEMENT (a)

September 30 - in billions	2001	2000
Personal investment management and trust	$46	$51
Institutional trust	13	15
Total	$59	$66

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

Assets under management decreased $7 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 $26 billion at September 30, 2001, compared with $28 billion at September 30, 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

Nine months ended September 30 -

dollars in millions	2001	2000
INCOME STATEMENT		
Investment advisory and administrative fees	$376	$330
Other income	28	18
Total revenue	404	348
Operating expense	222	179
Fund administration and servicing costs - affiliates	47	58
Amortization	8	8
Total expense	277	245
Operating income	127	103
Nonoperating income	7	4
Pretax earnings	134	107
Income taxes	55	44
Earnings	$79	$63
PERIOD-END BALANCE SHEET		
Intangible assets	$184	$195
Other assets	460	297
Total assets	$644	$492
Other liabilities	$186	$148
Stockholders' equity	458	344
Total liabilities and stockholders' equity	$644	$492
PERFORMANCE DATA		
Return on equity	25%	27%
Operating margin (a)	36	36
Diluted earnings per share	$1.22	$.97

(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 $226 billion of assets under management at September 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 nine months of 2001 compared with 7% for the first nine months of 2000. Earnings increased 26% in the period-to-period comparison primarily due to an 18% increase in assets under management. New client mandates and additional funding from existing clients was $31 billion or 89% of the increase in assets under management.

Total revenue for the first nine months of 2001 increased $56 million or 16% compared with the first nine 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

September 30 - in billions	2001	2000
Separate accounts		
Fixed income	$119	$97
Liquidity	7	5
Liquidity - securities lending	8	11
Equity	8	7
Alternative investment products	5	3
Total separate accounts	147	123
Mutual funds (a)		
Fixed income	14	14
Liquidity	56	38
Equity	9	16
Total mutual funds	79	68
Total assets under management	$226	$191

(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

Nine months ended September 30 - dollars in millions	2001	2000
INCOME STATEMENT		
Fund servicing revenue	$556	$505
Operating expense	396	380
Amortization	19	24
Operating income	141	101
Nonoperating income (a)	11	21
Debt financing	71	71
Pretax earnings	81	51
Income taxes	32	20
Earnings	$49	$31
AVERAGE BALANCE SHEET		
Intangible assets	$1,072	$1,110
Other assets	687	468
Total assets	$1,759	$1,578
Deposits	$79	$139
Assigned funds and other liabilities	1,472	1,231
Assigned capital	208	208
Total funds	$1,759	$1,578
PERFORMANCE RATIOS		
Operating margin	25%	20%
Return on assigned capital	31	20

(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 nine months of 2001 and 3% for the first nine months of 2000. Earnings increased $18 million or 58% 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 nine 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 $556 million for the first nine months of 2001 increased $51 million or 10% compared with the first nine months of 2000. An increase in accounting/administration revenue, driven by new client growth, more than offset the impact of lower custody assets. Growth rates in this business are expected to slow as a result of lower market valuations and competitive pricing pressure. 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 4% 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

September 30	2001	2000
Accounting/administration assets ($ in billions) (a)	$500	$460
Custody assets ($ in billions)	359	434
Shareholder accounts (in millions)	47	43

(a) Includes net assets serviced offshore of approximately $16 billion and $8 billion at September 30, 2001 and 2000, respectively.

FINANCIAL REVIEW
THE PNC FINANCIAL SERVICES GROUP, INC.

CONSOLIDATED INCOME STATEMENT REVIEW
NET INTEREST INCOME ANALYSIS

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Taxable-equivalent basis Nine months ended September 30 - dollars in millions	Average Balances 2001	 2000	 Change	Interest Income/Expense 2001	 2000	 Change	Average Yields/Rates 2001	 2000	 Change
Interest-earning assets									
Loans held for sale	$1,805	$2,681	$(876)	$90	$163	$(73)	6.52%	8.10%	(158)bp
Securities available for sale	10,237	6,105	4,132	454	292	162	5.92	6.38	(46)
Loans, net of unearned income									
Commercial	20,144	21,878	(1,734)	1,130	1,383	(253)	7.40	8.31	(91)
Commercial real estate	2,567	2,689	(122)	146	179	(33)	7.50	8.73	(123)
Consumer	9,095	9,210	(115)	563	589	(26)	8.28	8.55	(27)
Residential mortgage	9,616	12,519	(2,903)	522	668	(146)	7.24	7.11	13
Lease financing	4,144	3,082	1,062	220	168	52	7.07	7.25	(18)
Other	478	670	(192)	25	42	(17)	6.93	8.40	(147)
Total loans, net of unearned income	46,044	50,048	(4,004)	2,606	3,029	(423)	7.51	8.01	(50)
Other	1,637	1,278	359	93	71	22	7.61	7.39	22
Total interest-earning assets/ interest income	59,723	60,112	(389)	3,243	3,555	(312)	7.21	7.84	(63)
Noninterest-earning assets	10,834	8,874	1,960						
Total assets	$70,557	$68,986	$1,571						
Interest-bearing liabilities									
Deposits									
Demand and money market	$20,994	$18,389	$2,605	419	472	(53)	2.66	3.43	(77)
Savings	1,927	2,088	(161)	15	27	(12)	1.03	1.73	(70)
Retail certificates of deposit	12,716	14,591	(1,875)	516	603	(87)	5.43	5.52	(9)
Other time	534	633	(99)	26	31	(5)	6.48	6.45	3
Deposits in foreign offices	948	1,437	(489)	35	67	(32)	4.86	6.12	(126)
Total interest-bearing deposits	37,119	37,138	(19)	1,011	1,200	(189)	3.64	4.31	(67)
Borrowed funds	13,637	14,422	(785)	540	711	(171)	5.23	6.49	(126)

Total interest-bearing liabilities/ interest expense	50,756	51,560	(804)	1,551	1,911	(360)	4.07	4.92	(85)
Noninterest-bearing liabilities, capital securities and shareholders' equity	19,801	17,426	2,375						
Total liabilities, capital securities and shareholders' equity	$70,557	$68,986	$1,571						
Interest rate spread							3.14	2.92	22
Impact of noninterest-bearing sources							.62	.71	(9)
Net interest income/margin				$1,692	$1,644	$48	3.76%	3.63%	13bp

</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 $1.692 billion for the first nine months of 2001 increased 3% compared with the first nine months of 2000. The increase was 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 net interest margin widened 13 basis points to 3.76% for the first nine months of 2001 compared with 3.63% for the first nine months of 2000. The increase was primarily due to the impact of the lower rate environment and the benefit of growth in transaction deposits and downsizing of higher-cost, less valuable retail certificates and wholesale deposits. See Interest Rate Risk in the Risk Management section of this Financial Review for additional information regarding interest rate risk.

Loans represented 77% of average interest-earning assets for the first nine months of 2001 compared with 83% for the first nine 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 nine months of 2001.

Securities available for sale represented 17% of average interest-earning assets for the first nine months of 2001 compared with 10% for the first nine months of 2000. The increase was primarily due to 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 66% of total sources of funds for the first nine 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 nine 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 nine months of 2001 decreased $785 million compared with the first nine months of 2000 as lower bank notes and senior debt were partially offset by increases in Federal Home Loan Bank borrowings and repurchase agreements.

PROVISION FOR CREDIT LOSSES
The provision for credit losses was $235 million for the first nine months of 2001 compared with $96 million for the first nine months of 2000. The increase was primarily related to institutional lending portfolios that PNC is downsizing and a $45 million addition to unallocated reserves, given the deterioration in economic conditions. See Credit Risk in the Risk Management section of this Financial Review for additional information regarding credit risk.

NONINTEREST INCOME

Noninterest income was $2.210 billion for the first nine months of 2001 and included $134 million of net securities gains and $82 million of equity management losses related to venture capital activities. Excluding equity management income and losses and net securities gains in both years, noninterest income increased 7% compared with the first nine months of 2000 primarily due to growth in asset management, fund servicing and consumer services revenue.

Asset management fees of $645 million for the first nine months of 2001 increased $55 million or 9% primarily driven by new institutional business and strong fixed-income performance at BlackRock. Consolidated assets under management were $270 billion at September 30, 2001, a 13% increase compared with September 30, 2000. Fund servicing fees were $545 million for the first nine months of 2001, a $58 million or 12% increase compared with the first nine months of 2000 primarily driven by new client growth.

Service charges on deposits increased 7% to $160 million for the first nine months of 2001 primarily due to an increase in transaction deposit accounts. Brokerage fees were $163 million for the first nine months of 2001 compared with $192 million for the first nine months of 2000. The decrease was primarily due to a decline in equity markets activity. Consumer services revenue of $171 million for the first nine months of 2001 increased $18 million or 12% compared with the first nine months of 2000 primarily due to the expansion of PNC's ATM network and the increase in transaction deposit accounts.

Corporate services revenue was $230 million for the first nine months of 2001 compared with $248 million for the first nine months of 2000. Higher commercial mortgage servicing revenue was more than offset by valuation adjustments of other assets and lower capital markets revenue.

Equity management, which is comprised of venture capital activities, reflected a net loss of $82 million for the first nine months of 2001 compared with $132 million of income for the first nine months of 2000. The decrease primarily resulted from a decline in the estimated fair value of partnership investments. At September 30, 2001, equity management investments totaling approximately $683 million, including net unrealized appreciation of $31 million, were comprised of approximately 60% direct investments and 40% partnership investments. These valuations are subject to market conditions and may be volatile. PNC is currently evaluating strategies to mitigate the impact of the revenue volatility of this business.

Net securities gains were $134 million for the first nine months of 2001 and were partially offset by valuation adjustments and write-downs of other assets and e-commerce investments totaling $35 million that are reflected in corporate services and other noninterest income.

Other noninterest income was $244 million for the first nine months of 2001 compared with $200 million for the first nine months of 2000. The increase was primarily due to higher revenue from trading activities and residential mortgage loan securitizations.

NONINTEREST EXPENSE

Noninterest expense was $2.350 billion for the first nine months of 2001 compared with $2.319 billion for the first nine months of 2000 and the efficiency ratio remained essentially flat at 57% during both periods. The increase in noninterest expense was primarily in businesses that have stronger revenue growth including the Regional Community Bank, BlackRock and PFPC. Average full-time equivalent employees totaled approximately 24,600 and 24,000 for the first nine months of 2001 and 2000, respectively. The increase was primarily in asset management and processing businesses.

CONSOLIDATED BALANCE SHEET REVIEW

LOANS

Loans were $42.1 billion at September 30, 2001, a decrease of $8.5 billion 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	September 30 2001	December 31 2000
Commercial		
Manufacturing	$4,567	$5,581
Retail/wholesale	4,293	4,413
Service providers	2,386	2,944
Real estate related	1,826	1,783

Financial services	1,608	1,726
Communications	934	1,296
Health care	658	722
Other	2,312	2,742
Total commercial	18,584	21,207
Commercial real estate		
Mortgage	591	673
Real estate project	2,024	1,910
Total commercial real estate	2,615	2,583
Consumer		
Home equity	6,883	6,228
Automobile	860	1,166
Other	1,378	1,739
Total consumer	9,121	9,133
Residential mortgage	6,815	13,264
Lease financing	5,663	4,845
Other	485	568
Unearned income	(1,143)	(999)
Total, net of unearned income	$42,140	$50,601

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 September 30, 2001, remaining outstandings associated with this initiative were $321 million, of which $271 million were classified as loans with the remainder included in loans held for sale. Total remaining exposure related to this initiative was $1.3 billion at September 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 September 30, 2001, remaining outstandings and exposure associated with this initiative were $1.6 billion and $4.5 billion, respectively.

NET UNFUNDED COMMITMENTS (a)

In millions	September 30 2001	December 31 2000
Commercial	$21,009	$24,253
Commercial real estate	969	1,039
Consumer	4,750	4,414
Lease financing	123	123
Other	150	173
Total	$27,001	$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, and total $7.4 billion at September 30, 2001 and $7.2 billion at December 31, 2000.

Net outstanding letters of credit totaled $4.1 billion and $4.0 billion at September 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 $3.9 billion at September 30, 2001 and $1.7 billion at December 31, 2000.

SECURITIES AVAILABLE FOR SALE

The fair value of securities available for sale at September 30, 2001 was $11.7 billion compared with $5.9 billion at December 31, 2000. Securities represented 16% of total assets at September 30, 2001 compared with 8% at December 31, 2000. The increase was primarily due to residential mortgage loan securitizations and purchases of asset-backed securities during the first nine months of 2001. The expected weighted-average life of securities available for sale was 5 years and 2 months at September 30, 2001 compared with 4 years and 5 months at December 31, 2000.

At September 30, 2001, the securities available for sale balance included a net unrealized gain of $79 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 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
SEPTEMBER 30, 2001		
Debt securities		
U.S. Treasury and government agencies	$1,053	$1,059
Mortgage-backed	6,509	6,561
Asset-backed	2,472	2,501
State and municipal	65	68
Other debt	978	983
Corporate stocks and other	533	517
Total securities available for sale	$11,610	$11,689
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 $58.0 billion at September 30, 2001 and decreased $1.3 billion compared with December 31, 2000. Demand 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	September 30 2001	December 31 2000
Deposits		
Demand and money market	$30,773	$28,771
Savings	1,923	1,915
Retail certificates of deposit	11,577	14,175
Other time	495	567
Deposits in foreign offices	227	2,236
Total deposits	44,995	47,664
Borrowed funds		
Federal funds purchased	1,904	1,445
Repurchase agreements	672	607
Bank notes and senior debt	5,344	6,110
Federal Home Loan Bank borrowings	2,457	500
Subordinated debt	2,368	2,407
Other borrowed funds	301	649
Total borrowed funds	13,046	11,718
Total	$58,041	$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 September 30, 2001, the Corporation and each bank subsidiary were considered well capitalized based on regulatory capital ratio requirements.

RISK-BASED CAPITAL

Dollars in millions	September 30 2001	December 31 2000
Capital components		
Shareholders' equity		
Common	$6,611	$6,344
Preferred	216	312
Trust preferred capital securities	848	848
Goodwill and other	(2,192)	(2,214)
Net unrealized securities (gains) losses	(55)	77
Tier I risk-based capital	5,428	5,367
Subordinated debt	1,616	1,811
Eligible allowance for credit losses	720	667
Total risk-based capital	$7,764	$7,845
Assets		
Risk-weighted assets and off-balance-sheet instruments, and market risk equivalent assets	$64,645	$62,430
Average tangible assets	66,681	66,809
Capital ratios		
Tier I risk-based	8.4%	8.6%
Total risk-based	12.0	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 October 4, 2001, PNC redeemed all outstanding shares of Fixed/Adjustable Rate Noncumulative Preferred Stock Series F for approximately $205 million.

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. During the first nine months of 2001, PNC repurchased 8.4 million shares of its common stock.

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. A sustained weakness or further weakening of the economy 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 level of nonperforming assets, net charge-offs and provision for credit losses. 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 or volatility in the equity markets could negatively affect noninterest revenues.

TERRORIST ACTIVITIES
The impact of the September 11th terrorist attacks or any future terrorist activities and responses to such activities cannot be predicted at this time

with respect to severity or duration. The impact could adversely affect the Corporation in a number of ways including, among others, an increase in delinquencies, bankruptcies or defaults that could result in a higher level of nonperforming assets, net charge-offs and provision for credit losses.

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 sustained weakness or further weakening or volatility 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	September 30 2001	December 31 2000
Nonaccrual loans		
Commercial	$324	$312
Commercial real estate	13	3
Consumer	4	2
Residential mortgage	6	4
Lease financing	14	2
Total nonaccrual loans	361	323
Foreclosed and other assets		
Commercial real estate	2	3
Residential mortgage	2	8
Other	9	38
Total foreclosed and other assets	13	49
Total nonperforming assets	$374	$372
Nonaccrual loans to total loans	.86%	.64%
Nonperforming assets to total loans, loans held for sale and foreclosed assets	.85	.71
Nonperforming assets to total assets	.52	.53

The above table excludes $37 million and $18 million of equity management assets carried at estimated fair value at September 30, 2001 and December 31, 2000, respectively. The amount of nonperforming loans that were current as to principal and interest was $91 million at September 30, 2001 and $67 million at December 31, 2000. At September 30, 2001, approximately one-fifth of nonperforming assets were from portfolios that were designated for downsizing.

A sustained weakness 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	513	291
Returned to performing	(14)	(3)
Principal reductions	(143)	(125)
Sales	(162)	(31)
Charge-offs and other	(192)	(103)
September 30	$374	$354

ACCRUING LOANS PAST DUE 90 DAYS OR MORE

	Amount		Percent of Loans	
Dollars in millions	September 30 2001	December 31 2000	September 30 2001	December 31 2000
Commercial	$37	$46	.20%	.22%
Commercial real estate	11	6	.42	.23
Consumer	23	24	.25	.26
Residential mortgage	42	36	.62	.27
Lease financing	2	1	.04	.03
Total	$115	$113	.27	.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 nine months totaled $146 million at September 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 nine months of 2001 and the evaluation of the allowance for credit losses as of September 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 20% of the total allowance and .35% of total loans at September 30, 2001 compared with 20% and .26%, respectively, at December 31, 2000. During the third quarter of 2001, PNC added $45 million to unallocated reserves given the deterioration in economic conditions.

ROLLFORWARD OF ALLOWANCE FOR CREDIT LOSSES

In millions	2001	2000
January 1	$675	$674
Charge-offs	(219)	(131)
Recoveries	29	36
Net charge-offs	(190)	(95)
Provision for credit losses	235	96
September 30	$720	$675

The allowance as a percent of nonaccrual loans and total loans was 199% and 1.71%, respectively, at September 30, 2001. The comparable year-end 2000 percentages were 209% and 1.33%, respectively.

CHARGE-OFFS AND RECOVERIES

Nine months ended September 30 Dollars in millions	Charge-offs	Recoveries	Net Charge-offs	Percent of Average Loans

2001				
Commercial	$165	$13	$152	1.01%
Commercial real estate	6	1	5	.26
Consumer	31	13	18	.26
Residential mortgage	1		1	.01
Lease financing	16	2	14	.45
Total	$219	$29	$190	.55
2000				
Commercial	$86	$14	$72	.44%
Commercial real estate	2	4	(2)	(.10)
Consumer	34	16	18	.26
Residential mortgage	4	1	3	.03
Lease financing	5	1	4	.17
Total	$131	$36	$95	.25

Net charge-offs were $190 million or .55% of average loans for the first nine months of 2001 compared with $95 million or .25% 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 associated with commercial lending activities. At September 30, 2001, credit default swaps of $140 million 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 September 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 .3%. 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 1.8%.

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 September 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 .2% 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 September 30, 2001, such assets totaled $15.0 billion, with $6.4 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 September 30, 2001, approximately $10.8 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 September 30, 2001, the Corporation had unused capacity under effective shelf registration statements of approximately $4.3 billion of debt and equity securities and $400 million of trust preferred capital securities. On October 29, 2001, PNC issued $600 million of Floating Rate Senior Notes due 2004 and $400 million of 5.75% Senior Notes due 2006, reducing unused shelf capacity to $3.3 billion. In addition, the Corporation had an unused line of credit of $500 million at September 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 $312 million at September 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 underwriting and "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 $1.2 million at September 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 nine 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.

FINANCIAL DERIVATIVES ACTIVITY

<TABLE>
<CAPTION>

Dollars in millions	December 31 2000	Adjustments (a)	January 1 2001	Additions	Maturities	Terminations	September 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	$5,900	$(1,618)	$(120)	$9,098	2 yrs. 10 mos.
Pay fixed	1	248	249	247		(345)	151	3 yrs. 5 mos.
Basis swaps	2,230	(1,773)	457	190		(480)	167	3 yrs. 6 mos.
Interest rate caps	308	(243)	65	44		(84)	25	4 yrs. 7 mos.
Interest rate floors	3,238	(238)	3,000	60		(3,048)	12	2 yrs. 3 mos.
Futures contracts				416		(116)	300	9 mos.
Total interest rate risk management	10,533	(1,826)	8,707	6,857	(1,618)	(4,193)	9,753	
Commercial mortgage banking risk management								
Interest rate swaps	311		311	846		(949)	208	9 yrs. 3 mos.
Total rate of return swaps	75		75	225	(125)		175	4 mos.
Total commercial mortgage banking risk management	386		386	1,071	(125)	(949)	383	
Student lending activities								
Forward contracts	347	(347)						
Credit-related activities								
Credit default swaps	4,391	(4,391)						
Total	$15,657	$(6,564)	$9,093	$7,928	$(1,743)	$(5,142)	$10,136	

</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 September 30, 2001.

FINANCIAL DERIVATIVES

<TABLE>
<CAPTION>

			Weighted-Average Interest Rates	
September 30, 2001 - dollars in millions	Notional Value	Fair Value	Paid	Received
<S>	<C>	<C>	<C>	<C>
Interest rate risk management				
Asset rate conversion				
Interest rate swaps (a)				
Receive fixed designated to loans	$7,085	$209	3.30%	5.25%
Pay fixed designated to loans	151	(9)	5.92	3.87
Basis swaps designated to loans	167		3.88	3.88
Interest rate caps designated to loans (b)	25		NM	NM
Interest rate floors designated to loans (c)	12		NM	NM
Future contracts designated to loans	300		NM	NM

Total asset rate conversion	7,740	200		
Liability rate conversion				
Interest rate swaps (a)				
Receive fixed designated to borrowed funds	2,013	186	4.74	6.23
Total liability rate conversion	2,013	186		
Total interest rate risk management	9,753	386		
Commercial mortgage banking risk management				
Pay fixed interest rate swaps designated to loans (a)	208	(9)	5.71	5.22
Pay total rate of return swaps designated to loans (a)	175	(4)	6.10	2.03
Total commercial mortgage banking risk management	383	(13)		
Total financial derivatives	$10,136	$373		

</TABLE>

(a) The floating rate portion of interest rate contracts is based on money-market indices. As a percent of notional value, 76% were based on 1-month LIBOR, 23% on 3-month LIBOR and the remainder on other short-term indices.

(b) Interest rate caps with notional values of $15 million require the counterparty to pay the Corporation the excess, if any, of 3-month LIBOR over a weighted-average strike of 6.40%. In addition, interest rate caps with notional values of $6 million require the counterparty to pay the excess, if any, of 1-month LIBOR over a weighted-average strike of 6.00%. At September 30, 2001, 3-month LIBOR was 2.59%.

(c) Interest rate floors with notional values of $5 million require the counterparty to pay the excess, if any, weighted-average strike of 5.50% over 1-month LIBOR. In addition, interest rate floors with notional values of $5 million require the counterparty to pay the excess, if any, weighted-average strike of 4.50% over 3-month LIBOR. At September 30, 2001, 1-month LIBOR was 2.63% and 3-month LIBOR was 2.59%.

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.

FINANCIAL DERIVATIVES

<TABLE>
<CAPTION>

	Notional	Estimated	Weighted-Average Interest Rates	
December 31, 2000 - dollars in millions	Value	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.

OTHER DERIVATIVES

<TABLE>
<CAPTION>

	At September 30, 2001				2001
		Positive	Negative		Average
	Notional	Fair	Fair	Net Asset	Fair
In millions	Value	Value	Value	(Liability)	Value (a)
<S>	<C>	<C>	<C>	<C>	<C>
Customer-related					
Interest rate					
Swaps	$18,338	$379	$(379)		$(8)
Caps/floors					
Sold	3,849		(35)	$(35)	(22)
Purchased	3,118	28		28	19
Foreign exchange	4,925	64	(54)	10	

					12
Other	2,402	38	(32)	6	3
Total customer-related	32,632	509	(500)	9	4
Other	6,595	21	(4)	17	19
Total other derivatives	$39,227	$530	$(504)	$26	$23

</TABLE>

(a) Represents average for nine months ended September 30, 2001.

THIRD QUARTER 2001 VS. 2000

Earnings for the third quarter of 2001 were $298 million or $1.02 per diluted share compared with earnings of $299 million or $1.01 per diluted share for the third quarter of 2000. Excluding net losses from venture capital activities, third quarter 2001 earnings were $1.05 per diluted share. Return on average common shareholders' equity was 17.92% and return on average assets was 1.71% for the third quarter of 2001 compared with 19.99% and 1.72%, respectively, for the third quarter of 2000.

Taxable-equivalent net interest income of $564 million for the third quarter of 2001 increased $30 million or 6% compared with the third quarter of 2000. The increase was 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 net interest margin widened 32 basis points to 3.86% primarily due to the impact of the lower rate environment and the benefit of growth in transaction deposits and downsizing of higher-cost, less valuable retail certificates and wholesale deposits.

The provision for credit losses was $110 million for the third quarter of 2001 compared with $30 million for the third quarter of 2000. The increase in the provision was primarily due to a $45 million addition to unallocated reserves given the deterioration in overall economic conditions. The remainder of the increase in the provision for credit losses primarily related to commercial loans in portfolios that are being downsized.

Noninterest income increased 13% to $789 million for the third quarter of 2001 and included $88 million of net securities gains and $13 million of equity management losses related to venture capital activities. Excluding net securities gains and equity management losses in both years, noninterest income increased 3% compared with the third quarter of 2000.

Asset management fees of $208 million for the third quarter of 2001 remained flat compared with the prior-year quarter as growth in new institutional business at BlackRock was 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 third quarter of 2001 increased $14 million or 8% compared with the third quarter of 2000 primarily due to new client growth.

Service charges on deposits were $56 million for the third quarter of 2001, up 12% compared with the same period last year primarily due to an increase in transaction deposit accounts. Brokerage fees decreased $7 million or 11% compared with the third quarter of 2000 as the impact of a decline in equity markets activity was partially offset by an increase in annuity commissions at the Regional Community Bank. Consumer services revenue of $58 million for the third quarter of 2001 increased $3 million or 5% 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 $78 million for the third quarter of 2001 compared with $86 million for the third quarter of 2000. The decrease was primarily due to the impact of weaker capital market conditions.

Equity management reflected net losses of $13 million for the third quarter of 2001 compared with $3 million of net losses for the third quarter of 2000. The increase in net losses primarily resulted from a decline in the estimated fair value of partnership investments.

Net securities gains were $88 million for the third quarter of 2001 compared with $7 million for the third quarter of 2000. Other noninterest income was $78 million for the third quarter of 2001 compared with $68 million for the third quarter of 2000.

Noninterest expense was $786 million and the efficiency ratio was 55% in the third quarter of 2001 compared with $747 million and 57%, respectively, during the third quarter of 2000. The increase in noninterest expense was primarily in businesses that had stronger revenue growth including the Regional Community Bank, BlackRock and PFPC.

Total assets were $71.9 billion at September 30, 2001 compared with $69.9 billion at September 30, 2000. Average interest-earning assets were $57.9 billion for the third quarter of 2001 compared with $59.7 billion for the third quarter of 2000. The decrease was primarily due to an $2.5 billion decrease in commercial loans related to initiatives to downsize certain higher-risk, non-strategic portfolios. Average securities available for sale increased by nearly $5 billion and residential mortgage loans decreased by a corresponding amount due to the securitization of residential mortgage loans following the sale of PNC Mortgage.

Average deposits were $44.6 billion and represented 65% of total sources of funds for the third quarter of 2001 compared with $45.9 billion and 66%, respectively, in the third quarter of 2000. While total deposits decreased $1.3 billion, an increase in transaction deposits of $2.9 billion or 11% was more than offset by a $4.1 billion decrease in higher-cost retail certificates and wholesale deposits.

Average borrowed funds declined 7% to $12.5 billion for the third quarter of 2001 compared with $13.5 billion for the third quarter of 2000 as PNC continues to reduce its reliance on wholesale funding.

Nonperforming assets were $374 million at September 30, 2001 compared with and $354 million at September 30, 2000. The ratio of nonperforming assets to total loans,

loans held for sale and foreclosed assets was .85% at September 30, 2001 compared with .68% at September 30, 2000. The increase primarily resulted from the downsizing of the loan portfolio.

The allowance for credit losses was $720 million and represented 1.71% of period-end loans and 199% of nonperforming loans at September 30, 2001. The comparable ratios were 1.36% and 219%, respectively, at September 30, 2000. Net charge-offs were $65 million or .59% of average loans in the third quarter of 2001. The comparable amounts were $30 million or .24%, respectively, in the third quarter of 2000. The increase in net charge-offs was primarily related to commercial loans in portfolios that PNC is downsizing.

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," "feel," "expect," "anticipate," "intend," "outlook," "estimate," "forecast," "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 political, 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, the adequacy of intellectual property protection and costs associated with obtaining rights in intellectual property claimed by others;

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

(14) terrorist activities, including the September 11 terrorist attacks, which may adversely affect the general economy, financial and capital markets, specific industries, and PNC. The Corporation cannot predict the severity or duration of effects stemming from such activities or any actions taken in connection with them.

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 September 30		Nine months ended September 30	
In millions, except per share data	2001	2000	2001	2000
<S>	<C>	<C>	<C>	<C>
INTEREST INCOME				
Loans and fees on loans	$776	$1,025	$2,596	$3,018
Securities available for sale	153	99	452	290
Loans held for sale	22	47	90	163
Other	29	30	93	71
Total interest income	980	1,201	3,231	3,542
INTEREST EXPENSE				
Deposits	280	434	1,011	

				1,200
Borrowed funds	139	236	540	711
Total interest expense	419	670	1,551	1,911
Net interest income	561	531	1,680	1,631
Provision for credit losses	110	30	235	96
Net interest income less provision for credit losses	451	501	1,445	1,535
NONINTEREST INCOME				
Asset management	208	208	645	590
Fund servicing	182	168	545	487
Service charges on deposits	56	50	160	150
Brokerage	54	61	163	192
Consumer services	58	55	171	153
Corporate services	78	86	230	248
Equity management	(13)	(3)	(82)	132
Net securities gains	88	7	134	4
Other	78	68	244	200
Total noninterest income	789	700	2,210	2,156
NONINTEREST EXPENSE				
Staff expense	419	399	1,258	1,206
Net occupancy	55	50	162	151
Equipment	64	54	181	165
Amortization	26	27	79	83
Marketing	13	16	38	48
Distributions on capital securities	15	17	48	50
Other	194	184	584	616
Total noninterest expense	786	747	2,350	2,319
Income from continuing operations before income taxes	454	454	1,305	1,372
Income taxes	156	155	447	472
Income from continuing operations	298	299	858	900
Income from discontinued operations (less applicable income taxes of $15, $0 and $30)		23	40	45
Net income before cumulative effect of accounting change	298	322	898	945
Cumulative effect of accounting change (less applicable				

income tax benefit of $2)			(5)	
Net income	$298	$322	$893	$945
EARNINGS PER COMMON SHARE				
Continuing operations				
Basic	$1.03	$1.02	$2.94	$3.05
Diluted	1.02	1.01	2.91	3.03
Net income				
Basic	$1.03	$1.10	$3.06	$3.21
Diluted	1.02	1.09	3.03	3.18
CASH DIVIDENDS DECLARED PER COMMON SHARE	.48	.45	1.44	1.35
AVERAGE COMMON SHARES OUTSTANDING				
Basic	286	289	288	290
Diluted	289	292	291	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	September 30 2001	December 31 2000
<S>	<C>	<C>
ASSETS		
Cash and due from banks	$3,513	$3,662
Short-term investments	1,605	1,151
Loans held for sale	1,753	1,655
Securities available for sale	11,689	5,902
Loans, net of unearned income of $1,143 and $999	42,140	50,601
Allowance for credit losses	(720)	(675)
Net loans	41,420	49,926
Goodwill and other amortizable assets	2,393	2,468
Investment in discontinued operations		356
Other	9,571	4,724
Total assets	$71,944	$69,844
LIABILITIES		
Deposits		
Noninterest-bearing	$8,905	$8,490
Interest-bearing	36,090	39,174
Total deposits	44,995	47,664
Borrowed funds		
Federal funds purchased	1,904	1,445
Repurchase agreements	672	607
Bank notes and senior debt	5,344	6,110
Federal Home Loan Bank borrowings	2,457	500
Subordinated debt	2,368	2,407
Other borrowed funds	301	649

Total borrowed funds	13,046	11,718
Other	6,228	2,958
Total liabilities	64,269	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	1,267	1,303
Retained earnings	7,166	6,736
Deferred benefit expense	(26)	(25)
Accumulated other comprehensive income (loss) from continuing operations	155	(43)
Accumulated other comprehensive loss from discontinued operations		(45)
Common stock held in treasury at cost: 69 and 63 shares	(3,504)	(3,041)
Total shareholders' equity	6,827	6,656
Total liabilities, capital securities and shareholders' equity	$71,944	$69,844

</TABLE>

See accompanying Notes to Consolidated Financial Statements.

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

<TABLE>
<CAPTION>

Nine months ended September 30 - in millions	2001	2000
<S>	<C>	<C>
OPERATING ACTIVITIES		
Net income	$893	$945
Discontinued operations	(40)	(45)
Cumulative effect of accounting change	5	
Income from continuing operations	858	900
Adjustments to reconcile income from continuing operations to net cash provided by operating activities		
Provision for credit losses	235	96
Depreciation, amortization and accretion	221	252
Deferred income taxes	245	286
Net securities gains	(131)	(6)
Valuation adjustments	12	24
Change in		
Loans held for sale	(116)	1,326
Other	(982)	(1,129)
Net cash provided by operating activities	342	1,749

INVESTING ACTIVITIES		
Net change in loans	774	(425)
Repayment of securities available for sale	1,733	679
Sales		
Securities available for sale	18,901	4,648
Loans	3,845	187
Foreclosed assets	13	18
Purchases		
Securities available for sale	(23,485)	(5,810)
Loans	(246)	
Net cash received (paid) for acquisitions/divestitures	503	(4)
Other	(57)	(191)
Net cash provided (used) by investing activities	1,981	(898)
FINANCING ACTIVITIES		
Net change in		
Noninterest-bearing deposits	415	348
Interest-bearing deposits	(3,084)	1,344
Federal funds purchased	459	60
Repurchase agreements	65	200
Sales/issuances		
Bank notes and senior debt	1,147	2,848
Federal Home Loan Bank borrowings	3,123	1,781
Subordinated debt	1	593
Other borrowed funds	27,438	28,985
Common stock	154	118
Repayments/maturities		
Bank notes and senior debt	(1,915)	(3,715)
Federal Home Loan Bank borrowings	(1,155)	(3,456)
Subordinated debt	(200)	(514)
Other borrowed funds	(27,787)	(28,683)
Acquisition of treasury stock	(608)	(327)
Series F preferred stock tender offer	(96)	
Cash dividends paid	(429)	(407)
Net cash used by financing activities	(2,472)	(825)
(DECREASE) INCREASE IN CASH AND DUE FROM BANKS	(149)	26
Cash and due from banks at beginning of year	3,662	3,080
Cash and due from banks at end of period	$3,513	$3,106
CASH PAID FOR		
Interest	$1,525	$1,946
Income taxes	105	235
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	18

</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, senior debt 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. Risk exposures from customer positions are 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. The positions of customer and other derivatives are recorded at 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.

In August 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations," which requires that the fair value of a liability be recognized when incurred for the retirement of a long-lived asset and the value of the related asset be increased by that amount. The statement also requires that the liability be maintained at its present value in subsequent periods and outlines certain disclosures for such obligations. The adoption of this statement, which is effective January 1, 2003, is not expected to have a material impact on the Corporation's financial statements.

In October 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," which replaces SFAS No. 121 "Accounting for the Impairment of Long-Lived Assets and for Assets to be Disposed Of." This statement primarily defines one accounting model for long-lived assets to be disposed of by sale, including discontinued operations, and addresses implementation issues regarding the impairment of long-lived assets. The adoption of this statement, which is effective January 1, 2002, is not expected to have a material impact on the Corporation's financial statements.

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

Nine months ended September 30 - in millions	2001	2000
Total income from operations after tax	$15	$45
Total gain on disposal after tax	25	
Total income from discontinued operations	$40	$45

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 nine 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 nine 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 underwriting and "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 nine months of 2001 totaled $118 million compared with $68 million for the prior-year period and was included in noninterest income as follows:

Nine months ended September 30 - in millions	2001	2000
Corporate services	$5	$7
Equity management		2
Other noninterest income		
Securities trading (a)	40	32
Derivatives trading	54	11
Foreign exchange	19	16
Net trading income	$118	$68

(a) Securities trading primarily includes income from principal transactions, underwriting services and "market making."

SECURITIES AVAILABLE FOR SALE

<TABLE>
<CAPTION>

		Unrealized		
In millions	Amortized Cost	Gains	Losses	Fair Value
SEPTEMBER 30, 2001				
Debt securities				
U.S. Treasury and government agencies	$1,053	$6		$1,059
Mortgage-backed	6,509	53	$(1)	6,561
Asset-backed	2,472	30	(1)	2,501
State and municipal	65	3		68
Other debt	978	6	(1)	983
Total debt securities	11,077	98	(3)	11,172
Corporate stocks and other	533	52	(68)	517
Total securities available for sale	$11,610	$150	$(71)	$11,689
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 September 30, 2001 was $11.7 billion compared with $5.9 billion at December 31, 2000. Securities represented 16% of total assets at September 30, 2001 compared with 8% at December 31, 2000. The expected weighted-average life of securities available for sale was 5 years and 2 months at September 30, 2001 compared with 4 years and 5 months at December 31, 2000.

At September 30, 2001, the securities available for sale balance included a net unrealized gain of $79 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 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 $134 million for the first nine months of 2001 compared with $4 million for the first nine months of 2000. Net securities losses of $3 million for the first nine months of 2001, and net securities gains of $2 million for the first nine months of 2000, related to commercial mortgage banking activities, were included in corporate services revenue.

NONPERFORMING ASSETS

Nonperforming assets were as follows:

In millions	September 30 2001	December 31 2000
Nonaccrual loans	$361	$323
Foreclosed and other assets	13	49
Total nonperforming assets	$374	$372

The above table excludes $37 million and $18 million of equity management assets carried at estimated fair value at September 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	(165)	(86)
Commercial real estate	(6)	(2)
Consumer	(31)	(34)
Residential mortgage	(1)	(4)
Lease financing	(16)	(5)
Total charge-offs	(219)	(131)
Recoveries		
Commercial	13	14
Commercial real estate	1	4
Consumer	13	16
Residential mortgage		1
Lease financing	2	1
Total recoveries	29	36
Net charge-offs		
Commercial	(152)	(72)
Commercial real estate	(5)	2
Consumer	(18)	(18)
Residential mortgage	(1)	(3)
Lease financing	(14)	(4)
Total net charge-offs	(190)	(95)
Provision for credit losses	235	96
Allowance at September 30	$720	$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 nine months of 2001.

During the next twelve months, the Corporation expects to reclassify to earnings $110 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 September 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 $513 million for the third quarter of 2001 and $1.056 billion for the first nine months of 2001, compared with $345 million and $940 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:

Nine months ended September 30, 2001 In millions	Pretax Amount	Tax Benefit (Expense)	After-tax Amount
Unrealized securities gains	$127	$(45)	$82
Less: Reclassification adjustment for losses realized in net income	(8)	3	(5)
Net unrealized securities gains	135	(48)	87
SFAS No. 133 transition adjustment	(6)	2	(4)
Unrealized gains on cash flow hedge derivatives	149	(52)	97
Less: Reclassification adjustment for losses realized in net income	(27)	9	(18)
Net unrealized gains on cash flow hedge derivatives	170	(59)	111
Other comprehensive income from continuing operations	$305	$(107)	$198

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

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

In millions	September 30 2001	December 31 2000

Net unrealized securities gains (losses)	$55	$(32)
Net unrealized gains on cash flow hedge derivatives	111	
Minimum pension liability adjustment	(11)	(11)
Accumulated other comprehensive income (loss) from continuing operations	$155	$(43)

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

<TABLE>
<CAPTION>

	Three months ended September 30		Nine months ended September 30	
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	$298	$299	$858	$900
Less: Preferred dividends declared	3	5	13	14
Income from continuing operations applicable to basic earnings per common share	295	294	845	886
Income from discontinued operations applicable to basic earnings per common share		23	40	45
Cumulative effect of accounting change applicable to basic earnings per common share			(5)	
Net income applicable to basic earnings per common share	$295	$317	$880	$931
Basic weighted-average common shares outstanding (in thousands)	286,282	288,958	287,908	290,213
Basic earnings per common share from continuing operations	$1.03	$1.02	$2.94	$3.05
Basic earnings per common share from discontinued operations		.08	.14	.16
Basic earnings per common share from cumulative effect of accounting change			(.02)	
Basic earnings per common share	$1.03	$1.10	$3.06	$3.21
CALCULATION OF DILUTED EARNINGS PER COMMON SHARE				
Income from continuing operations	$298	$299	$858	$900
Less: Dividends declared on nonconvertible preferred stock Series F	3	5	12	14
Income from continuing operations applicable to diluted earnings per common share	295	294	846	886
Income from discontinued operations applicable to diluted earnings per common share		23	40	45
Cumulative effect of accounting change applicable to diluted earnings per common share			(5)	
Net income applicable to diluted earnings per common share	$295	$317	$881	$931

Basic weighted-average common shares outstanding (in thousands)	286,282	288,958	287,908	290,213
Weighted-average common shares to be issued using average market price and assuming:				
Conversion of preferred stock Series A and B	103	118	107	120
Conversion of preferred stock Series C and D	861	974	882	1,005
Conversion of debentures	17	19	17	20
Exercise of stock options	1,530	1,906	1,873	1,215
Incentive share awards	421	55	347	163
Diluted weighted-average common shares outstanding (in thousands)	289,214	292,030	291,134	292,736
Diluted earnings per common share from continuing operations	$1.02	$1.01	$2.91	$3.03
Diluted earnings per common share from discontinued operations		.08	.14	.15
Diluted earnings per common share from cumulative effect of accounting change			(.02)	
Diluted earnings per common share	$1.02	$1.09	$3.03	$3.18

</TABLE>

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

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 were designated for downsizing during 1999, equity management activities, minority interests, residual asset and liability management activities, eliminations, unallocated reserves 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 provides processing services through 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 $226 billion of assets under management at September 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 September 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)	$375	$113	$31	$26	$31	$2	$(19)	$5	$564
Noninterest income	210	65	24	5	142	135	183	25	789
Total revenue	585	178	55	31	173	137	164	30	1,353
Provision for credit losses	15	41	5	5				44	110
Depreciation and amortization	20	3	5	1	5	7	12	14	67
Other noninterest expense	256	88	36	6	115	85	124	9	719
Pretax earnings	294	46	9	19	53	45	28	(37)	457
Income taxes	108	15	(6)	7	19	18	11	(13)	159
Earnings	$186	$31	$15	$12	$34	$27	$17	$(24)	$298

Inter-segment revenue	$1	$1			$14	$5	$1	$(22)	
AVERAGE ASSETS	$39,926	$15,950	$5,178	$2,432	$3,358	$644	$1,792	$(284)	$68,996
2000									
INCOME STATEMENT									
Net interest income (a)	$355	$145	$28	$25	$34	$2	$(12)	$(43)	$534
Noninterest income	151	68	24	4	157	127	169		700
Total revenue	506	213	52	29	191	129	157	(43)	1,234
Provision for credit losses	11	12		5				2	30
Depreciation and amortization	21	3	4	1	4	5	12	16	66
Other noninterest expense	241	92	31	7	123	86	120	(19)	681
Pretax earnings	233	106	17	16	64	38	25	(42)	457
Income taxes	84	36		5	23	15	10	(15)	158
Earnings	$149	$70	$17	$11	$41	$23	$15	$(27)	$299
Inter-segment revenue	$1	$1			$21	$3		$(26)	
AVERAGE ASSETS	$39,320	$16,729	$5,541	$2,343	$3,470	$492	$1,560	$(872)	$68,583
Nine months ended September 30 In millions									
2001									
INCOME STATEMENT									
Net interest income (a)	$1,093	$381	$88	$77	$99	$7	$(50)	$(3)	$1,692
Noninterest income	592	181	73	25	463	404	546	(74)	2,210
Total revenue	1,685	562	161	102	562	411	496	(77)	3,902
Provision for credit losses	35	129	3	13	1			54	235
Depreciation and amortization	62	10	16	2	13	19	33	43	198
Other noninterest expense	765	277	101	21	363	258	382	(15)	2,152
Pretax earnings	823	146	41	66	185	134	81	(159)	1,317
Income taxes	298	49	(12)	24	68	55	32	(55)	459
Earnings	$525	$97	$53	$42	$117	$79	$49	$(104)	$858
Inter-segment revenue	$3	$3			$49	$13	$4	$(72)	
AVERAGE ASSETS	$40,188	$16,389	$5,253	$2,430	$3,399	$644	$1,759	$427	$70,489

2000									
INCOME STATEMENT									
Net interest income (a)	$1,058	$417	$87	$74	$102	$4	$(34)	$(64)	$1,644
Noninterest income	439	216	68	12	487	348	489	97	2,156
Total revenue	1,497	633	155	86	589	352	455	33	3,800
Provision for credit losses	33	50		7	3			3	96
Depreciation and amortization	63	10	14	2	11	15	38	42	195
Other noninterest expense	733	281	88	20	374	230	366	32	2,124
Pretax earnings	668	292	53	57	201	107	51	(44)	1,385
Income taxes	238	102	3	20	74	44	20	(16)	485
Earnings	$430	$190	$50	$37	$127	$63	$31	$(28)	$900
Inter-segment revenue	$3	$3			$64	$9		$(79)	
AVERAGE ASSETS	$38,564	$16,318	$5,583	$2,230	$3,541	$492	$1,578	$221	$68,527

</TABLE>

(a) Taxable-equivalent basis

Statistical Information
THE PNC FINANCIAL SERVICES GROUP, INC.

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

	Nine months ended September 30					
	2001			2000		
Taxable-equivalent basis Dollars in millions	Average Balances	Interest	Average Yields/Rates	Average Balances	Interest	Average Yields/Rates
<S>	<C>	<C>	<C>	<C>	<C>	<C>
ASSETS						
Interest-earning assets						
Loans held for sale	$1,805	$90	6.52%	$2,681	$163	8.10%
Securities available for sale						
U.S. Treasury and government agencies and corporations	3,846	167	5.77	1,748	77	5.89
Other debt	6,285	282	5.99	3,752	185	6.56
State, municipal and other	106	5	6.79	605	30	6.68
Total securities available for sale	10,237	454	5.92	6,105	292	6.38
Loans, net of unearned income						
Commercial	20,144	1,130	7.40	21,878		

					1,383	8.31
Commercial real estate	2,567	146	7.50	2,689	179	8.73
Consumer	9,095	563	8.28	9,210	589	8.55
Residential mortgage	9,616	522	7.24	12,519	668	7.11
Lease financing	4,144	220	7.07	3,082	168	7.25
Other	478	25	6.93	670	42	8.40
Total loans, net of unearned income	46,044	2,606	7.51	50,048	3,029	8.01
Other	1,637	93	7.61	1,278	71	7.39
Total interest-earning assets/interest income	59,723	3,243	7.21	60,112	3,555	7.84
Noninterest-earning assets						
Investment in discontinued operations	68			459		
Allowance for credit losses	(681)			(684)		
Cash and due from banks	2,935			2,665		
Other assets	8,512			6,434		
Total assets	$70,557			$68,986		
LIABILITIES, CAPITAL SECURITIES AND SHAREHOLDERS' EQUITY						
Interest-bearing liabilities						
Interest-bearing deposits						
Demand and money market	$20,994	419	2.66	$18,389	472	3.43
Savings	1,927	15	1.03	2,088	27	1.73
Retail certificates of deposit	12,716	516	5.43	14,591	603	5.52
Other time	534	26	6.48	633	31	6.45
Deposits in foreign offices	948	35	4.86	1,437	67	6.12
Total interest-bearing deposits	37,119	1,011	3.64	37,138	1,200	4.31
Borrowed funds						
Federal funds purchased	2,344	86	4.81	2,115	99	6.13
Repurchase agreements	1,041	30	3.71	737	32	5.68
Bank notes and senior debt	5,349	215	5.31	6,675	325	6.41
Federal Home Loan Bank borrowings	2,155	74	4.54	1,648	78	6.18
Subordinated debt	2,368	127	7.14	2,405	134	7.44
Other borrowed funds	380	8	2.90	842	43	6.71
Total borrowed funds	13,637	540	5.23	14,422	711	6.49
Total interest-bearing liabilities/interest expense	50,756	1,551	4.07	51,560	1,911	4.92
Noninterest-bearing liabilities and shareholders' equity						
Demand and other noninterest-bearing deposits	8,299			8,098		
Accrued expenses and other liabilities	3,962			2,440		
Mandatorily redeemable capital securities of subsidiary trusts	848			848		
Shareholders' equity	6,692			6,040		
Total liabilities, capital securities and shareholders' equity	$70,557			$68,986		
Interest rate spread			3.14			2.92
Impact of noninterest-bearing sources			.62			.71
Net interest income/margin		$1,692	3.76%			

$1,644 3.63%

</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 nine months ended September 30, 2001 and September 30, 2000 were both $89 million. For each of the three months ended September 30, 2001, June 30, 2001 and September 30, 2000 loan fees were $29 million, $30 million and $29 million, respectively.

<TABLE>
<CAPTION>

Third Quarter 2001			Second Quarter 2001			Third Quarter 2000		
Average Balances	Interest	Average Yields/ Rates	Average Balances	Interest	Average Yields/ Rates	Average Balances	Interest	Average Yields/ Rates
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
$1,695	$22	5.06%	$1,720	$31	7.06%	$2,151	$47	8.77%
3,908	56	5.69	3,696	54	5.79	1,662	25	5.97
6,910	97	5.61	7,913	122	6.18	3,934	65	6.65
91	1	7.75	101	2	7.33	583	9	6.08
10,909	154	5.66	11,710	178	6.07	6,179	99	6.41
19,296	333	6.76	20,271	375	7.31	21,800	472	8.47
2,548	43	6.67	2,572	48	7.40	2,688	61	8.85
9,102	181	7.86	9,096	188	8.29	9,174	201	8.72
7,771	138	7.11	8,459	152	7.18	12,405	222	7.16
4,381	75	6.76	4,149	74	7.08	3,238	58	7.24
456	7	6.04	459	7	6.66	646	14	8.64
43,554	777	7.04	45,006	844	7.46	49,951	1,028	8.13
1,724	30	6.86	1,562	30	7.94	1,445	30	8.05
57,882	983	6.72	59,998	1,083	7.19	59,726	1,204	7.98

						515		
(678)			(683)			(680)		
2,921			2,907			2,848		
8,871			8,494			6,689		
$68,996			$70,716			$69,098		
$21,559	123	2.25	$20,944	134	2.57	$18,914	175	3.68
1,925	4	.84	1,936	5	.94	2,020	9	1.81
11,785	142	4.79	12,662	175	5.54	14,776	217	5.85
501	8	6.26	537	8	6.48	619	10	6.55
357	3	3.54	1,096	12	4.17	1,342	23	6.50
36,127	280	3.07	37,175	334	3.60	37,671	434	4.58
1,497	14	3.60	2,604	28	4.31	1,904	32	6.51
893	7	2.90	958	9	3.64	846	14	5.84
4,973	57	4.51	5,189	67	5.09	6,290	108	6.75
2,459	22	3.48	2,550	31	4.78	1,105	20	7.16
2,332	41	6.98	2,364	42	7.15	2,419	45	7.44
373	(2)	(1.93)	365	3	3.32	954	17	7.18
12,527	139	4.35	14,030	180	5.09	13,518	236	6.85
48,654	419	3.40	51,205	514	4.01	51,189	670	5.18
8,476			8,229			8,239		
4,273			3,777			2,637		
848			848			848		
6,745			6,657			6,185		
$68,996			$70,716			$69,098		
		3.32			3.18			2.80
		.54			.58			.74
	$564	3.86%		$569	3.76%		$534	3.54%

</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 September 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 October 31, 2001 The PNC Financial Services Group, Inc. had 284,067,222 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.

	Cross-reference	Page(s)
PART I	FINANCIAL INFORMATION	
Item 1	Financial Statements	
	Consolidated Statement of Income for the three months and nine months ended September 30, 2001 and 2000	27
	Consolidated Balance Sheet as of September 30, 2001 and December 31, 2000	28
	Consolidated Statement of Cash Flows for the nine months ended September 30, 2001 and 2000	29
	Notes to Consolidated Financial Statements	30 - 38
	Consolidated Average Balance Sheet and Net Interest Analysis	39 - 40
Item 2	Management's Discussion and Analysis of Financial Condition and Results of Operations	3 - 26
Item 3	Quantitative and Qualitative Disclosures About Market Risk	17 - 24

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:

10.15	Forms of Second Amendment to Change in Control Severance Agreements
12.1	Computation of Ratio of Earnings to Fixed Charges
12.2	Computation of Ratio of Earnings to Fixed Charges and Preferred Stock Dividends
99	The Corporation's Employee Stock Purchase Plan, as amended

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

The Corporation filed the following Report on Form 8-K since June 30, 2001:

Form 8-K dated as of July 25, 2001, reporting on entering into underwriting agreements with respect to 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, and on the form of notes and related guarantees, filed pursuant to Item 5.

Form 8-K dated as of October 29, 2001, reporting on entering into underwriting agreements with respect to the public offering of $600,000,000 of Floating Rate Senior Notes due 2004, and $400,000,000 of 5.75% Senior Notes due 2006, and on the form of notes and related guarantees, 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 November 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 Corporation's 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
Third	70.390	51.140	57.250	.48
Total				$1.44
2000 QUARTER				
First	$48.500	$36.000	$45.063	$.45
Second	57.500	41.000	46.875	.45
Third	66.375	47.625	65.000	.45
Fourth	75.000	56.375	73.063	.48
Total				$1.83

DIVIDEND REINVESTMENT AND STOCK PURCHASE PLAN

The PNC Financial Services Group, Inc. Dividend Reinvestment and Stock Purchase

Plan enables holders of common and preferred stock to purchase additional shares of common stock conveniently and without paying brokerage commissions or service charges. A prospectus and enrollment card may be obtained by writing to Shareholder Relations at corporate headquarters.

REGISTRAR AND TRANSFER AGENT

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

EXHIBIT 10.15

FORMS OF SECOND AMENDMENT TO
CHANGE IN CONTROL SEVERANCE AGREEMENTS

FORM 1

THIS AMENDMENT to Change in Control Severance Agreement ("Amendment") dated as of June 28, 2001 is made by and between The PNC Financial Services Group, Inc., a Pennsylvania corporation (the "Company"), and ____________ ("Executive").

WHEREAS, the Company and Executive have previously entered into a Change in Control Severance Agreement dated as of ____________, as amended by a first amendment dated as of November 15, 2000 (the "Agreement"); and

WHEREAS, the Board of Directors of the Company has determined that it is in the best interests of the Company and its shareholders to further amend the Agreement; and

WHEREAS, Section 7.7 of the Agreement authorizes its modification in a writing signed by both Executive and a designated officer of the Company;

NOW THEREFORE, in consideration of the premises and the mutual covenants herein contained and intending to be legally bound hereby, the Company and Executive hereby amend the Agreement as follows:

1. Defined Terms in Amendment; Headings. The definitions of capitalized terms used in the Amendment will be the same as are set forth in the Agreement except as amended herein. Headings used in the Amendment are provided for reference and convenience only, shall not be considered part of the Amendment, and shall not be employed in the construction of the Amendment.

2. Lump-Sum Matching Amount. Section 5.2(a) of the Agreement is hereby amended and restated in its entirety as follows:

> "(a) Lump-Sum Severance Payment. In lieu of any further salary payments to Executive for periods subsequent to the Date of Termination, the Company shall pay to Executive a lump sum severance payment, in cash, equal to: (i) the Classification Factor (or, if less, the Retirement Factor) times the sum of (x) Executive's Annual Base Salary and (y) Executive's Annual Bonus; plus (ii) the Matching Amount, if any."

3. Pension Benefits.

(i) Section 5.2(e)(i) of the Agreement is hereby amended and restated in its entirety as follows:

> "(i) Pension Plan Benefits.
>
> (1) The pension benefits accrued by Executive under the Pension Plan, the Excess Plan and the SERP (the "Company Pension Plans") shall be paid to Executive in accordance with the terms of such plans.
>
> (2) In the event that any amendments are made to the Company Pension Plans during the Coverage Period that adversely affect in any manner the amount of pension benefits payable to Executive under the Company Pension Plans, then the Company shall also pay to Executive a lump sum amount, in cash, equal to the difference between (A) the amount that would have been payable on a lump sum basis as of the Date of Termination without giving effect to such amendments and (B) the amount actually paid or payable on a lump sum basis as of the Date of Termination."

(ii) Section 5.2(e)(ii) of the Agreement is hereby amended to: (1) change the heading from "Benefits Period Pension Accruals" to "Benefits Period and Other Pension Accruals"; (2) replace the phrase "this Section 5.2(e)" in the third sentence thereof with "Section 5.2(e)"; (3) add the phrase "at the Date of Termination" to the end of clause (A)(III) of the definition of Adjusted Lump Sum Amount in the third sentence thereof; (4) replace the word "his" in clause (A)(V) of the definition of Adjusted Lump Sum Amount in the third sentence thereof with "Executive's"; (5) replace the phrase "a lump sum distribution" in clause (A)(V) of the definition of Adjusted Lump Sum Amount in the third sentence thereof with the phrase "lump sum distributions"; (6) divide the third sentence thereof into a third and a fourth sentence thereof by ending the current third sentence at the end of clause (C) of the definition of Adjusted Lump Sum Amount, deleting the conjunction "and", and making the remainder of current sentence three into sentence four; (7) add the phrase "For purposes of Section 5.2(e)," at the beginning of the fourth sentence thereof immediately prior to the phrase "Date of Termination Lump Sum Amount"; (8) add the phrase ", not taking into account any amounts that were not vested at the Date of Termination," immediately after the phrase "means the total amount" in the definition of Date of Termination Lump Sum Amount; and (9) replace the word "his" in the definition of Date of Termination Lump Sum Amount with "Executive's".

(iii) Section 5.2(e)(iii) of the Agreement is hereby amended by numbering certain of the clauses in the first sentence thereof so that the portion of the sentence from the word "assuming" to the end of the sentence reads as follows: "assuming that Executive: (A) remained employed (after the Date of Termination) for the Benefits Period; (B) was compensated during such period at Executive's Annual Base Salary and Annual Bonus; and (C) was fully vested under the Company Pension Plans."

(iv) Section 5.2(e)(iv) of the Agreement is hereby amended by replacing the phrase "If the Executive has attained the age of 50" at the beginning of the first sentence thereof with the phrase "If Executive has attained the age of 49".

(v) Section 5.2(e)(v) of the Agreement is hereby amended to change the heading from "No Adverse Affect" to "No Adverse Effect" and to insert the phrase "and calculations" after the word "determinations".

4. Miscellaneous Amendments.

A. Continued Welfare Benefits.

(i) Section 5.2(c) of the Agreement is hereby amended by dividing the current provisions of said section into numbered paragraphs as follows: (1) the first and second sentences will be Section 5.2(c)(i); (2) the third and fourth sentences will be Section 5.2(c)(ii); (3) the fifth sentence will be Section 5.2(c)(iii); (4) the sixth sentence will be Section 5.2(c)(iv); and (5) the seventh (currently the last) sentence will be Section 5.2(c)(v).

(ii) Renumbered Sections 5.2(c)(ii) and (iv) of the Agreement are hereby amended by replacing the phrase "this Section 5.2(c)" with "Section 5.2(c)".

(iii) Renumbered Section 5.2(c)(v) of the Agreement is hereby amended and restated in its entirety as follows:

> "(v) To the extent that the Company is unable to provide Executive with any of the Welfare Benefits required by Section 5.2(c) under the Company's benefit plans, the Company shall either (i) purchase such Welfare Benefits for Executive or (ii) to the extent that Executive is able to purchase such Welfare Benefits, pay to Executive a cash payment equal, on an after-tax basis taking into account any deductibility by Executive of premium payments made by Executive, to the cost thereof, in either case reduced by an amount equal to the premiums that Executive would have paid for such Welfare Benefits under the applicable Company benefit plans immediately prior to the Notice of Termination, as adjusted pursuant to Sections 5.2(c)(iii) and/or (iv) if applicable."

(iv) Section 5.2(c) of the Agreement is hereby further amended to add the following to the end of said Section 5.2(c) as new subsections (vi), (vii), (viii), (ix) and (x) thereof:

> "(vi) To the extent that the Welfare Benefits required to be provided to Executive pursuant to Section 5.2(c) are group health benefits within the meaning of Section 4980B of the Code, the Company may, in its discretion, unless Executive has elected or is eligible to elect coverage under a Company-sponsored retiree medical plan or plans that provide medical benefits substantially similar to the medical benefits Executive was receiving immediately prior to the Notice of Termination, provide such benefits (hereafter referred to as "COBRA Welfare Benefits") to Executive during any portion of the Benefits Period that Executive is entitle to elect and receive continuation coverage (within the meaning of Section 4980B of the Code) with respect to such COBRA Welfare Benefits by (i) requiring Executive to elect continuation coverage with respect to such COBRA Welfare Benefits as the Company may designate and (ii) reimbursing Executive in cash, on an after-tax basis taking into account any deductibility by Executive of premium payments made by Executive, so that the net cost to Executive of receiving such COBRA Welfare Benefits is not in excess of the cost to Executive provided for by Section 5.2(c)(i), as adjusted pursuant to Sections 5.2(c)(iii) and/or (iv) if applicable.

(vii) If, as of the Date of Termination, Executive is eligible to elect coverage under a Company-sponsored retiree medical plan or plans that provide medical benefits substantially similar to the medical benefits Executive was receiving immediately prior to the Notice of Termination, the Company may, in its discretion, provide medical benefits to Executive pursuant to Section 5.2(c) by (i) requiring Executive to elect coverage under the Company's retiree medical plan or plans, and (ii), to the extent, if any, that Executive's retiree medical premiums exceed the premiums for Company medical benefits that Executive paid immediately prior to the Notice of Termination (as adjusted pursuant to Section 5.2(c)(iv) if applicable), paying Executive in cash an amount equal to such difference, such payment to be made on an after-tax basis taking into account any deductibility by Executive of premium payments made by Executive.

(viii) If Executive elects retiree medical coverage on or prior to the Date of Termination and has a post-retirement medical account ("PRMA") under a Company-sponsored post-retirement medical account plan ("PRMA Plan") as of the Date of Termination, then the Company shall pay to Executive a lump sum amount in cash, on an after-tax basis taking into account any deductibility by Executive of premium payments made by Executive, equal to the difference between (1) the Adjusted PRMA Amount and (2) the Date of Termination PRMA Amount. For purposes of this Section 5.2(c)(viii): (A) "Adjusted PRMA Amount" means the amount that would have been Executive's PRMA balance as of the last day of the Benefits Period assuming that (i) Executive remained employed as a full-time employee after the Date of Termination through the last day of the Benefits Period, (ii) Executive elected not to have retiree medical premiums deducted from Executive's PRMA during the Benefits Period, and (iii) Executive's PRMA was credited with interest at each year end during the Benefits Period at the same rate as for the year end immediately preceding the Date of Termination or the year end immediately preceding the commencement of the Coverage Period in which the Date of Termination occurs, whichever rate is higher; and (B) "Date of Termination PRMA Amount" means the amount of Executive's PRMA balance as of the Date of Termination.

For purposes of this Section 5.2(c)(viii), all determinations and calculations will be made on the basis of the terms and conditions of the PRMA Plan as in effect immediately prior to the Date of Termination or, if the PRMA Plan has been amended during the Coverage Period in which the Date of Termination occurs so as to adversely affect in any manner the amount of Executive's PRMA thereunder, as in effect immediately prior to the commencement of the Coverage Period in which the Date of Termination occurs.

(ix) If a PRMA would have been established for Executive under the PRMA Plan had Executive remained employed as a full-time employee after the Date of Termination through the last day of the Benefits Period, or if Executive would have had a PRMA as of the Date of Termination had the PRMA Plan not been terminated or amended during the Coverage Period in which the Date of Termination occurs, then the Company shall pay to Executive a lump sum amount in cash, on an after-tax basis taking into account any deductibility by Executive of premium payments made by Executive, equal to the difference between (1) the Adjusted PRMA Amount and (2) the Date of Termination PRMA Amount. For purposes of this Section

5.2(c)(ix): (A) "Adjusted PRMA Amount" means the amount that would have been Executive's PRMA balance as of the last day of the Benefits Period assuming that (i) Executive remained employed as a full-time employee after the Date of Termination through the last day of the Benefits Period, (ii) Executive elected retiree medical coverage on or prior to the Date of Termination but elected not to have retiree medical premiums deducted from Executive's PRMA during the Benefits Period, and (iii) Executive's PRMA was credited with interest at each year end during the Benefits Period at the same rate as for the year end immediately preceding the Date of Termination or the year end immediately preceding the commencement of the Coverage Period in which the Date of Termination occurs, whichever rate is higher; and (B) "Date of Termination PRMA Amount" means the amount of Executive's PRMA balance as of the Date of Termination.

For purposes of this Section 5.2(c)(ix), all determinations and calculations will be made on the basis of the terms and conditions of the PRMA Plan as in effect immediately prior to the Date of Termination or, if the PRMA Plan is no longer in effect on the Date of Termination or has been amended during the Coverage Period in which the Date of Termination occurs so as to adversely affect in any manner the amount of Executive's PRMA thereunder, as in effect immediately prior to the commencement of the Coverage Period in which the Date of Termination occurs.

(x) All group health benefits provided to Executive pursuant to Section 5.2(c) shall constitute continuation coverage for purposes of Part 6 of Title I of the Employee Retirement Income Security Act of 1974, as amended, and Section 4980B of the Code to the maximum extent permitted thereby."

B. Other Benefits. Section 5.2(d) of the Agreement is hereby amended and restated in its entirety as follows:

"(d) Other Benefits. The Company shall pay to Executive a lump sum cash payment equal to the product of (i) the Classification Factor (or, if less, the Retirement Factor) and (ii) the greater of (x) the Perquisites Allowance paid or payable by the Company to Executive for the Termination Year and (y) the Perquisites Allowance paid or payable by the Company to Executive for the fiscal year immediately preceding the commencement of the Coverage Period.

Any club membership bond or certificate held by the Company on behalf of Executive shall be transferred to Executive as appropriate to enable Executive to retain such club membership.

In addition, during the Benefits Period, the Company shall continue to pay for and provide Executive with access to personal financial consulting services that are substantially similar to that which the Company provided Executive with during the fiscal year immediately preceding the Termination Year."

C. Disability Benefit Offset.

(i) The first sentence of Section 5.2 of the Agreement is hereby amended to: (1) replace the reference to "Subsections (a) through (e)" with "Subsections (a) through (f)"; (2) delete the phrase "or Disability" from clause (ii) thereof; (3) insert "(iii)" immediately before the phrase "after the Executive attains age sixty-five (65)"; and (4) renumber current clause (iii) thereof as clause (iv).

(ii) The second sentence of Section 7.1 of the Agreement is hereby amended by adding "Section 5.2(f)" after the reference to "Section 5.2(c)".

(iii) Section 8 of the Agreement is hereby amended to delete the definition of Disability, which currently appears as Section 8.17.

(iv) Section 5.2 of the Agreement is hereby further amended to add the following to the end of said section as new subsection (f):

"(f) Disability Benefit Offset. If, as of the Date of Termination, Executive is eligible to receive disability benefits under one or more of the Company's or one of its affiliates' long-term disability plans that cover Executive (collectively, the "LTD Plan") because of a determination that Executive is totally or partially disabled, then:

(i) the aggregate lump-sum cash payment to be paid to Executive pursuant to Section 5.2(a) shall be reduced (but not to less than zero) by the product of (x) the gross annualized cash disability benefit that is payable to Executive pursuant to the LTD Plan as of the Date of Termination and (y) the Classification Factor (or, if less, the Retirement Factor);

(ii) notwithstanding Section 5.2(f)(i), if Executive ceases to receive disability benefits under the LTD Plan prior to the expiration of a number of years after the Date of Termination equal to the Classification Factor (or, if less, the Retirement Factor), then the Company shall promptly pay to Executive an additional lump-sum cash payment equal to the difference between (x) the amount by which the aggregate lump-sum cash payment made to Executive pursuant to Section 5.2(a) was reduced by reason of Section 5.2(f)(i) and (y) the total gross amount of the cash disability benefits paid to Executive pursuant to the LTD Plan during the period from the Date of Termination until the date disability benefit payments to Executive pursuant to the LTD Plan ceased; and

(iii) for purposes of Benefits Period pension and SERP accruals pursuant to Section 5.2(e)(ii) and (iii), Executive's Annual Base Salary and Annual Bonus together shall not be less than the greater of (x) the gross annualized cash disability benefit that is payable to Executive pursuant to the LTD Plan as of the Date of Termination and (y) the amount of compensation taken into account for purposes of Executive's earnings credits under the relevant Company Pension Plans immediately prior to the Date of Termination annualized."

D. Interest. Certain references to interest in the Agreement are hereby clarified and amended as follows:

(i) The phrase "plus interest on the amount of such repayment at the rate provided in Section 1274(b)(2)(B) of the Code" at the end of the first sentence of Section 5.3(c) of the Agreement is hereby replaced with the following phrase:

"plus Interest on the amount of such repayment for the period that the applicable portion of the Gross-Up Payment being repaid was held by Executive".

(ii) The parenthetical "(together with interest at the rate provided in Section 1274(b)(2)(B) of the Code from the Date of Termination to the payment of such remainder)" in the second sentence of Section 5.4 of the Agreement is hereby replaced with the following:

"(together with Interest from the Date of Termination to the payment of such remainder)".

(iii) The parenthetical "(together with interest at the rate provided in Section 1274(b)(2)(B) of the Code from the Date of Termination to the repayment of such excess)" at the end of the third sentence of Section 5.4 of the Agreement is hereby replaced with the following:

"(together with Interest from the Date of Termination to the repayment of such excess)."

(iv) The phrase "together with interest accrued thereon at the rate provided in Section 1274(b)(2)(B) of the Code" at the end of the last sentence of Section 6.2 of the Agreement is hereby replaced with the following:

"together with Interest accrued thereon."

E. Timing of Payments. The first sentence of Section 5.4 of the Agreement is hereby amended by: (1) replacing the reference to "Section 5.2(c)" with "Sections 5.2(c)(i) through (vii)"; (2) replacing the reference to "Section 5.2(e)(i)" with "Section 5.2(e)(i)(1)"; (3) adding "Section 5.2(f)(ii)" after the reference to "Section 5.2(e)(i)(1)"; and (4) replacing the phrase "the last sentence of Section 5.2(d)" with the phrase "the last paragraph of Section 5.2(d)".

F. Reimbursement of Legal Costs. The first sentence of Section 5.5 of the Agreement is hereby amended by replacing clause (iii) thereof with the following:

"(iii) in connection with any tax audit or proceeding to the extent attributable to the application of Section 4999 of the Code to any of the Total Benefits."

G. Notice of Termination. The first sentence of Section 6.1 of the Agreement is hereby amended to add the following phrase immediately after the parenthetical "(other than by reason of death)" in such sentence:

", whether or not Executive's employment status was classified as active at the time of termination,".

H. Notices. Section 7.6 of the Agreement is hereby amended to provide that: (1) notices to the Company shall be sent to the attention of the chief human resources executive of the Company; and (2) the copy (which shall not be deemed notice) of notices to the Company shall be sent to the attention of the general counsel of the Company.

I. Modification; Waiver. The first sentence of Section 7.7 of the Agreement is hereby amended and restated in its entirety as follows:

"No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing and signed by Executive and such officer as may be authorized by the Board or the Committee."

J. Changes to Statutes, Employee Benefit Plans and Employee Classification Systems. Section 7.10 of the Agreement is hereby amended by adding the phrase "or programs" after the phrase "employee benefit plans" in the heading and in the second sentence thereof and by adding ", programs" after the phrases "such plans" and "successor plans" in said sentence.

K. Reduction of Agreement Benefits by Other Required Benefits.

(i) Section 7.16 of the Agreement is hereby amended to add the following phrase immediately prior to the phrase "any Severance Benefits hereunder" in the first sentence thereof:

", to the extent required to avoid duplication of the same or similar benefits,".

(ii) Section 7.16 of the Agreement is hereby further amended to add the following sentence to the end of said section:

"Nothing in this Section 7.16 shall be construed so as to reduce any Severance Benefits hereunder by the amount or value of any payments or benefits provided to Executive with respect to any awards under the Company's 1997 Long-Term Incentive Award Plan, as amended from time to time, or any successor plan or plans."

L. Headings. Section 7.17 of the Agreement is hereby amended to delete the phrase "and captions".

5. Amend Certain Definitions.

(i) The following definitions in Section 8 of the Agreement are hereby amended and restated in their entirety as follows:

" "Annual Base Salary" means the greater of (a) Executive's highest annual base salary in effect during the one (1) year period preceding the commencement of the applicable Coverage Period and (b) Executive's highest annual base salary in effect during the one (1) year period preceding Executive's Date of Termination.

For purposes of this definition, at any time when Executive is receiving disability benefits under the LTD Plan (as defined in Section 5.2(f)), Executive's annual base salary will be deemed to be the same as Executive's annual base salary immediately prior to the time such disability benefits commenced."

" "Bonus Percent" means the cash value of the bonus amount paid or payable to Executive pursuant to the 1996 Plan or any other Company incentive compensation or bonus plan with respect to a particular fiscal year (including the cash value of any portion of the bonus amount paid in stock and of any additional stock or restricted stock awarded to Executive with respect to the portion of the base bonus amount paid in stock) divided by the aggregate base salary paid or payable to Executive for such fiscal year; provided, however, that with respect to the fiscal year preceding the Termination Year, the Bonus Percent will not be less than Executive's highest Target Percentage that was in effect during such fiscal year.

For purposes of this definition, shares of stock or restricted stock will be valued without regard to any vesting, transfer or other restrictions applicable to such stock and will be deemed to have a per share cash value equal to the closing price of the stock, as of the date the shares were awarded, on the principal stock exchange on which the stock is traded.

Also, for purposes of this definition, if Executive is receiving disability benefits under the LTD Plan (as defined in Section 5.2(f)), base salary paid or payable to Executive during the period in which Executive is receiving such disability benefits will be deemed to be the amount Executive would have received if Executive had been receiving base salary during such period at the same annual base salary rate that was in effect immediately prior to the time such disability benefits commenced."

" "Code" means the Internal Revenue Code of 1986, as amended, including any regulations promulgated thereunder."

> " "Excess Plan" means The PNC Financial Services Group, Inc. ERISA Excess Pension Plan."
>
> " "Exchange Act" means the Securities Exchange Act of 1934, as amended, including any regulations promulgated thereunder."
>
> " "SERP" means The PNC Financial Services Group, Inc. Supplemental Executive Retirement Plan."
>
> " "Subsidiary" means any corporation, limited liability company, or other entity controlled by the Company, directly or indirectly."
>
> " "Target Percentage" means the percentage of Executive's annual base salary on which Executive's target cash incentive award pursuant to the 1996 Plan or any other Company incentive compensation or bonus plan then in effect is based for a particular fiscal year. Such percentage is established annually by the Committee in administering the applicable plan. In the event that the Committee established that Executive's incentive award for such fiscal year would be increased by awarding Executive additional shares of stock or restricted stock with respect to any portion of the award to be paid in stock, the Target Percentage will be increased to take into account the cash value of such additional shares.
>
> For purposes of this definition, shares of stock or restricted stock will be valued without regard to any vesting, transfer or other restrictions applicable to such stock and will be deemed to have a per share cash value equal to the closing price of the stock, as of the date the shares were awarded, on the principal stock exchange on which the stock is traded."

(ii) Certain other definitions in Section 8 of the Agreement are hereby amended as follows:

(1) The phrase "of the Company" is hereby added after the phrase "the Chief Executive Officer" in the second sentence of the paragraph following clause (b) of current Section 8.6 of the Agreement.

(2) The phrase "plans of the Company" in current Section 8.7(a) of the Agreement is hereby replaced with the phrase "plans of the Company and its Subsidiaries".

(3) In the second sentence of current Section 8.13 of the Agreement, the phrase "to be accorded by the "Company" " is hereby replaced with the phrase "provided or to be provided by the Company" and the phrase "to be provided by such Subsidiary" is hereby replaced with the phrase "provided or to be provided by such Subsidiary".

(4) The phrase "or program" is hereby inserted after the word "plan" each time it appears in current Section 8.21(d) of the Agreement, and the phrase "or programs" is hereby inserted after the phrase "welfare plans" in current Section 8.21(e) of the Agreement.

(iii) Section 8 of the Agreement is hereby further amended by deleting the definition of 1994 Plan, which currently appears as Section 8.32.

(iv) The first unnumbered paragraph of the Agreement is hereby amended by deleting the parenthetical "(the "Company")".

6. New Definitions. Section 8 of the Agreement is hereby further amended to add the following new definitions:

> " "Interest" means interest at the Federal short-term rate, the Federal mid-term rate, or the Federal long-term, as applicable, compounded semiannually, under Section 1274(b)(2)(B) of the Code based on the period over which interest is being accrued."
>
> " "Matching Amount" means the maximum amount that Executive would have been eligible to have credited to Executive's plan accounts under The PNC Financial Services Group, Inc. Incentive Savings Plan and the Supplemental Savings Plan (or similar plan or plans sponsored by a Subsidiary, if applicable to Executive) (the plans applicable to Executive being hereafter referred to as the "Savings Plans") by Executive's employer as a matching contribution or credit assuming: (a) Executive had remained an employee of the Company after the Date of Termination for a number of years after the Date of Termination equal to the Classification Factor (or, if less, the Retirement Factor); (b) Executive received (i) a base salary and annual bonus equal to the Annual Base Salary and Annual Bonus with respect to, and paid in, each

year during such period (or, if the Retirement Factor is applicable and includes a fraction, a base salary and annual bonus equal to the Annual Base Salary and Annual Bonus for any full year during such period and a base salary and annual bonus equal to such fraction times the Annual Base Salary and Annual Bonus during the fraction of a year in such period) plus (ii) a bonus with respect to the Termination Year equal to the amount payable to Executive pursuant to Section 5.2(b)(i), paid in the year after the Termination Year, and a bonus with respect to the fiscal year preceding the Termination Year equal to the amount, if any, payable to Executive pursuant to Section 5.2(b)(ii), paid in the Termination Year; (c) Executive had elected to participate in the Savings Plans and to defer the maximum percentage of such base salary and/or bonuses under the Savings Plans; (d) Executive's employer had made the maximum matching contribution or credit with respect to such amounts under the Savings Plans; and (e) all such matching contributions or credits were fully vested.

In calculating the Matching Amount, all determinations and calculations will be made on the basis of the terms and conditions of the Savings Plans as in effect immediately prior to the Date of Termination or, if it would result in a larger Matching Amount, as in effect immediately prior to the commencement of the Coverage Period in which the Date of Termination occurs.

Notwithstanding the foregoing, unless, immediately prior to the Date of Termination, Executive was eligible to participate in and receive employer matching contributions or credits under the Savings Plans, or would have been so eligible had the Savings Plans remained as in effect immediately prior to the commencement of the Coverage Period in which the Date of Termination occurs, the Matching Amount will be deemed to be zero."

" "Perquisites Allowance" means the amount Executive received or was eligible to receive as a perquisites allowance for any fiscal year. If Executive was not eligible to receive and did not receive a perquisites allowance for any fiscal year, then for that fiscal year, Perquisites Allowance means the value of any perquisites provided to or paid on behalf of Executive during such fiscal year that would have been reportable as Other Annual Compensation for Executive for such fiscal year pursuant to Item 402(b)(2)(iii)(C)(1) of Regulation S-K (or any similar item) promulgated under the Exchange Act, without regard to any exclusion in said item for amounts that are less than a specified amount or aggregate amount, if Company had been subject to such reporting requirement with respect to Executive for such fiscal year."

" "Total Benefits" has the meaning assigned to such term in Section 5.3(a)(i)."

7. Renumber Certain Definitions. The definitions in Section 8 of the Agreement are hereby numbered or renumbered, as the case may be, so that they appear in alphabetical order after the additions and deletions set forth in the Amendment, and any references in the Agreement to definitions by section number are also hereby amended accordingly.

IN WITNESS WHEREOF, the Company has caused the Amendment to be executed by its officer, thereunto duly authorized, and Executive has executed the Amendment, all as of June 28, 2001.

THE PNC FINANCIAL SERVICES
GROUP, INC.

By:

[Name]
[Title]

EXECUTIVE

[Name]

FORM 2

THIS AMENDMENT to Change in Control Severance Agreement ("Amendment") dated as of June 28, 2001 is made by and between The PNC Financial Services

Group, Inc., a Pennsylvania corporation (the "Company"), and _______________ ("Executive").

WHEREAS, the Company and Executive have previously entered into a Change in Control Severance Agreement dated as of __________________, as amended by a first amendment dated as of November 15, 2000 (the "Agreement"); and

WHEREAS, the Board of Directors of the Company has determined that it is in the best interests of the Company and its shareholders to further amend the Agreement; and

WHEREAS, Section 7.7 of the Agreement authorizes its modification in a writing signed by both Executive and a designated officer of the Company;

NOW THEREFORE, in consideration of the premises and the mutual covenants herein contained and intending to be legally bound hereby, the Company and Executive hereby amend the Agreement as follows:

1. Defined Terms in Amendment; Headings. The definitions of capitalized terms used in the Amendment will be the same as are set forth in the Agreement except as amended herein. Headings used in the Amendment are provided for reference and convenience only, shall not be considered part of the Amendment, and shall not be employed in the construction of the Amendment.

2. Lump-Sum Matching Amount. Section 5.2(a) of the Agreement is hereby amended and restated in its entirety as follows:

> "(a) Lump-Sum Severance Payment. In lieu of any further salary payments to Executive for periods subsequent to the Date of Termination, the Company shall pay to Executive a lump sum severance payment, in cash, equal to: (i) the Classification Factor (or, if less, the Retirement Factor) times the sum of (x) Executive's Annual Base Salary and (y) Executive's Annual Bonus; plus (ii) the Matching Amount, if any."

3. Pension Benefits.

(i) Section 5.2(e)(i) of the Agreement is hereby amended and restated in its entirety as follows:

> "(i) Pension Plan Benefits.
>
> (1) The pension benefits accrued by Executive under the Pension Plan, the Excess Plan and the SERP (the "Company Pension Plans") shall be paid to Executive in accordance with the terms of such plans.
>
> (2) In the event that any amendments are made to the Company Pension Plans during the Coverage Period that adversely affect in any manner the amount of pension benefits payable to Executive under the Company Pension Plans, then the Company shall also pay to Executive a lump sum amount, in cash, equal to the difference between (A) the amount that would have been payable on a lump sum basis as of the Date of Termination without giving effect to such amendments and (B) the amount actually paid or payable on a lump sum basis as of the Date of Termination."

(ii) Section 5.2(e)(ii) of the Agreement is hereby amended to: (1) change the heading from "Benefits Period Pension Accruals" to "Benefits Period and Other Pension Accruals"; (2) replace the phrase "this Section 5.2(e)" in the third sentence thereof with "Section 5.2(e)"; (3) add the phrase "at the Date of Termination" to the end of clause (A)(III) of the definition of Adjusted Lump Sum Amount in the third sentence thereof; (4) replace the word "his" in clause (A)(V) of the definition of Adjusted Lump Sum Amount in the third sentence thereof with "Executive's"; (5) replace the phrase "a lump sum distribution" in clause (A)(V) of the definition of Adjusted Lump Sum Amount in the third sentence thereof with the phrase "lump sum distributions"; (6) divide the third sentence thereof into a third and a fourth sentence thereof by ending the current third sentence at the end of clause (C) of the definition of Adjusted Lump Sum Amount, deleting the conjunction "and", and making the remainder of current sentence three into sentence four; (7) add the phrase "For purposes of Section 5.2(e)," at the beginning of the fourth sentence thereof immediately prior to the phrase "Date of Termination Lump Sum Amount"; (8) add the phrase ", not taking into account any amounts that were not vested at the Date of Termination," immediately after the phrase "means the total amount" in the definition of Date of Termination Lump Sum Amount; and (9) replace the word "his" in the definition of Date of Termination Lump Sum Amount with "Executive's".

(iii) Section 5.2(e)(iii) of the Agreement is hereby amended by replacing the phrase "If the Executive has attained the age of 50" at the beginning of the first sentence thereof with the phrase "If Executive has attained the age of 49".

(iv) Section 5.2(e)(iv) of the Agreement is hereby amended to change the heading from "No Adverse Affect" to "No Adverse Effect" and to insert the phrase "and calculations" after the word "determinations".

4. Miscellaneous Amendments.

A. Continued Welfare Benefits.

(i) Section 5.2(c) of the Agreement is hereby amended by dividing the current provisions of said section into numbered paragraphs as follows: (1) the first and second sentences will be Section 5.2(c)(i); (2) the third and fourth sentences will be Section 5.2(c)(ii); (3) the fifth sentence will be Section 5.2(c)(iii); (4) the sixth sentence will be Section 5.2(c)(iv); and (5) the seventh (currently the last) sentence will be Section 5.2(c)(v).

(ii) Renumbered Sections 5.2(c)(ii) and (iv) of the Agreement are hereby amended by replacing the phrase "this Section 5.2(c)" with "Section 5.2(c)".

(iii) Renumbered Section 5.2(c)(v) of the Agreement is hereby amended and restated in its entirety as follows:

> "(v) To the extent that the Company is unable to provide Executive with any of the Welfare Benefits required by Section 5.2(c) under the Company's benefit plans, the Company shall either (i) purchase such Welfare Benefits for Executive or (ii) to the extent that Executive is able to purchase such Welfare Benefits, pay to Executive a cash payment equal, on an after-tax basis taking into account any deductibility by Executive of premium payments made by Executive, to the cost thereof, in either case reduced by an amount equal to the premiums that Executive would have paid for such Welfare Benefits under the applicable Company benefit plans immediately prior to the Notice of Termination, as adjusted pursuant to Sections 5.2(c)(iii) and/or (iv) if applicable."

(iv) Section 5.2(c) of the Agreement is hereby further amended to add the following to the end of said Section 5.2(c) as new subsections (vi), (vii), (viii), (ix) and (x) thereof:

> "(vi) To the extent that the Welfare Benefits required to be provided to Executive pursuant to Section 5.2(c) are group health benefits within the meaning of Section 4980B of the Code, the Company may, in its discretion, unless Executive has elected or is eligible to elect coverage under a Company-sponsored retiree medical plan or plans that provide medical benefits substantially similar to the medical benefits Executive was receiving immediately prior to the Notice of Termination, provide such benefits (hereafter referred to as "COBRA Welfare Benefits") to Executive during any portion of the Benefits Period that Executive is entitle to elect and receive continuation coverage (within the meaning of Section 4980B of the Code) with respect to such COBRA Welfare Benefits by (i) requiring Executive to elect continuation coverage with respect to such COBRA Welfare Benefits as the Company may designate and (ii) reimbursing Executive in cash, on an after-tax basis taking into account any deductibility by Executive of premium payments made by Executive, so that the net cost to Executive of receiving such COBRA Welfare Benefits is not in excess of the cost to Executive provided for by Section 5.2(c)(i), as adjusted pursuant to Sections 5.2(c)(iii) and/or (iv) if applicable.
>
> (vii) If, as of the Date of Termination, Executive is eligible to elect coverage under a Company-sponsored retiree medical plan or plans that provide medical benefits substantially similar to the medical benefits Executive was receiving immediately prior to the Notice of Termination, the Company may, in its discretion, provide medical benefits to Executive pursuant to Section 5.2(c) by (i) requiring Executive to elect coverage under the Company's

> retiree medical plan or plans, and (ii), to the extent, if any, that Executive's retiree medical premiums exceed the premiums for Company medical benefits that Executive paid immediately prior to the Notice of Termination (as adjusted pursuant to Section 5.2(c)(iv) if applicable), paying Executive in cash an amount equal to such difference, such payment to be made on an after-tax basis taking into account any deductibility by Executive of premium payments made by Executive.

(viii) If Executive elects retiree medical coverage on or prior to the Date of Termination and has a post-retirement medical account ("PRMA") under a Company-sponsored post-retirement medical account plan ("PRMA Plan") as of the Date of Termination, then the Company shall pay to Executive a lump sum amount in cash, on an after-tax basis taking into account any deductibility by Executive of premium payments made by Executive, equal to the difference between (1) the Adjusted PRMA Amount and (2) the Date of Termination PRMA Amount. For purposes of this Section 5.2(c)(viii): (A) "Adjusted PRMA Amount" means the amount that would have been Executive's PRMA balance as of the last day of the Benefits Period assuming that (i) Executive remained employed as a full-time employee after the Date of Termination through the last day of the Benefits Period, (ii) Executive elected not to have retiree medical premiums deducted from Executive's PRMA during the Benefits Period, and (iii) Executive's PRMA was credited with interest at each year end during the Benefits Period at the same rate as for the year end immediately preceding the Date of Termination or the year end immediately preceding the commencement of the Coverage Period in which the Date of Termination occurs, whichever rate is higher; and (B) "Date of Termination PRMA Amount" means the amount of Executive's PRMA balance as of the Date of Termination.

For purposes of this Section 5.2(c)(viii), all determinations and calculations will be made on the basis of the terms and conditions of the PRMA Plan as in effect immediately prior to the Date of Termination or, if the PRMA Plan has been amended during the Coverage Period in which the Date of Termination occurs so as to adversely affect in any manner the amount of Executive's PRMA thereunder, as in effect immediately prior to the commencement of the Coverage Period in which the Date of Termination occurs.

(ix) If a PRMA would have been established for Executive under the PRMA Plan had Executive remained employed as a full-time employee after the Date of Termination through the last day of the Benefits Period, or if Executive would have had a PRMA as of the Date of Termination had the PRMA Plan not been terminated or amended during the Coverage Period in which the Date of Termination occurs, then the Company shall pay to Executive a lump sum amount in cash, on an after-tax basis taking into account any deductibility by Executive of premium payments made by Executive, equal to the difference between (1) the Adjusted PRMA Amount and (2) the Date of Termination PRMA Amount. For purposes of this Section 5.2(c)(ix): (A) "Adjusted PRMA Amount" means the amount that would have been Executive's PRMA balance as of the last day of the Benefits Period assuming that (i) Executive remained employed as a full-time employee after the Date of Termination through the last day of the Benefits Period, (ii) Executive elected retiree medical coverage on or prior to the Date of Termination but elected not to have retiree medical premiums deducted from Executive's PRMA during the Benefits Period, and (iii) Executive's PRMA was credited with interest at

each year end during the Benefits Period at the same rate as for the year end immediately preceding the Date of Termination or the year end immediately preceding the commencement of the Coverage Period in which the Date of Termination occurs, whichever rate is higher; and (B) "Date of Termination PRMA Amount" means the amount of Executive's PRMA balance as of the Date of Termination.

For purposes of this Section 5.2(c)(ix), all determinations and calculations will be made on the basis of the terms and conditions of the PRMA Plan as in effect immediately prior to the Date of Termination or, if the PRMA Plan is no longer in effect on the Date of Termination or has been amended during the Coverage Period in which the Date of Termination occurs so as to adversely affect in any manner the amount of Executive's PRMA thereunder, as in effect immediately prior to the commencement of the Coverage Period in which the Date of Termination occurs.

(x) All group health benefits provided to Executive pursuant to Section 5.2(c) shall constitute continuation coverage for purposes of Part 6 of Title I of the Employee Retirement Income Security Act of 1974, as amended, and Section 4980B of the Code to the maximum extent permitted thereby."

B. Other Benefits. Section 5.2(d) of the Agreement is hereby amended and restated in its entirety as follows:

"(d) Other Benefits. The Company shall pay to Executive a lump sum cash payment equal to the product of (i) the Classification Factor (or, if less, the Retirement Factor) and (ii) the greater of (x) the Perquisites Allowance paid or payable by the Company to Executive for the Termination Year and (y) the Perquisites Allowance paid or payable by the Company to Executive for the fiscal year immediately preceding the commencement of the Coverage Period.

Any club membership bond or certificate held by the Company on behalf of Executive shall be transferred to Executive as appropriate to enable Executive to retain such club membership.

In addition, during the Benefits Period, the Company shall continue to pay for and provide Executive with access to personal financial consulting services that are substantially similar to that which the Company provided Executive with during the fiscal year immediately preceding the Termination Year."

C. Disability Benefit Offset.

(i) The first sentence of Section 5.2 of the Agreement is hereby amended to: (1) replace the reference to "Subsections (a) through (e)" with "Subsections (a) through (f)"; (2) delete the phrase "or Disability" from clause (ii) thereof; (3) insert "(iii)" immediately before the phrase "after the Executive attains age sixty-five (65)"; and (4) renumber current clause (iii) thereof as clause (iv).

(ii) The second sentence of Section 7.1 of the Agreement is hereby amended by adding "Section 5.2(f)" after the reference to "Section 5.2(c)".

(iii) Section 8 of the Agreement is hereby amended to delete the definition of Disability, which currently appears as Section 8.17.

(iv) Section 5.2 of the Agreement is hereby further amended to add the following to the end of said section as new subsection (f):

"(f) Disability Benefit Offset. If, as of the Date of Termination, Executive is eligible to receive disability benefits under one or more of the Company's or one of its affiliates' long-term disability plans that cover Executive (collectively, the "LTD Plan") because of a determination that Executive is totally or partially disabled, then:

(i) the aggregate lump-sum cash payment to be paid to Executive pursuant to Section 5.2(a) shall be reduced (but not to less than zero) by the product of (x) the gross annualized cash disability benefit that is payable to Executive pursuant to the LTD Plan as of the Date of Termination and (y) the Classification Factor (or, if less, the Retirement Factor);

(ii) notwithstanding Section 5.2(f)(i), if Executive ceases to receive disability benefits under the LTD Plan prior to the expiration of a number of years after the Date of Termination equal to the Classification Factor (or, if less, the Retirement Factor), then the Company shall promptly pay to Executive an additional lump-sum cash payment equal to the difference between (x) the amount by which the aggregate lump-sum cash payment made to Executive pursuant to Section 5.2(a) was reduced by reason of Section 5.2(f)(i) and (y) the total gross amount of the cash disability benefits paid to Executive pursuant to the LTD Plan during the period from the Date of Termination until the date disability benefit payments to Executive pursuant to the LTD Plan ceased; and

(iii) for purposes of Benefits Period pension and SERP accruals pursuant to Section 5.2(e)(ii), Executive's Annual Base Salary and Annual Bonus together shall not be less than the greater of (x) the gross annualized cash disability benefit that is payable to Executive pursuant to the LTD Plan as of the Date of Termination and (y) the amount of compensation taken into account for purposes of Executive's earnings credits under the relevant Company Pension Plans immediately prior to the Date of Termination annualized."

D. Interest. Certain references to interest in the Agreement are hereby clarified and amended as follows:

(i) The phrase "plus interest on the amount of such repayment at the rate provided in Section 1274(b)(2)(B) of the Code" at the end of the first sentence of Section 5.3(c) of the Agreement is hereby replaced with the following phrase:

"plus Interest on the amount of such repayment for the period that the

> applicable portion of the Gross-Up Payment being repaid was held by Executive".

(ii) The parenthetical "(together with interest at the rate provided in Section 1274(b)(2)(B) of the Code from the Date of Termination to the payment of such remainder)" in the second sentence of Section 5.4 of the Agreement is hereby replaced with the following:

> "(together with Interest from the Date of Termination to the payment of such remainder)".

(iii) The parenthetical "(together with interest at the rate provided in Section 1274(b)(2)(B) of the Code from the Date of Termination to the repayment of such excess)" at the end of the third sentence of Section 5.4 of the Agreement is hereby replaced with the following:

> "(together with Interest from the Date of Termination to the repayment of such excess)."

(iv) The phrase "together with interest accrued thereon at the rate provided in Section 1274(b)(2)(B) of the Code" at the end of the last sentence of Section 6.2 of the Agreement is hereby replaced with the following:

> "together with Interest accrued thereon."

E. Timing of Payments. The first sentence of Section 5.4 of the Agreement is hereby amended by: (1) replacing the reference to "Section 5.2(c)" with "Sections 5.2(c)(i) through (vii)"; (2) replacing the reference to "Section 5.2(e)(i)" with "Section 5.2(e)(i)(1)"; (3) adding "Section 5.2(f)(ii)" after the reference to "Section 5.2(e)(i)(1)"; and (4) replacing the phrase "the last sentence of Section 5.2(d)" with the phrase "the last paragraph of Section 5.2(d)".

F. Reimbursement of Legal Costs. The first sentence of Section 5.5 of the Agreement is hereby amended by replacing clause (iii) thereof with the following:

> "(iii) in connection with any tax audit or proceeding to the extent attributable to the application of Section 4999 of the Code to any of the Total Benefits."

G. Notice of Termination. The first sentence of Section 6.1 of the Agreement is hereby amended to add the following phrase immediately after the parenthetical "(other than by reason of death)" in such sentence:

> ", whether or not Executive's employment status was classified as active at the time of termination,".

H. Notices. Section 7.6 of the Agreement is hereby amended to provide that: (1) notices to the Company shall be sent to the attention of the chief human resources executive of the Company; and (2) the copy (which shall not be deemed notice) of notices to the Company shall be sent to the attention of the general counsel of the Company.

I. Modification; Waiver. The first sentence of Section 7.7 of the Agreement is hereby amended and restated in its entirety as follows:

> "No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing and signed by Executive and such officer as may be authorized by the Board or the Committee."

J. Changes to Statutes, Employee Benefit Plans and Employee Classification Systems. Section 7.10 of the Agreement is hereby amended by adding the phrase "or programs" after the phrase "employee benefit plans" in the heading and in the second sentence thereof and by adding ", programs" after the phrases "such plans" and "successor plans" in said sentence.

K. Reduction of Agreement Benefits by Other Required Benefits.

(i) Section 7.16 of the Agreement is hereby amended to add the following phrase immediately prior to the phrase "any Severance Benefits hereunder" in the first sentence thereof:

> ", to the extent required to avoid duplication of the same or similar benefits,".

(ii) Section 7.16 of the Agreement is hereby further amended to add the following sentence to the end of said section:

> "Nothing in this Section 7.16 shall be construed so as to reduce any Severance Benefits hereunder by the amount or value of any payments or

benefits provided to Executive with respect to any awards under the Company's 1997 Long-Term Incentive Award Plan, as amended from time to time, or any successor plan or plans."

L. Headings. Section 7.17 of the Agreement is hereby amended to delete the phrase "and captions".

5. Amend Certain Definitions.

(i) The following definitions in Section 8 of the Agreement are hereby amended and restated in their entirety as follows:

" "Annual Base Salary" means the greater of (a) Executive's highest annual base salary in effect during the one (1) year period preceding the commencement of the applicable Coverage Period and (b) Executive's highest annual base salary in effect during the one (1) year period preceding Executive's Date of Termination.

For purposes of this definition, at any time when Executive is receiving disability benefits under the LTD Plan (as defined in Section 5.2(f)), Executive's annual base salary will be deemed to be the same as Executive's annual base salary immediately prior to the time such disability benefits commenced."

" "Bonus Percent" means the cash value of the bonus amount paid or payable to Executive pursuant to the 1996 Plan or any other Company incentive compensation or bonus plan with respect to a particular fiscal year (including the cash value of any portion of the bonus amount paid in stock and of any additional stock or restricted stock awarded to Executive with respect to the portion of the base bonus amount paid in stock) divided by the aggregate base salary paid or payable to Executive for such fiscal year; provided, however, that with respect to the fiscal year preceding the Termination Year, the Bonus Percent will not be less than Executive's highest Target Percentage that was in effect during such fiscal year.

For purposes of this definition, shares of stock or restricted stock will be valued without regard to any vesting, transfer or other restrictions applicable to such stock and will be deemed to have a per share cash value equal to the closing price of the stock, as of the date the shares were awarded, on the principal stock exchange on which the stock is traded.

Also, for purposes of this definition, if Executive is receiving disability benefits under the LTD Plan (as defined in Section 5.2(f)), base salary paid or payable to Executive during the period in which Executive is receiving such disability benefits will be deemed to be the amount Executive would have received if Executive had been receiving base salary during such period at the same annual base salary rate that was in effect immediately prior to the time such disability benefits commenced."

" "Code" means the Internal Revenue Code of 1986, as amended, including any regulations promulgated thereunder."

" "Excess Plan" means The PNC Financial Services Group, Inc. ERISA Excess Pension Plan."

" "Exchange Act" means the Securities Exchange Act of 1934, as amended, including any regulations promulgated thereunder."

" "SERP" means The PNC Financial Services Group, Inc. Supplemental Executive Retirement Plan."

" "Subsidiary" means any corporation, limited liability company, or other entity controlled by the Company, directly or indirectly."

" "Target Percentage" means the percentage of Executive's annual base salary on which Executive's target cash incentive award pursuant to the 1996 Plan or any other Company incentive compensation or bonus plan then in effect is based for a particular fiscal year. Such percentage is established annually by the Committee in administering the applicable plan. In the event that the Committee established that Executive's incentive award for such fiscal year would be increased by awarding Executive additional shares of stock or restricted stock with respect to any portion of the award to be paid in stock, the Target Percentage will be increased to take into account the cash value of such additional shares.

For purposes of this definition, shares of stock or restricted stock will be valued without regard to any vesting, transfer or other restrictions applicable to such stock and will be deemed to have a per share cash value equal to the closing price of the stock, as of the date the shares were awarded, on the principal stock exchange on which the stock is traded."

(ii) Certain other definitions in Section 8 of the Agreement are hereby amended as follows:

(1) The phrase "of the Company" is hereby added after the phrase "the Chief Executive Officer" in the second sentence of the paragraph following clause (b) of current Section 8.6 of the Agreement.

(2) The phrase "plans of the Company" in current Section 8.7(a) of the Agreement is hereby replaced with the phrase "plans of the Company and its Subsidiaries".

(3) In the second sentence of current Section 8.13 of the Agreement, the phrase "to be accorded by the "Company" " is hereby replaced with the phrase "provided or to be provided by the Company" and the phrase "to be provided by such Subsidiary" is hereby replaced with the phrase "provided or to be provided by such Subsidiary".

(4) The phrase "or program" is hereby inserted after the word "plan" each time it appears in current Section 8.21(d) of the Agreement, and the phrase "or programs" is hereby inserted after the phrase "welfare plans" in current Section 8.21(e) of the Agreement.

(iii) Section 8 of the Agreement is hereby further amended by deleting the definition of 1994 Plan, which currently appears as Section 8.32.

(iv) The first unnumbered paragraph of the Agreement is hereby amended by deleting the parenthetical "(the "Company")".

6. New Definitions. Section 8 of the Agreement is hereby further amended to add the following new definitions:

" "Interest" means interest at the Federal short-term rate, the Federal mid-term rate, or the Federal long-term, as applicable, compounded semiannually, under Section 1274(b)(2)(B) of the Code based on the period over which interest is being accrued."

" "Matching Amount" means the maximum amount that Executive would have been eligible to have credited to Executive's plan accounts under The PNC Financial Services Group, Inc. Incentive Savings Plan and the Supplemental Savings Plan (or similar plan or plans sponsored by a Subsidiary, if applicable to Executive) (the plans applicable to Executive being hereafter referred to as the "Savings Plans") by Executive's employer as a matching contribution or credit assuming: (a) Executive had remained an employee of the Company after the Date of Termination for a number of years after the Date of Termination equal to the Classification Factor (or, if less, the Retirement Factor); (b) Executive received (i) a base salary and annual bonus equal to the Annual Base Salary and Annual Bonus with respect to, and paid in, each year during such period (or, if the Retirement Factor is applicable and includes a fraction, a base salary and annual bonus equal to the Annual Base Salary and Annual Bonus for any full year during such period and a base salary and annual bonus equal to such fraction times the Annual Base Salary and Annual Bonus during the fraction of a year in such period) plus (ii) a bonus with respect to the Termination Year equal to the amount payable to Executive pursuant to Section 5.2(b)(i), paid in the year after the Termination Year, and a bonus with respect to the fiscal year preceding the Termination Year equal to the amount, if any, payable to Executive pursuant to Section 5.2(b)(ii), paid in the Termination Year; (c) Executive had elected to participate in the Savings Plans and to defer the maximum percentage of such base salary and/or bonuses under the Savings Plans; (d) Executive's employer had made the maximum matching contribution or credit with respect to such amounts under the Savings Plans; and (e) all such matching contributions or credits were fully vested.

In calculating the Matching Amount, all determinations and calculations will be made on the basis of the terms and conditions of the Savings Plans as in effect immediately prior to the Date of Termination or, if it would result in a larger Matching Amount, as in effect immediately prior to the commencement of the Coverage Period in which the Date of Termination occurs.

Notwithstanding the foregoing, unless, immediately prior to the Date of Termination, Executive was eligible to participate in and receive employer matching contributions or credits under the Savings Plans, or would have been so eligible had the Savings Plans remained as

in effect immediately prior to the commencement of the Coverage Period in which the Date of Termination occurs, the Matching Amount will be deemed to be zero."

" "Perquisites Allowance" means the amount Executive received or was eligible to receive as a perquisites allowance for any fiscal year. If Executive was not eligible to receive and did not receive a perquisites allowance for any fiscal year, then for that fiscal year, Perquisites Allowance means the value of any perquisites provided to or paid on behalf of Executive during such fiscal year that would have been reportable as Other Annual Compensation for Executive for such fiscal year pursuant to Item 402(b)(2)(iii)(C)(1) of Regulation S-K (or any similar item) promulgated under the Exchange Act, without regard to any exclusion in said item for amounts that are less than a specified amount or aggregate amount, if Company had been subject to such reporting requirement with respect to Executive for such fiscal year."

" "Total Benefits" has the meaning assigned to such term in Section 5.3(a)(i)."

7. Renumber Certain Definitions. The definitions in Section 8 of the Agreement are hereby numbered or renumbered, as the case may be, so that they appear in alphabetical order after the additions and deletions set forth in the Amendment, and any references in the Agreement to definitions by section number are also hereby amended accordingly.

IN WITNESS WHEREOF, the Company has caused the Amendment to be executed by its officer, thereunto duly authorized, and Executive has executed the Amendment, all as of June 28, 2001.

THE PNC FINANCIAL SERVICES
GROUP, INC.

By:

[Name]
[Title]

EXECUTIVE

[Name]

THE PNC FINANCIAL SERVICES GROUP, INC. EXHIBIT 12.1
COMPUTATION OF RATIO OF EARNINGS
TO FIXED CHARGES

<TABLE>
<CAPTION>

	Nine months ended	Year ended December 31				
Dollars in millions	September 30, 2001	2000	1999	1998	1997	1996
<S>	<C>	<C>	<C>	<C>	<C>	<C>
EARNINGS						
Income from continuing operations before taxes	$1,305	$1,848	$1,788	$1,651	$1,595	$1,526
Fixed charges excluding interest on deposits	628	1,033	980	1,159	1,080	1,014
Subtotal	1,933	2,881	2,768	2,810	2,675	2,540
Interest on deposits	1,011	1,653	1,369	1,471	1,457	1,428
Total	$2,944	$4,534	$4,137	$4,281	$4,132	$3,968
FIXED CHARGES						
Interest on borrowed funds	$540	$915	$870	$1,065	$1,010	$985
Interest component of rentals	39	50	44	33	26	27
Amortization of notes and debentures	1	1	1	1	1	1
Distributions on Mandatorily Redeemable Capital Securities of Subsidiary Trusts	48	67	65	60	43	1
Subtotal	628	1,033	980	1,159	1,080	1,014
Interest on deposits	1,011	1,653	1,369	1,471	1,457	1,428
Total	$1,639	$2,686	$2,349	$2,630	$2,537	$2,442
RATIO OF EARNINGS TO FIXED CHARGES						
Excluding interest on deposits	3.08x	2.79x	2.82x	2.42x	2.48x	2.50x
Including interest on deposits	1.80	1.69	1.76	1.63	1.63	1.62

</TABLE>

THE PNC FINANCIAL SERVICES GROUP, INC. EXHIBIT 12.2
COMPUTATION OF RATIO OF EARNINGS
TO FIXED CHARGES AND PREFERRED STOCK DIVIDENDS

<TABLE>
<CAPTION>

	Nine months ended	Year ended December 31				
Dollars in millions	September 30, 2001	2000	1999	1998	1997	1996
<S>	<C>	<C>	<C>	<C>	<C>	<C>
EARNINGS						
Income from continuing operations before taxes	$1,305	$1,848	$1,788	$1,651	$1,595	$1,526
Fixed charges and preferred stock dividends excluding interest on deposits	647	1,063	1,010	1,188	1,110	1,022
Subtotal	1,952	2,911	2,798	2,839	2,705	2,548
Interest on deposits	1,011	1,653	1,369	1,471	1,457	1,428
Total	$2,963	$4,564	$4,167	$4,310	$4,162	$3,976
FIXED CHARGES						
Interest on borrowed funds	$540	$915	$870	$1,065	$1,010	$985
Interest component of rentals	39	50	44	33	26	27
Amortization of notes and debentures	1	1	1	1	1	1
Distributions on Mandatorily Redeemable Capital Securities of Subsidiary Trusts	48	67	65	60	43	1
Preferred stock dividend requirements	19	30	30	29	30	8
Subtotal	647	1,063	1,010	1,188	1,110	1,022
Interest on deposits	1,011	1,653	1,369	1,471	1,457	1,428
Total	$1,658	$2,716	$2,379	$2,659	$2,567	$2,450
RATIO OF EARNINGS TO FIXED CHARGES AND PREFERRED STOCK DIVIDENDS						
Excluding interest on deposits	3.02x	2.74x	2.77x	2.39x	2.44x	2.49x
Including interest on deposits	1.79	1.68	1.75	1.62	1.62	1.62

</TABLE>

Exhibit 99

THE PNC FINANCIAL SERVICES GROUP, INC.
EMPLOYEE STOCK PURCHASE PLAN
(AS AMENDED EFFECTIVE AS OF DECEMBER 1, 2001)

ARTICLE I
PURPOSE AND SCOPE OF THE PLAN

1.1 PURPOSE

The PNC Financial Services Group, Inc. Employee Stock Purchase Plan is intended to encourage employee participation in the ownership and economic progress of the Corporation.

1.2 DEFINITIONS

Unless the context clearly indicates otherwise, the following terms have the meaning set forth below:

Board of Directors or Board shall mean the Board of Directors of the Corporation.

Code shall mean the Internal Revenue Code of 1986, as amended.

Committee shall mean a Committee of officers of the Corporation and/or Designated Subsidiaries appointed by the Board of Directors or the Personnel and Compensation Committee of the Board, which Committee of officers shall administer the Plan as provided in Section 1.3 hereof.

Common Stock shall mean shares of the common stock, par value $5.00 per share, of the Corporation.

Corporate Benefits Administration shall mean the department of the Corporation responsible for the day-to-day administration of and recordkeeping for the Plan.

Corporation shall mean The PNC Financial Services Group, Inc.

Compensation shall mean the regular remuneration paid to an Employee by the Corporation or Designated Subsidiary which, in the case of an Employee who receives commission income, will mean commissions, guarantees, branch profits and incentive pay (excluding any bonus) and, in the case of any other Employee, will mean base salary or wages.

Continuous Service shall mean the period of time, uninterrupted by a termination of employment, that an Employee has been employed by the Corporation and/or a Designated Subsidiary immediately preceding an Offering Date. Such period of time shall include any approved leave of absence.

Designated Subsidiary shall mean any Subsidiary which has been designated by the Committee to participate in the Plan.

Employee shall mean any employee of the Corporation or a Designated Subsidiary.

Exercise Date shall mean May 31 and November 30 of each Plan Year.

Fair Market Value of a share of Common Stock shall be the last price of the Common Stock on the applicable date as reported by the Wall Street Journal, or, if no such price is reported for that day, on the last preceding day for which such price is reported, or such other reasonable method of determining fair market value as the Committee shall adopt.

Offering Date shall mean June 1 and December 1 of each Plan Year.

Option Period or Period shall mean the period beginning on an Offering Date and ending on the next succeeding Exercise Date.

Option Price shall mean the purchase price of a share of Common Stock hereunder as provided in Section 3.1 hereof.

Participant shall mean any Employee who (i) is eligible to participate in the Plan under Section 2.1 hereof and (ii) elects to participate.

Plan shall mean the Corporation's Employee Stock Purchase Plan, as the same may be amended from time to time.

Plan Account or Account shall mean an account established and maintained in the name of each Participant.

Plan Year shall mean the twelve (12) month period beginning June 1 and ending on the following May 31.

Retire, Retires or Retirement shall mean termination of Participant's employment with the Corporation or a Designated Subsidiary at any time and for any reason (other than termination by reason of Participant's death or by the Corporation or a Designated Subsidiary for Cause or termination in connection with a divestiture of assets or of one or more subsidiaries of the Corporation) on or after the first day of the first month coincident with or next following the date on which Participant attains age fifty-five (55) and completes five (5) years of service, as determined in the same manner as the determination of five years of Vesting Service under the provisions of The PNC Financial Services Group, Inc. Pension Plan, with the Corporation and its subsidiaries).

Stock Purchase Agreement shall mean the form prescribed by the Committee which must be completed and executed by an Employee who elects to participate in the Plan.

Subsidiary shall mean any company in which the Corporation owns, directly or indirectly, shares possessing 50% or more of the total combined voting power of all classes of stock.

1.3 ADMINISTRATION OF PLAN

Subject to oversight by the Board of Directors or the Board's Personnel and Compensation Committee, the Committee shall have the authority to administer the Plan and to make and adopt rules and regulations not inconsistent with the provisions of the Plan or the Code. The Committee shall adopt the form of Stock Purchase Agreement and all notices required hereunder. Its interpretations and decisions in respect to the Plan shall, subject as aforesaid, be final and conclusive. The Committee shall have the authority to appoint an Employee as Plan Manager and to delegate to the Plan Manager such authority with respect to the administration of the Plan as the Committee, in its sole discretion, deems advisable from time to time.

1.4 EFFECTIVE DATE OF PLAN

The Plan, as amended and restated herein, shall become effective on the date established for that purpose by the Committee, if prior to that date, the Plan (i) has been adopted by the Board of Directors of the Corporation and (ii) has been approved by an affirmative vote of a majority of votes cast by the holders of the Common Stock and the voting preferred stock, voting together as a single class, in person or by proxy, at a meeting at which a quorum is present. The date established by the Committee as the effective date shall be an Offering Date.

1.5 EXTENSION OR TERMINATION OF PLAN

The Plan shall continue in effect through, and including, May 31, 2003 unless terminated prior thereto pursuant to Section 4.3 hereof, or by the Board of Directors or the Personnel and Compensation Committee of the Board, each of which shall have the right to extend the term of or terminate the Plan at any time. Upon any such termination, the balance, if any, in each Participant's Account shall be refunded to him, or otherwise disposed of in accordance with policies and procedures prescribed by the Committee in cases where such a refund may not be possible.

ARTICLE II
PARTICIPATION

2.1 ELIGIBILITY

Each Employee, including those serving on the Committee or serving as Plan Manager, who on an Offering Date will have at least one year of Continuous Service, may become a Participant by executing and filing a Stock Purchase Agreement with Corporate Benefits Administration prior to said Offering Date. No Employee may participate in the Plan if said Employee, immediately after an Offering Date, would be deemed for purposes of Section

423(b)(3) of the Code to possess 5% or more of the total combined voting power or value of all classes of stock of the Corporation or any Subsidiary.

2.2 PAYROLL DEDUCTIONS

Payment for shares of Common Stock purchased hereunder shall be made by authorized payroll deductions from each payment of Compensation in accordance with instructions received from a Participant. Said deduction shall be expressed as a whole number percentage which shall be at least 1% but not more than 10%. A Participant may not increase or decrease the deduction during an Option Period. However, a Participant may change the percentage deduction for any subsequent Option Period by filing notice thereof with Corporate Benefits Administration prior to the Offering Date on which such Period commences. During an Option Period, a Participant may discontinue payroll deductions but have the payroll deductions previously made during that Option Period remain in the Participant's Account to purchase Common Stock on the next Exercise Date, provided that he or she is an Employee as of that Exercise Date. Any amount remaining in the Participant's Account after the purchase of Common Stock shall be refunded without interest upon the written request of the Participant. Any Participant who discontinues payroll deductions during an Option Period may again become a Participant for a subsequent Option Period by executing and filing another Stock Purchase Agreement in accordance with Section 2.1. Amounts deducted from a Participant's Compensation pursuant to this Section shall be credited to said Participant's Account.

ARTICLE III
PURCHASE OF SHARES

3.1 OPTION PRICE

The Option Price per share of the Common Stock sold to Participants hereunder shall be 85% of the Fair Market Value of such share on either the Offering Date or the Exercise Date of an Option Period, whichever is lower, but in no event shall the Option Price per share be less than the par value of the Common Stock.

3.2 PURCHASE OF SHARES

On each Exercise Date, the amount in a Participant's Account shall be charged with the aggregate Option Price of the largest number of whole shares of Common Stock which can be purchased with said amount. The balance, if any, in such account shall be carried forward to the next succeeding Offering Period.

3.3 LIMITATIONS ON PURCHASE

Except as the Committee may otherwise provide by an adjustment made pursuant to Section 4.2, no Participant shall purchase more than 400 shares of Common Stock in each calendar year, provided that any such purchase shall not exceed the limitations imposed by Section 423(b)(8) of the Code.

3.4 TRANSFERABILITY OF RIGHTS

Rights to purchase shares hereunder shall be exercisable only by the Participant. Such rights shall not be transferable.

ARTICLE IV
PROVISIONS RELATING TO COMMON STOCK

4.1 COMMON STOCK RESERVED

At February 20, 1997, there shall be 4,614,154 authorized and unissued shares of Common Stock reserved for the Plan, subject to adjustment in accordance with Section 4.2 hereof. The aggregate number of shares which may be purchased thereafter under the Plan shall not exceed the number of shares reserved for the Plan. Such amount shall be in addition to the 4,534,726 shares previously authorized and issued under the Plan.

4.2 ADJUSTMENT FOR CHANGES IN COMMON STOCK

In the event that adjustments are made in the number of outstanding shares of Common Stock or said shares are exchanged for a different class of stock of the Corporation or for shares of stock of any other corporation by reason of merger, consolidation, stock dividend, stock split or otherwise, the Committee may make appropriate adjustments in (i) the number and class of shares or other securities that may be reserved for purchase, or purchased, hereunder, and (ii) the Option Price. All such adjustments shall be made in the sole discretion of the Committee, and its decision shall be binding and conclusive.

4.3 INSUFFICIENT SHARES

If the aggregate funds available for the purchase of Common Stock on any Exercise Date would cause an issuance of shares in excess of the number provided for in Section 4.1 hereof, (i) the Committee shall proportionately reduce the number of shares which would otherwise be purchased by each Participant in order to eliminate such excess, and (ii) the Plan shall automatically terminate immediately after such Exercise Date.

4.4 CONFIRMATION

Each purchase of Common Stock hereunder shall be confirmed in writing to the Participant. A record of purchases shall be maintained by appropriate entries on the books of the Corporation. Participants may obtain a certificate or certificates for all or part of the shares of Common Stock purchased hereunder by requesting same in writing.

4.5 RIGHTS AS SHAREHOLDERS

The shares of Common Stock purchased by a Participant on an Exercise Date shall, for all purposes, be deemed to have been issued and sold at the close of business on such Exercise

Date. Prior to that time, none of the rights or privileges of a shareholder of the Corporation shall exist with respect to such shares.

ARTICLE V
TERMINATION OF PARTICIPATION

5.1 VOLUNTARY WITHDRAWAL

A Participant may withdraw from the Plan at any time by filing notice of withdrawal prior to the close of business on an Exercise Date. Upon withdrawal, the entire amount, if any, in a Participant's Account shall be refunded to him without interest. Any Participant who withdraws from the Plan may again become a Participant in accordance with Section 2.1 hereof.

5.2 TERMINATION OF ELIGIBILITY

A Participant who Retires during an Option Period may elect to withdraw the entire cash balance, if any, in the Participant's Plan Account. If a Participant who Retires during an Option Period has not made a withdrawal election as provided for in the preceding sentence at least fifteen (15) days prior to the next succeeding Exercise Date, any cash balance remaining in the Participant's Plan Account will be applied toward the purchase of whole shares of Common Stock on the next succeeding Exercise Date and any cash balance remaining in the Participant's Plan Account after such purchase will be refunded to the Participant without interest.

If a Participant ceases to be eligible under Section 2.1 hereof during an Option Period because of the Participant's death while employed by the Corporation or a Designated Subsidiary, the cash balance remaining in the Participant's Plan Account will be distributed without interest to the Participant's designated beneficiary or, in the absence of an effective beneficiary designation, to the Participant's personal representative or, if no personal representative has qualified, the persons entitled thereto under the laws of descent and distribution. During Participant's lifetime, Participant may file with the Corporation, at such address and in such manner as the Corporation may from time to time direct, a beneficiary designation for purposes of this paragraph on a form to be provided by the Corporation on the Participant's request.

If a Participant ceases to be eligible under Section 2.1 hereof during an Option Period because Participant's employer, while remaining a Subsidiary, ceases to be a Designated Subsidiary, then any cash balance remaining in the Participant's Plan Account at the time such Subsidiary ceases to be a Designated Subsidiary will be applied toward the purchase of whole shares of Common Stock on the next succeeding Exercise Date (unless withdrawn pursuant to Section 5.1 hereof) and any cash balance remaining in the Participant's Plan Account after such purchase will be refunded without interest.

If a Participant ceases to be eligible under Section 2.1 hereof during an Option Period because the Participant's employment with the Corporation or a Designated Subsidiary has ended for any other reason, the cash balance remaining in the Participant's Plan Account will be refunded or distributed without interest to the Participant.

Notwithstanding the above, in cases where a refund or distribution in accordance with the provisions of Section 5.2 may not be possible or practicable, the cash balance remaining in the Participant's Plan Account shall be disposed of as determined by the Committee.

ARTICLE VI
GENERAL PROVISIONS

6.1 NOTICES

Any notice which a Participant files pursuant to the Plan shall be made on forms prescribed by the Committee and shall be effective when received by Corporate Benefits Administration.

6.2 CONDITION OF EMPLOYMENT

Neither the creation of the Plan nor participation therein shall be deemed to create any right of continued employment or in any way affect the right of the Corporation to terminate an Employee.

6.3 AMENDMENT OF THE PLAN

The Board of Directors or the Board's Personnel and Compensation Committee may at any time, or from time to time, amend the Plan in any respect, except that, without approval of the shareholders, no amendment may increase the aggregate number of shares reserved under the Plan other than as provided in Section 4.2 hereof, materially increase the benefits accruing to Participants or materially modify the requirements as to eligibility for participation in the Plan. Any amendment of the Plan must be made in accordance with applicable provisions of the Code and/or any regulations issued thereunder, any other applicable law or regulations, and the requirements of the principal exchange upon which the Common Stock is listed.

6.4 APPLICATION OF FUNDS

All funds received by the Corporation by reason of purchases of Common Stock hereunder may be used for any corporate purpose.

6.5 LEGAL RESTRICTIONS

The Corporation shall not be obligated to sell shares of Common Stock hereunder if counsel to the Corporation determines that such sale would violate any applicable law or regulation.

6.6 GENDER

Whenever used herein, use of any gender shall be applicable to both genders.