THE PNC FINANCIAL SERVICES GROUP, INC.

Quarterly Report on Form 10-Q
For the quarterly period ended June 30, 2002

Page 1 represents a portion of the second quarter 2002 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 45.

CONSOLIDATED FINANCIAL HIGHLIGHTS
THE PNC FINANCIAL SERVICES GROUP, INC.

<TABLE>
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Dollars in millions, except per share data Unaudited	Three months ended June 30 2002	Three months ended June 30 2001	Six months ended June 30 2002	Six months ended June 30 2001
<S>	<C>	<C>	<C>	<C>
FINANCIAL PERFORMANCE				
Revenue				
Net interest income (taxable-equivalent basis)(a)	$558	$569	$1,151	$1,128
Noninterest income	855	733	1,629	1,448
Total revenue	$1,413	$1,302	$2,780	$2,576
Income from continuing operations	$320	$295	$637	$560
Discontinued operations				5
Income before cumulative effect of accounting change	320	295	637	565
Cumulative effect of accounting change				(5)
Net income	$320	$295	$637	$560
Per common share				
DILUTED EARNINGS				
Continuing operations	$1.12	$1.00	$2.23	$1.89
Discontinued operations				.02
Before cumulative effect of accounting change	1.12	1.00	2.23	1.91
Cumulative effect of accounting change				(.02)
Net income	$1.12	$1.00	$2.23	$1.89
CASH DIVIDENDS DECLARED	$.48	$.48	$.96	$.96

SELECTED RATIOS

FROM CONTINUING OPERATIONS				
Return on				
Average common shareholders' equity	21.00%	18.13%	21.41%	17.36%
Average assets	1.93	1.67	1.91	1.58
Net interest margin	3.99	3.77	4.06	3.70
Noninterest income to total revenue	60.51	56.30	58.60	56.21
Efficiency(b)	57.36	57.46	57.09	57.60
FROM NET INCOME				
Return on				
Average common shareholders' equity	21.00%	18.13%	21.41%	17.36%
Average assets	1.93	1.67	1.91	1.55
Net interest margin	3.99	3.77	4.06	3.65
Noninterest income to total revenue	60.51	56.30	58.60	56.35
Efficiency(b)	57.36	57.46	57.09	57.48

</TABLE>

Certain prior period amounts included in these Consolidated Financial Highlights have been reclassified to conform with the presentation as of and for the three months and six months ended June 30, 2002. Amounts for 2002 reflect the adoption, effective January 1, 2002, of the new accounting standard under which goodwill is no longer amortized to expense. In addition, amounts included in these Consolidated Financial Highlights are presented on a continuing operations basis, unless otherwise noted.

(a) The interest income earned on certain assets is completely or partially exempt from federal income tax. As such, these tax exempt instruments typically yield lower returns than a taxable investment. In order to provide accurate comparisons of yields and margins for all earning assets, the interest income earned on tax exempt assets has been increased to make them fully equivalent to other taxable interest income investments.

(b) The efficiency ratio is noninterest expense divided by the sum of taxable-equivalent net interest income and noninterest income. Amortization and distributions on capital securities are excluded for purposes of computing this ratio. Residential mortgage banking risk management activities are also excluded, as applicable, from net income for purposes of computing this ratio.

<TABLE>
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Dollars in millions, except per share data Unaudited	June 30 2002	December 31 2001	June 30 2001
<S>	<C>	<C>	<C>
BALANCE SHEET DATA			
Assets	$66,913	$69,638	$70,078
Earning assets	55,778	57,875	58,307
Loans, net of unearned income	37,684	37,974	44,167
Allowance for credit losses	(654)	(560)	(595)
Securities	12,313	13,908	10,982
Loans held for sale	2,441	4,189	1,870
Deposits	44,427	47,304	45,799
Borrowed funds	10,480	12,090	12,119
Allowance for unfunded loan commitments and letters of credit	73	70	80
Shareholders' equity	6,390	5,823	6,748
Common shareholders' equity	6,380	5,813	

			6,532
Book value per common share	22.46	20.54	22.60
Loans to deposits	85%	80%	96%
CAPITAL RATIOS			
Tier I risk-based	8.2%	7.8%	9.0%
Total risk-based	12.0	11.8	12.8
Leverage	7.4	6.8	8.1
Common shareholders' equity to total assets	9.53	8.35	9.32
ASSET QUALITY RATIOS			
Nonperforming assets to total loans, loans held for sale and foreclosed assets	1.25%	.93%	1.03%
Net charge-offs to average loans (for the three months ended)	.78	7.30	.40
REFLECTING RECLASSIFICATION(c)			
Allowance for credit losses to total loans	1.74%	1.47%	1.35%
Allowance for credit losses to nonperforming loans	201	265	159
AS PREVIOUSLY REPORTED			
Allowance for credit losses to total loans	1.93%	1.66%	1.53%
Allowance for credit losses to nonperforming loans	229	299	180

</TABLE>

(c) The asset quality ratios presented for all periods reflect a reclassification of a portion of the allowance for credit losses related to unfunded loan commitments and letters of credit to a liability on the Consolidated Balance Sheet. Amounts reclassified were $73 million at June 30, 2002, $70 million at December 31, 2001 and $80 million at June 30, 2001. The reclassifications had the effect of lowering previously reported asset quality ratios. The allowance for unfunded loan commitments and letters of credit is available for potential credit losses as loan commitments are funded. See Allowances For Credit Losses And Unfunded Loan Commitments And Letters of Credit in the Consolidated Balance Sheet Review section of the Financial Review for additional information.

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 unaudited Statistical Information included herein and the Financial Review, audited Consolidated Financial Statements and Statistical Information included in the Corporation's 2001 Annual Report on Form 10-K ("2001 Form 10-K"). Certain prior-period amounts have been reclassified to conform with the current year presentation. In addition, certain classification adjustments were made to information reported in the Corporation's July 18, 2002 earnings release. The term "loans" in this report excludes loans held for sale and securities that represent interests in pools of loans. For information regarding certain business and regulatory risks, see the Risk Factors and Risk Management sections in this Financial Review and in the 2001 Form 10-K. 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 banking, asset management and global fund services internationally.

PNC continues to pursue strategies to build a diverse and valuable business mix designed to enhance shareholder value over time. PNC's focus is on increasing the contribution from more highly-valued businesses such as asset management and processing while reducing institutional lending leverage and improving the risk/return characteristics of traditional banking businesses. In the near term, PNC seeks to execute on its institutional lending initiatives and enhance core deposit funding, liquidity and capital levels.

SUMMARY FINANCIAL RESULTS

Consolidated net income for the first six months of 2002 was $637 million or $2.23 per diluted share compared with $560 million or $1.89 per diluted share for the first six months of 2001. Results for the first six months of 2002 reflected the required adoption of Statement of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets," under which goodwill is no longer amortized to expense. Excluding goodwill amortization expense from 2001 results, earnings would have been $606 million or $2.05 per diluted share. Reported earnings in 2001 included income from discontinued operations of $.02 per diluted share and an after-tax loss of $.02 per diluted share related to the cumulative effect of the accounting change for the adoption of SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended by SFAS No. 137 and 138.

Return on average common shareholders' equity was 21.41% and return on average assets was 1.91% for the first six months of 2002 compared with 17.36% and 1.58%, respectively, for the first six months of 2001. Comparable prior year returns excluding goodwill amortization expense were 18.82% and 1.71%, respectively.

Consolidated net income for the second quarter of 2002 was $320 million or $1.12 per diluted share, up from $295 million or $1.00 per diluted share for the second quarter of 2001. Excluding goodwill amortization expense from second quarter 2001 results, the Corporation earned $318 million or $1.08 per diluted share a year ago. Return on average common shareholders' equity was 21.00% and return on average assets was 1.93% for the second quarter of 2002 compared with 18.13% and 1.67%, respectively, for the second quarter of 2001. Comparable prior year returns excluding goodwill amortization expense were 19.56% and 1.80%, respectively.

The residential mortgage banking business, which was sold in January 2001, is reflected in discontinued operations throughout the Corporation's consolidated financial statements. Accordingly, the results of operations for the residential mortgage banking business are shown separately on one line in the income statement for all periods presented. The remainder of the presentation in this Financial Review reflects continuing operations, unless otherwise noted. See Note 2 Discontinued Operations in the Notes in Consolidated Financial Statements for additional information.

The Corporation continued to make progress during the second quarter of 2002 in addressing a number of key challenges outlined in the 2001 Form 10-K:

- Overall balance sheet characteristics were strengthened during the quarter:

  - Transaction deposits grew 5% on average compared with the prior year quarter, driven by the continued success of Regional Community Banking marketing initiatives.

  - Regulatory capital ratios at June 30, 2002 improved and were 7.4% for leverage, 8.2% for Tier I and 12.0% for total risk-based capital.

  - The loans to deposits ratio was 85% at June 30, 2002 compared with 96% at June 30, 2001.

  - The liquidation of institutional loans held for sale resulted in a reduction of total credit exposure and outstandings of approximately 60% since December 31, 2001 to $2.0 billion and $1.1 billion, respectively, at June 30, 2002. Net gains in excess of valuation adjustments related to the liquidation of these assets totaled $55 million in the second quarter.

- BlackRock earnings grew 33% to $35 million in the second quarter of 2002 compared with the second quarter of 2001.

- PFPC announced renewed or new relationships with three mutual fund companies during the second quarter of 2002.

The second quarter of 2002 was characterized by a continued weak economy and difficult capital markets conditions. Total revenue increased 9% in the second

quarter of 2002 compared with the prior year including net gains in excess of valuation adjustments related to the liquidation of institutional loans held for sale. This increase more than offset the impact of higher credit costs and noninterest expense. Nonperforming assets increased to $500 million at June 30, 2002 from $438 million at March 31, 2002 primarily due to a credit related to Market Street. See Market Street in the Risk Management section of this Financial Review for additional information. Management expects the remainder of 2002 will continue to be a challenging operating environment that will limit opportunities for revenue growth. The Corporation's success during the remainder of the year will depend on, among other factors, its ability to address its key operating challenges including the continued liquidation of loans held for sale, improving asset quality, the performance of PNC's fee-based businesses and achieving operating and efficiency improvements in its traditional banking businesses. See 2002 Operating Environment in the Financial Review section of the 2001 Form 10-K for additional information. Also see the Risk Factors, Risk Management and Forward-Looking Statements sections of this Financial Review.

Subsequent to the end of the second quarter, the Corporation announced that it had reached a resolution with the Securities and Exchange Commission ("SEC") concerning the SEC's previously disclosed inquiry into the transfer of certain PNC assets to companies formed with American International Group, Inc. ("AIG") in 2001. No fines or monetary penalties were assessed against the Corporation as a result of the settlement and no further adjustments to PNC's 2001 consolidated financial statements were required in connection with this action. PNC had restated 2001 earnings on January 29, 2002 to reflect the consolidation of the companies formed with AIG in PNC's consolidated financial statements. PNC also announced that it had entered into an agreement with the Federal Reserve Bank of Cleveland ("Federal Reserve"), and that PNC Bank, N.A. ("PNC Bank"), PNC's principal bank subsidiary, had entered into an agreement with the Office of the Comptroller of the Currency ("OCC"). See Regulatory Matters in the Risk Management section of this Financial Review for additional information.

BALANCE SHEET HIGHLIGHTS

Total assets were $66.9 billion at June 30, 2002 compared with $69.6 billion at December 31, 2001. Average interest earning assets declined $4.0 billion to $56.6 billion for the first six months of 2002 compared with the first six months of 2001 primarily due to a decline in average loans that was partially offset by an increase in average securities and average loans held for sale.

Average loans declined $9.1 billion or 19% to $38.2 billion in 2002 compared with the prior year and represented 67% of average earning assets for the first six months of 2002 compared with 78% for the first six months of 2001. The decreases were primarily due to a decline in residential mortgages and institutional lending portfolios that more than offset an increase in PNC Business Credit loans resulting from the acquisition in 2002 of a portion of National Bank of Canada's ("NBOC") U.S. asset-based lending business.

Changes in loans held for sale are described in Strategic Repositioning and in loans held for sale in the Consolidated Balance Sheet Review section of this Financial Review.

Average securities increased $2.1 billion to $12.0 billion in the first six months of 2002 compared with the first half of 2001 and represented 21% of average earning assets for 2002 compared with 16% for 2001. The increases were primarily due to net securities purchases upon redeployment of funds resulting from loan downsizing 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 66% and 64% of total sources of funds for the first six months of 2002 and 2001, respectively, with the remainder primarily comprised of wholesale funding obtained at prevailing market rates.

Average interest-bearing demand and money market deposits increased $1.3 billion or 6% to $22.0 billion for the first six months of 2002 compared with the first six months of 2001, primarily reflecting the impact of ongoing strategic marketing efforts to grow more valuable transaction accounts, while higher cost, less valuable retail certificates of deposit were not emphasized. Average borrowed funds for the first six months of 2002 decreased $2.2 billion compared with the first six months of 2001 commensurate with the decline in average earning assets. See the Consolidated Average Balance Sheet and Net Interest Analysis for additional information.

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.

Results of individual businesses 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, the financial results of individual businesses are not necessarily comparable with similar information for any other company. Financial results are presented, to the extent practicable, as if each business operated on a stand-alone basis. Also, certain amounts for 2001 have been reclassified to conform with the 2002 presentation.

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 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. The costs incurred by support areas not directly aligned with the businesses are allocated primarily based on utilization of services.

Total business results differ from consolidated results from continuing operations primarily due to differences between management accounting practices and generally accepted accounting principles, equity management activities, minority interest in income of consolidated entities, residual asset and liability management activities, eliminations and other corporate 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.

The impact of the institutional lending repositioning and other strategic actions that occurred during 2001 is reflected in the business results presented in the table below. The charges are separately identified in the business income statements. Performance ratios in the results of individual businesses reflect the impact of the charges.

RESULTS OF BUSINESSES (a)

<TABLE>
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	Earnings		Revenue (taxable-equivalent basis)		Return on Assigned Capital		Average Assets	
Six months ended June 30 Dollars in millions	2002	2001	2002	2001	2002	2001	2002	2001
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Banking Businesses								
Regional Community Banking	$353	$337	$1,094	$1,100	27%	25%	$38,920	$40,321
Corporate Banking	87	64	411	386	16	10	14,752	17,323
PNC Real Estate Finance	48	31	116	105	24	16	5,081	5,336
PNC Business Credit	4	30	90	71	3	38	3,898	2,430
Total banking businesses	492	462	1,711	1,662	23	20	62,651	65,410
Asset Management and Processing								
PNC Advisors	64	83	354	389	25	30	3,029	3,420
BlackRock	66	52	303	269	25	26	734	571
PFPC	38	32	399	397	37	31	1,890	1,742
Total asset management and processing	168	167	1,056	1,055	27	29	5,653	5,733

Total business results	660	629	2,767	2,717	24	22	68,304	71,143
Other	(23)	(69)	13	(141)			(964)	181
Results from continuing operations	637	560	2,780	2,576	21	17	67,340	71,324
Discontinued operations		5						103
Cumulative effect of accounting change		(5)						
Total consolidated	$637	$560	$2,780	$2,576	21	17	$67,340	$71,427

</TABLE>

(a) Amounts for 2002 reflect, where applicable, the adoption, effective January 1, 2002, of the new accounting standard under which goodwill is no longer amortized to expense.

REGIONAL COMMUNITY BANKING

Six months ended June 30 Taxable-equivalent basis Dollars in millions	2002	2001
INCOME STATEMENT		
Net interest income	$741	$718
Other noninterest income	335	339
Net securities gains	18	43
Total revenue	1,094	1,100
Provision for credit losses	23	20
Noninterest expense	529	533
Goodwill amortization		18
Severance costs		3
Pretax earnings	542	526
Income taxes	189	189
Earnings	$353	$337
AVERAGE BALANCE SHEET		
Loans		
Consumer		
Home equity	$6,883	$6,178
Indirect	600	895
Other consumer	669	867
Total consumer	8,152	7,940
Residential mortgage	4,757	9,603
Commercial	3,529	3,624
Vehicle leasing	1,823	1,799
Other	121	136
Total loans	18,382	23,102
Securities	11,180	9,346
Student and other loans held for sale	1,442	1,288
Assigned assets and other assets	7,916	6,585
Total assets	$38,920	$40,321
Deposits		
Noninterest-bearing demand	$4,938	$4,488
Interest-bearing demand	6,023	5,517
Money market	12,320	11,919
Total transaction deposits	23,281	21,924
Savings	1,960	1,870
Certificates	10,259	12,741
Total deposits	35,500	36,535
Other liabilities	794	1,066
Assigned capital	2,626	2,720
Total funds	$38,920	$40,321

PERFORMANCE RATIOS

Return on assigned capital	27%	25%
Noninterest income to total revenue	32	35
Efficiency	48	49

OTHER INFORMATION

In millions	June 30 2002	December 31 2001
Total nonperforming assets	$65	$52
Vehicle leasing outstandings	$1,661	$1,930

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. The strategic focus of Regional Community Banking is on driving sustainable revenue growth, aggressively managing the revenue/expense relationship and improving the risk/return dynamic of this business.

Regional Community Banking contributed $353 million or 53% of total business earnings for the first six months of 2002 compared with $337 million or 54% for the first six months of 2001. Excluding net securities gains in both periods, gains related to residential mortgage loan securitizations of $8 million in 2002 and $25 million in 2001, and $18 million of goodwill amortization expense in 2001, earnings for the first six months of 2002 increased 8% compared with the prior-year period primarily due to higher revenue.

Total revenue was $1.1 billion for the first six months of 2002 and 2001. Excluding net securities gains and loan securitization gains from both periods, revenue increased 4% in the period-to-period comparison primarily due to higher net interest income in 2002 resulting from a 6% increase in average transaction deposits.

The provision for credit losses for the first six months of 2002 increased to $23 million compared with $20 million in the prior year due to higher net charge-offs on consumer loans. See Critical Accounting Policies and Judgments in the Risk Factors section of this Financial Review for additional information.

Total loans decreased 20% on average in the first six months of 2002 compared with the prior year. Home equity loans, the lead consumer lending product, grew 11% in the comparison. The overall decline resulted from the strategic reduction of residential mortgage and indirect auto products. The increase in average securities in the six month comparison reflects the Corporation's balance sheet and interest rate risk management activities.

Total deposits declined 3% in the period-to-period comparison as increases in transaction and savings deposits were more than offset by a decline in certificates of deposit. Demand and money market deposits increased due to ongoing strategic marketing efforts to add new accounts and retain existing customers as funds shifted from certificates of deposit. Regional Community Banking continues to focus on increasing transaction deposits, which serve as a means to deepen customer relationships and support growth in consumer services revenue.

As previously reported, the Corporation made the decision to discontinue its vehicle leasing business in the fourth quarter of 2001. This portfolio, which declined 14% since December 31, 2001, is expected to mature over a period of approximately five years with an average remaining life of two years. See Strategic Repositioning in the Consolidated Balance Sheet Review section and Critical Accounting Policies And Judgments in the Risk Factors section of this Financial Review for additional information.

CORPORATE BANKING

Six months ended June 30 Taxable-equivalent basis Dollars in millions	2002	2001
INCOME STATEMENT		
Net interest income	$183	$275
Noninterest income	228	111
Total revenue	411	386
Provision for credit losses	95	32

Noninterest expense	183	196
Institutional lending repositioning		57
Goodwill amortization		2
Severance costs		3
Pretax earnings	133	96
Income taxes	46	32
Earnings	$87	$64
AVERAGE BALANCE SHEET		
Loans	$9,815	$14,605
Loans held for sale	2,116	286
Other assets	2,821	2,432
Total assets	$14,752	$17,323
Deposits	$4,538	$4,862
Assigned funds and other liabilities	9,108	11,162
Assigned capital	1,106	1,299
Total funds	$14,752	$17,323
PERFORMANCE RATIOS		
Return on assigned capital	16%	10%
Noninterest income to total revenue	55	29
Efficiency	45	52

OTHER INFORMATION

In millions	June 30 2002	December 31 2001
Total nonperforming assets	$261	$220
Institutional lending repositioning		
Loans held for sale		
Credit exposure	1,822	4,594
Outstandings	920	2,294
Exit portfolio		
Credit exposure	1,178	2,662
Outstandings	12	192

Corporate Banking provides credit, equipment leasing, treasury management and capital markets products and services primarily to mid-sized corporations and government entities within PNC's geographic region. The strategic focus for Corporate Banking is to adapt its institutional expertise to the middle market with an emphasis on higher-margin noncredit products and services, especially treasury management and capital markets, and to improve the risk/return characteristics of the lending business. Corporate Banking intends to continue its efforts to manage credit risk, liquidate loans held for sale and sustain relationships with traditional customers for noncredit products.

During the first six months of 2002, Corporate Banking made significant progress in the repositioning of its institutional lending business. The exit and held for sale portfolios at June 30, 2002 had total credit exposure of $3.0 billion including outstandings of $932 million, a reduction of approximately 60% from December 31, 2001. Of these amounts, $1.8 billion of credit exposure and $920 million of outstandings were classified as held for sale. The Corporation is continuing to pursue liquidation of the institutional held for sale portfolio. Gains and losses may result from the liquidation of loans held for sale to the extent actual performance differs from estimates inherent in the recorded amounts or if valuations change. See Critical Accounting Policies and Judgments in the Risk Factors Section and Strategic Repositioning in the Consolidated Balance Sheet Review section of this Financial Review for additional information.

Corporate Banking contributed $87 million or 13% of total business earnings for the first six months of 2002 compared with $64 million or 10% for the first six months of 2001. Results for this business continued to be adversely affected by weak economic and market conditions combined with the impact of PNC's institutional lending repositioning efforts.

Total revenue of $411 million for the first six months of 2002 increased $25 million compared with the same period in 2001. Net interest income for the first six months in 2002 decreased $92 million compared with the first six months of 2001 primarily due to the impact of the decline in interest rates combined with the reduction in average loans resulting from the ongoing institutional lending repositioning. Noninterest income for the first six months of 2002 increased $117 million compared with the same period in 2001 primarily due to $79 million of net gains in excess of valuation adjustments related to institutional loans held for sale and higher treasury management fees.

Total credit costs were $95 million for the first six months of 2002 compared with $88 million for the first six months of 2001, which included $32 million reflected in provision for credit losses and $56 million of institutional

lending repositioning charges. Valuation adjustments totaling $1 million for loans previously designated as held for sale are also reflected in the 2001 institutional lending repositioning charge. The provision for credit losses for the first six months of 2002 reflects reserve allocations related to Market Street liquidity facilities and the impact of refinements to the Corporation's reserve methodology related to impaired loans and pool reserves. See Market Street in the Risk Management section of this Financial Review for further information. Also, see Critical Accounting Policies And Judgments in the Risk Factors section and Allowances For Credit Losses And Unfunded Loan Commitments And Letters Of Credit in the Consolidated Balance Sheet Review section of this Financial Review for additional information.

Treasury management and capital markets products offered through Corporate Banking are sold by several businesses across the Corporation and related revenue net of expense is included in the results of those businesses. Consolidated revenue from treasury management was $170 million for the first six months of both 2002 and 2001, as higher fee revenue was offset by lower income earned on customers' deposit balances. Consolidated revenue from capital markets was $62 million for the first six months of 2002, an increase of $5 million compared with the first six months of 2001 primarily due to the comparative impact of valuation losses associated with equity investments in 2001.

Nonperforming assets were $261 million at June 30, 2002 compared with $220 million at December 31, 2001. The increase was primarily due to the funding of approximately $63 million resulting from a draw on a liquidity facility with Market Street.

PNC REAL ESTATE FINANCE

Six months ended June 30 Taxable-equivalent basis Dollars in millions	2002	2001
INCOME STATEMENT		
Net interest income	$60	$57
Noninterest income		
Commercial mortgage banking	32	32
Other	24	16
Total noninterest income	56	48
Total revenue	116	105
Provision for credit losses	(5)	7
Noninterest expense	74	68
Goodwill amortization		9
Pretax earnings	47	21
Income tax (benefit) expense	(1)	(10)
Earnings	$48	$31
AVERAGE BALANCE SHEET		
Loans		
Commercial real estate	$1,508	$1,831
Commercial - real estate related	2,237	2,326
Total loans	3,745	4,157
Commercial mortgages held for sale	282	210
Other loans held for sale	183	3
Other assets	871	966
Total assets	$5,081	$5,336
Deposits	$658	$364
Assigned funds and other liabilities	4,025	4,572
Assigned capital	398	400
Total funds	$5,081	$5,336
PERFORMANCE RATIOS		
Return on assigned capital	24%	16%
Noninterest income to total revenue	48	46
Efficiency	58	60

OTHER INFORMATION

In millions	June 30 2002	December 31 2001
Total nonperforming assets	$6	$6

Institutional lending repositioning		
Loans held for sale		
Credit exposure	124	324
Outstandings	105	244
Exit portfolio		
Credit exposure	25	30
Outstandings	6	5

PNC Real Estate Finance specializes in financial solutions for the acquisition, development, permanent financing and operation of commercial real estate nationally. PNC Real Estate Finance offers treasury and investment management, access to the capital markets, commercial mortgage loan servicing and other products and services to clients that develop, own, manage or invest 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 national syndication of affordable housing equity through Columbia Housing Partners, LP. These latter activities may require additional regulatory approvals as a result of bank regulatory, supervisory and examination activities. See Regulatory Matters in the Risk Management Section of this Financial Review for additional information.

PNC Real Estate Finance seeks to have a more balanced and valuable revenue stream by focusing on real estate processing businesses and increasing the value of its lending business by seeking to sell more fee-based products to lending customers.

PNC Real Estate Finance contributed $48 million or 7% of total business earnings for the first six months of 2002 compared with $31 million or 5% for the first six months of 2001. Net gains in excess of valuation adjustments related to institutional loans held for sale, the benefit of no longer amortizing goodwill and the impact of a loan recovery in the exited warehouse lending business more than offset higher noninterest expense in 2002. Average loans decreased 10% in the period-to-period comparison reflecting the impact of the institutional lending repositioning.

Total revenue was $116 million for the first six months of 2002 compared with $105 million for the first six months of 2001. The increase of $11 million or 10% was primarily due to net gains in excess of valuation adjustments of $6 million related to institutional loans held for sale and higher net interest income.

The commercial mortgage servicing portfolio grew 15% in the comparison to $71 billion at June 30, 2002.

COMMERCIAL MORTGAGE SERVICING PORTFOLIO

In billions	2002	2001
January 1	$68	$54
Acquisitions/additions	9	12
Repayments/transfers	(6)	(4)
June 30	$71	$62

The provision for credit losses for the six months ended June 30, 2002 included the benefit of a recovery in the exited warehouse lending business. See Critical Accounting Policies And Judgments in the Risk Factors section of this Financial Review for additional information.

During the first six months of 2002, PNC Real Estate Finance made significant progress in the repositioning of its institutional lending business. The exit and held for sale portfolios at June 30, 2002 had total credit exposure of $149 million including outstandings of $111 million, a reduction of approximately 55% since December 31, 2001. Of these amounts, $124 million of credit exposure and $105 million of outstandings were classified as held for sale. The Corporation is continuing to pursue liquidation of the institutional held for sale portfolio. Gains and losses may result from the liquidation of loans held for sale to the extent actual performance differs from estimates inherent in the recorded amounts or if valuations change. See Critical Accounting Policies And Judgments in the Risk Factors Section and Strategic Repositioning in the Consolidated Balance Sheet Review section of this Financial Review for additional information.

PNC BUSINESS CREDIT

Six months ended June 30 Taxable-equivalent basis Dollars in millions	2002	2001
INCOME STATEMENT		
Net interest income	$66	$51
Noninterest income	24	20
Total revenue	90	71
Provision for credit losses	57	8
Noninterest expense	27	15
Goodwill amortization		1
Pretax earnings	6	47
Income taxes	2	17
Earnings	$4	$30
AVERAGE BALANCE SHEET		
Loans	$3,563	$2,305
Loans held for sale	89	66
Other assets	246	59
Total assets	$3,898	$2,430
Deposits	$73	$80
Assigned funds and other liabilities	3,572	2,189
Assigned capital	253	161
Total funds	$3,898	$2,430
PERFORMANCE RATIOS		
Return on assigned capital	3%	38%
Noninterest income to total revenue	27	28
Efficiency	30	21

OTHER INFORMATION

In millions	June 30 2002	December 31 2001
Total nonperforming assets	$164	$109
Institutional lending repositioning		
Loans held for sale		
Credit exposure	73	40
Outstandings	41	30

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.

In January 2002, PNC Business Credit acquired a portion of NBOC's U.S. asset-based lending business in a purchase business combination. See Note 3 NBOC Acquisition in the Notes to Consolidated Financial Statements for additional information.

PNC Business Credit earned $4 million for the first six months of 2002 compared with $30 million for the first six months of 2001. Earnings declined and performance ratios were adversely impacted in the comparison as higher revenue in 2002 was more than offset by an increase in the provision for credit losses.

Revenue was $90 million for the first six months of 2002, a $19 million or 27% increase compared with the first six months of 2001 as both net interest income and noninterest income increased. The increase in net interest income for the first six months of 2002 reflected an increase of $1.3 billion or 55% in total average loans for the period resulting primarily from the NBOC acquisition. Noninterest income in the first six months of 2002 included a $15 million benefit resulting from the reduction in the put option liability related to the NBOC acquisition partially offset by $7 million of valuation adjustments in excess of net gains related to the institutional loans held for sale. Noninterest income for the first six months of 2001 also included $7 million of gains on equity interests received as compensation in conjunction with lending relationships.

The provision for credit losses for the first six months of 2002 was $57 million compared with $8 million for the first six months of 2001. Net charge-offs were $22 million for the first six months of 2002 compared with $8 million a year ago. The provision for credit losses increased in the first six months of 2002 as additional reserves were required due to a decline in credit quality and the impact of refinements to the Corporation's reserve methodology related to

impaired loans and pool reserves. PNC Business Credit loans, including those acquired in the NBOC acquisition, are secured loans to borrowers, many with a weak credit risk rating. As a result, these loans typically exhibit a higher risk of default and a greater proportion of such loans may be classified as nonperforming. PNC Business Credit attempts to manage this risk through direct control of cash flows and collateral requirements. Compensation for this higher risk of default is obtained by way of higher interest rates charged. The impact of these loans on the provision for credit losses and the level of nonperforming assets may be even more pronounced during periods of economic downturn consistent with PNC Business Credit's recent experience. See Critical Accounting Policies And Judgments in the Risk Factors section and Allowance For Credit Losses And Unfunded Loan Commitments And Letters of Credit in the Consolidated Balance Sheet Review section of this Financial Review for additional information.

Total noninterest expense increased $12 million to $27 million and the efficiency ratio increased to 30% during the first six months of 2002 compared with the prior year period primarily due to costs added with the NBOC acquisition.

Nonperforming assets were $164 million at June 30, 2002 compared with $109 million at December 31, 2001. The increase was primarily due to declines in economic conditions. Increases in nonperforming assets in this business are expected to continue at this point in the economic cycle. See Credit Risk in the Risk Management section of the Financial Review included in the 2001 Form 10-K for additional information.

PNC Business Credit included several credits in the Corporation's institutional lending repositioning. Credit exposure of $73 million including $41 million of outstandings classified as held for sale remained at June 30, 2002. The net increase in credit exposure and outstandings from December 31, 2001 resulted from the addition of certain credits from the NBOC acquisition. See Critical Accounting Policies And Judgments in the Risk Factors section and Strategic Repositioning in the Consolidated Balance Sheet Review section of this Financial Review for additional information.

PNC ADVISORS

Six months ended June 30 Taxable-equivalent basis Dollars in millions	2002	2001
INCOME STATEMENT		
Net interest income	$52	$68
Noninterest income		
Investment management and trust	182	210
Brokerage	73	70
Other	47	41
Total noninterest income	302	321
Total revenue	354	389
Provision for credit losses	1	1
Noninterest expense	252	253
Goodwill amortization		3
Pretax earnings	101	132
Income taxes	37	49
Earnings	$64	$83
AVERAGE BALANCE SHEET		
Loans		
Consumer	$1,198	$1,098
Residential mortgage	574	911
Commercial	485	521
Other	345	405
Total loans	2,602	2,935
Other assets	427	485
Total assets	$3,029	$3,420
Deposits	$2,029	$2,045
Assigned funds and other liabilities	475	823
Assigned capital	525	552
Total funds	$3,029	$3,420
PERFORMANCE RATIOS		

Return on assigned capital	25%	30%
Noninterest income to total revenue	85	83
Efficiency	71	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. During the second quarter of 2002, Hilliard Lyons acquired from Regional Community Banking the branch-based brokerage business that formerly operated under the PNC Brokerage brand name. This business was combined with Hilliard's brokerage operations and continues to provide services in the branch network under the PNC Investments brand name. The revenue and expense related to the branches continues to be included in the results of Regional Community Banking. Consolidated revenue from brokerage was $110 million for the first six months of 2002 compared with $109 million in 2001. 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 distribution platform. PNC Advisors expects to continue to focus on acquiring new customers and growing and expanding existing customer relationships while managing expenses.

PNC Advisors contributed $64 million or 10% of total business earnings for the first six months of 2002 compared with $83 million or 13% for the first six months of 2001. Earnings decreased in the comparison primarily due to lower revenue.

Revenue for the first six months of 2002 decreased $35 million compared with the prior year period due to weak equity markets, lower average loans, a narrower net interest margin and the recognition of revenue accrual adjustments of $15 million in 2001. Assets under management and related noninterest income are closely tied to the performance of the equity markets. Management expects that revenues in this business will continue to be challenged at least until equity market conditions improve for a sustained period. See Business and Economic Conditions and Asset Management Performance in the Risk Factors section of the Financial Review included in the 2001 Form 10-K for additional information regarding matters that could impact PNC Advisors' revenue.

ASSETS UNDER MANAGEMENT (a)

June 30 - in billions	2002	2001
Personal investment management and trust	$45	$49
Institutional trust	11	14
Total	$56	$63

ASSET TYPE

June 30 - in billions	2002	2001
Equity	$31	$40
Fixed income	18	16
Liquidity	7	7
Total	$56	$63

(a) Excludes brokerage assets administered.

Assets under management decreased $7 billion due to the decline in the value of the equity component of customers' portfolios. Brokerage assets administered by Hilliard Lyons, including assets of the former PNC Brokerage Business, were $33 billion at June 30, 2002 compared with $34 billion at June 30, 2001 and were also impacted by weak equity market conditions.

PNC Advisors provides investment management services directly and through BlackRock and unaffiliated investment managers. In July 2002, the Corporation and BlackRock entered into a revised agreement with respect to investment management services. The agreement includes a reduction in the rate of fees received from BlackRock based on current market conditions and the impact of a reduction in the level of PNC Advisors' customer assets managed by BlackRock. Based on the current levels and mix of those assets in BlackRock investment funds, the agreement is expected to reduce PNC Advisors' total revenue by approximately 2% annually.

BLACKROCK

Six months ended June 30 Dollars in millions	2002	2001
INCOME STATEMENT		
Investment advisory and administrative fees	$275	$252
Other income	28	17
Total revenue	303	269
Operating expense	173	147
Fund administration and servicing costs - affiliates	25	32
Amortization of intangible assets		5
Total expense	198	184
Operating income	105	85
Nonoperating income	6	4
Pretax earnings	111	89
Income taxes	45	37
Earnings	$66	$52
PERIOD-END BALANCE SHEET		
Intangible assets	$181	$187
Other assets	553	384
Total assets	$734	$571
Liabilities	$173	$142
Stockholders' equity	561	429
Total liabilities and stockholders' equity	$734	$571
PERFORMANCE DATA		
Return on equity	25%	26%
Operating margin(a)	38	36
Diluted earnings per share	$1.01	$.80

(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 approximately $250 billion of assets under management at June 30, 2002. BlackRock manages assets on behalf of institutions and individuals worldwide through a variety of fixed income, liquidity and equity mutual funds, separate accounts and alternative investment products. Mutual funds include the flagship fund families - BlackRock Funds and BlackRock Provident Institutional Funds. In addition, BlackRock provides risk management and investment system services to institutional investors under the BlackRock Solutions brand name.

BlackRock continues to focus on delivering superior relative 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 $66 million or 10% of total business earnings for the first six months of 2002 compared with $52 million or 8% for the first six months of 2001.

Earnings increased 27% in the period-to-period comparison primarily due to a 17% increase in assets under management and increased sales of BlackRock Solutions products and services.

Total revenue for the first six months of 2002 increased $34 million or 13% compared with the first six months of 2001 primarily due to increases in separate account assets under management, sales of alternative investment products and performance fees. Current market conditions substantially reduce the likelihood of performance fees for the remainder of 2002. See Business and Economic Conditions and Asset Management Performance in the Risk Factors section of the Financial Review included in the 2001 Form 10-K for additional information regarding matters that could impact asset management revenue.

The 8% increase in total expenses in the period-to-period comparison supported revenue growth and business expansion. Expense growth was mitigated by goodwill amortization in the first six months of 2001 that did not recur in 2002 under SFAS No. 142.

ASSETS UNDER MANAGEMENT

June 30 - in billions	2002	2001
Separate accounts		

Fixed income	$141	$111
Liquidity	6	7
Liquidity - securities lending	6	10
Equity	10	8
Alternative investment products	5	4
Total separate accounts	168	140
Mutual funds (a)		
Fixed income	17	12
Liquidity	59	49
Equity	6	12
Total mutual funds	82	73
Total assets under management	$250	$213

(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 69% 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 SEC and may be obtained electronically at the SEC's home page at www.sec.gov.

In July 2002, BlackRock and the Corporation entered into a revised agreement with respect to investment management services. The agreement includes a reduction in the rate of fees paid to PNC Advisors based on current market conditions and the impact of a reduction in the level of PNC Advisors' customer assets managed by BlackRock. Based on the current levels and mix of those assets in BlackRock investment funds, the agreement is expected to reduce fund administration and servicing cost-affiliates by approximately 25% annually.

PFPC

Six months ended June 30 Dollars in millions	2002	2001
INCOME STATEMENT		
Fund servicing revenue	$399	$397
Operating expense	306	291
Goodwill amortization		20
(Accretion)/amortization of other intangibles, net	(10)	(7)
Operating income	103	93
Nonoperating income (a)	6	7
Debt financing	45	47
Pretax earnings	64	53
Income taxes	26	21
Earnings	$38	$32
AVERAGE BALANCE SHEET		
Intangible assets	$1,033	$1,079
Other assets	857	663
Total assets	$1,890	$1,742
Assigned funds and other liabilities	$1,682	$1,534
Assigned capital	208	208
Total funds	$1,890	$1,742
PERFORMANCE RATIOS		
Return on assigned capital	37%	31%
Operating margin	26	23

(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 processing solutions to the international marketplace through its Ireland and Luxembourg operations.

PFPC is focusing technological resources on targeting Web-based initiatives, streamlining operations and developing flexible system architecture and client-focused servicing solutions. To meet the growing needs of the European marketplace, PFPC is also continuing its pursuit of offshore expansion.

During the second quarter of 2002, PFPC announced renewed relationships with the Seligman Group of Funds and Eaton Vance Funds, and the selection of PFPC by Wells Fargo Funds Management, LLC to provide fund accounting services. After conversion of the Wells Fargo portfolios, PFPC expects to provide these new and renewing customers with a variety of fund accounting/administration and transfer agency services for approximately $120 billion of assets. The new relationship is expected to help offset customer losses due to attrition and highly competitive conditions.

PFPC contributed $38 million or 6% of total business earnings for the first six months of 2002 compared with $32 million or 5% for the first six months of 2001. Earnings in the first half of 2002 included the impact of a one-time benefit of approximately $13 million of fees related to the renegotiation of a customer contract. PFPC also benefited in 2002 from the adoption of the new goodwill accounting standard that reduced amortization expense by $20 million compared with the first six months of 2001. These benefits were partially offset by higher facilities and technology-related costs. The cost of integration, technology and infrastructure enhancements, coupled with a shift in both product and client mix, continued to exert pressure on operating margins. Margins are expected to remain under pressure at least until equity markets improve for a sustained period.

Revenue of $399 million for the first six months of 2002 increased $2 million compared with the first six months of 2001. Excluding the one-time benefit described above, revenue declined in the comparison primarily due to lower equity valuations, pricing and other competitive factors including customer attrition. See Business and Economic Conditions and Fund Servicing in the Risk Factors section of the Financial Review included in the 2001 Form 10-K for additional information regarding matters that could impact fund servicing revenue.

Operating expense increased $15 million or 5% in the period-to-period comparison primarily due to increased staff levels for new product support combined with additional investments in technology.

Operating income for the first six months of 2002 included accretion of a discounted customer contract liability of $17 million. Accretion for the first six months of 2001 was $15 million.

SERVICING STATISTICS

June 30	2002	2001
Accounting/administration net assets ($ in billions)		
Domestic	$485	$488
Foreign (a)	28	14
Total	$513	$502
Custody assets ($ in billions)	$323	$442
Shareholder accounts (in millions)	51	45

(a) Represents net assets serviced offshore.

Accounting/administration net assets have increased compared with the 2001 period as changes in domestic customer mix and successful offshore sales efforts have offset the impact of weak equity markets. Custody assets have declined primarily due to changes in customer relationships.

CONSOLIDATED INCOME STATEMENT REVIEW

NET INTEREST INCOME

Changes in net interest income and margin result from the interaction among 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. See the Balance Sheet Highlights section of this Financial Review and the Consolidated Average Balance Sheet and Net Interest Analysis for additional information.

Taxable-equivalent net interest income of $1.151 billion for the first six months of 2002 increased 2% compared with the first six months of 2001. 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 36

basis points to 4.06% for the first six months of 2002 compared with 3.70% for the first six months of 2001. The improvement was primarily due to the impact of changes in balance sheet composition and a lower interest rate environment in 2002, combined with a steep yield curve. See Interest Rate Risk in the Risk Management section of this Financial Review for additional information.

Taxable-equivalent net interest income was $558 million and the net interest margin was 3.99% for the second quarter of 2002 compared with $569 million and 3.77%, respectively, for the second quarter of 2001. The decrease in net interest income resulted from the impact of a $4.4 billion or 7% decline in average earning assets that was mitigated by the benefit of a wider net interest margin in a lower interest rate environment. Continued downsizing of the institutional lending portfolio and overall balance sheet leverage drove the decline in average earning assets.

PROVISION FOR CREDIT LOSSES

The provision for credit losses was $171 million for the first six months of 2002 compared with $125 million for the first six months of 2001. The provision for credit losses was $89 million for the second quarter of 2002 compared with $45 million for the prior year quarter. The provision in all periods includes amounts for potential losses on loans and credit exposure related to unfunded loan commitments and letters of credit. The increases were primarily due to additional reserves provided for PNC Business Credit and Corporate Banking. The Corporate Banking increase related primarily to Market Street liquidity facilities. See Market Street within this Financial Review for further information.

Net charge-offs were $115 million or .61% of average loans for the first half of 2002 compared with $125 million or .53%, respectively, for the first half of 2001. Net charge-offs were $74 million or .78% of average loans for the second quarter of 2002 compared with $45 million or .40%, respectively, for the second quarter of 2001. Net charge-offs for the second quarter of 2002 included $45 million related to a customer of Market Street, which was fully reserved at March 31, 2002.

NONINTEREST INCOME

Noninterest income was $1.629 billion for the first six months of 2002 compared with $1.448 billion for the first six months of 2001. Second quarter 2002 noninterest income totaled $855 million compared with $733 million in the second quarter of 2001.

Asset management fees were $451 million for the first six months of 2002, an increase of $14 million compared with the first six months of 2001. Second quarter 2002 asset management fees increased $16 million, to $230 million, compared with the second quarter of 2001. Increases in separate account assets under management, sales of alternative investment products and performance fees at BlackRock benefited both 2002 periods. The impact of these items in 2002 more than offset the recognition of $15 million of revenue accrual adjustments that benefited the first half of 2001. Consolidated assets under management increased to $294 billion at June 30, 2002 compared with $260 billion at June 30, 2001 due to growth at BlackRock.

Fund servicing fees increased $8 million, to $398 million, for the first six months of 2002 compared with the year-ago period. Fund servicing fees increased $7 million, to $202 million, for the second quarter of 2002 compared with the second quarter of 2001. The increases in both 2002 periods reflect a one-time benefit of approximately $13 million related to the renegotiation of a customer contract recognized during the second quarter of 2002 at PFPC. Excluding this benefit, fund servicing revenue declined in both comparisons as a result of the impact of lower equity valuations, pricing and other competitive factors including customer attrition.

Service charges on deposits totaled $109 million for the first six months of 2002, an increase of $5 million compared with the first half of 2001 as an increase in average transaction deposits more than offset the impact of price reductions for certain services. Service charges on deposits increased $1 million, to $55 million, for the second quarter of 2002. Brokerage fees of $110 million for the first half of 2002 increased $1 million compared with the comparable prior year period. For the second quarter of 2002, brokerage fees were flat compared with the prior year quarter.

Consumer services revenue increased $3 million to $116 million for the first six months of 2002 compared with the first six months of 2001, with the entire increase attributable to the second quarter of 2002. The increase reflected additional fees from ATM and debit cards primarily due to an increase in transaction volumes.

Corporate services revenue totaled $267 million for the first six months of 2002, up $115 million from $152 million for the first half of 2001. For the second quarter of 2002, corporate services revenue increased $73 million, to $149 million, compared with the second quarter of 2001. The increases in 2002 reflect net gains in excess of valuation adjustments related to institutional loans held for sale totaling $78 million for the first six months of 2002 and

$55 million for the second quarter of 2002, and higher treasury management fees in both periods.

Equity management (private equity activities) net losses on portfolio investments were $15 million for the first six months of 2002 compared with net losses of $69 million for the first half of 2001. For the second quarter of 2002, equity management net losses on portfolio investments totaled $13 million compared with $30 million for the prior year quarter.

Net securities gains totaled $20 million for the first six months of 2002 compared with $46 million for the comparable prior year period. Net securities gains were $16 million for the second quarter of 2002, down $1 million from the second quarter of 2001.

Other noninterest income increased $7 million to $173 million for the first half of 2002. Other noninterest income increased $6 million to $100 million in the second quarter of 2002. A $14 million gain on the sale of a real estate investment and a $10 million benefit resulting from the reduction in the put option liability related to the NBOC acquisition contributed to the second quarter and first six months increases. This increase was mitigated in the comparison by $15 million of gains related to residential mortgage loan securitizations and a higher level of revenue from trading activities a year ago.

Net trading income included in other noninterest income totaled $53 million for the first six months of 2002, compared with $77 million for the comparable prior year period. For the second quarter of 2002, net trading income included in other noninterest income was $29 million compared with $40 million for the prior year quarter. The decrease resulted from lower derivatives trading income. See Trading Activities in the Risk Management section of this Financial Review and Note 7 Trading Activities to the Notes to Consolidated Financial Statements for additional information.

NONINTEREST EXPENSE

Total noninterest expense was $1.615 billion for the first six months of 2002, an increase of $40 million or 3% compared with the first half of 2001. Noninterest expense for the second quarter of 2002 totaled $824 million, up $30 million compared with the second quarter of 2001. Excluding the effect of goodwill amortization expense from the second quarter and first six months of 2001, noninterest expense increased $59 million and $99 million, respectively, in the comparable 2002 periods. The increase for the second quarter of 2002 reflected higher operating expenses of $16 million, $6 million and $5 million at BlackRock, PFPC and PNC Business Credit, respectively, related to increased business volumes, and an increase of $11 million in legal costs. For the first half of 2002, the increase was primarily due to higher operating expenses of $26 million, $15 million and $12 million at BlackRock, PFPC and PNC Business Credit, respectively, and an additional $21 million of legal costs. In addition, other noninterest expense for the second quarter and first six months of 2002 included a $16 million adjustment related to incentive and retention arrangements in the form of co-investment partnerships for certain equity management employees. See Regulatory Matters in the Risk Management section of this Financial Review for additional information.

The efficiency ratio was 57% for the first half of 2002 and for both the 2002 and 2001 second quarters, while the efficiency ratio for the first half of 2001 was 58%. Average full-time equivalent employees totaled approximately 24,000 and 24,700 for the first six months of 2002 and 2001, respectively. The decrease was mainly in Regional Community Banking and Corporate Banking.

CONSOLIDATED BALANCE SHEET REVIEW

STRATEGIC REPOSITIONING

As previously reported, PNC took several actions in 2001 to accelerate the strategic repositioning of its lending businesses that began in 1998. A total of $12.0 billion of credit exposure (comprised of loans outstanding, unfunded commitments and letters of credit) including $6.2 billion of outstandings were designated for exit or transferred to held for sale during 2001, of which $10.1 billion and $4.3 billion, respectively, related to the institutional lending portfolio. The remaining $1.9 billion of credit exposure and outstandings related to PNC's vehicle leasing business that is being discontinued. At June 30, 2002, PNC's vehicle leasing business had $1.7 billion in assets that have been designated for exit and are expected to mature over a period of approximately 5 years with a weighted-average remaining life of three years. See Critical Accounting Policies And Judgments in the Risk Factors section of this Financial Review for additional information regarding certain risks associated with executing these strategies.

Details of the credit exposure and outstandings by business in the institutional lending held for sale and exit portfolios are included in the Corporate Banking, PNC Real Estate Finance and PNC Business Credit sections of the Review of Businesses within this Financial Review. A rollforward of the institutional lending held for sale portfolio follows:

ROLLFORWARD OF INSTITUTIONAL LENDING HELD FOR SALE PORTFOLIO

In millions	Credit Exposure	Outstandings
January 1, 2002	$4,958	$2,568
Additions	119	236
Sales	(1,565)	(894)
Payments and other exposure reductions	(1,307)	(686)
Valuation adjustments, net	(186)	(158)
June 30, 2002	$2,019	$1,066

During the second quarter and first six months of 2002, the liquidation of institutional loans held for sale resulted in net gains in excess of valuation adjustments of $55 million and $78 million, respectively. Details by business follow:

INSTITUTIONAL LENDING HELD FOR SALE ACTIVITY

Three months ended June 30, 2002 In millions	Net gains on liquidation	Valuation Adjustments	Total
Corporate Banking	$134	$(84)	$50
PNC Real Estate Finance	16	(4)	12
PNC Business Credit	2	(9)	(7)
Total	$152	$(97)	$55

Six months ended June 30, 2002 In millions	Net gains on liquidation	Valuation Adjustments	Total
Corporate Banking	$244	$(165)	$79
PNC Real Estate Finance	17	(11)	6
PNC Business Credit	3	(10)	(7)
Total	$264	$(186)	$78

In addition to the actions taken regarding the institutional lending held for sale and exit portfolios, the Corporation also recorded charges in 2001 totaling $208 million in connection with other actions and additions to reserves. Reserves related to these actions totaled $156 million at June 30, 2002. The following table summarizes the second quarter and year-to-date 2002 changes to these reserves:

ROLLFORWARD OF OTHER RESERVES RELATED TO FOURTH QUARTER 2001 ACTIONS

In millions	2001 Charge	Utilized in 2001	First Quarter 2002 Activity	Second Quarter 2002 Activity	At June 30 2002
Vehicle leasing	$135	$(11)	$(3)		$121
Asset impairment and severance costs	37	(24)	(10)	$(2)	1
Facilities consolidation and other charges	36		(1)	(1)	34
Total	$208	$(35)	$(14)	$(3)	$156

The fourth quarter 2001 charge of $135 million in connection with the vehicle leasing business included exit costs and additions to reserves related to insured residual value exposures. At June 30, 2002, the related liability had been reduced to $121 million as a result of goodwill impairment of $11 million recorded in the fourth quarter of 2001 and a net $3 million reduction related to severance and contractual payments recorded in the first six months of 2002 in connection with PNC's exit of this business.

The liability for asset impairment and severance costs had been reduced to $1 million at June 30, 2002 as a result of asset write-downs of $24 million in the fourth quarter of 2001 and $12 million of severance benefits paid in the first six months of 2002.

In the fourth quarter of 2001, PFPC incurred $36 million of pretax charges primarily related to a plan to consolidate certain facilities. The charges primarily reflected termination costs related to exiting certain lease agreements and the abandonment of related leasehold improvements. The Corporation is continuing to pursue these initiatives and expects the related facilities relocations to be completed by the end of 2002.

LOANS

Loans were $37.7 billion at June 30, 2002, a $.3 billion decrease from year-end 2001 primarily due to the comparative impact of residential mortgage loan sales and securitizations in 2001 and transfers to held for sale and the managed reduction of institutional loans, which more than offset the impact in 2002 of the NBOC acquisition and growth in home equity loans.

DETAILS OF LOANS

In millions	June 30 2002	December 31 2001
Commercial		
Manufacturing	$3,838	$3,352
Retail/wholesale	4,333	3,856
Service providers	2,016	2,136
Real estate related	1,583	1,720
Financial services	1,326	1,362
Communications	110	139
Health care	471	517
Other	2,548	2,123
Total commercial	16,225	15,205
Commercial real estate		
Mortgage	546	592
Real estate project	1,963	1,780
Total commercial real estate	2,509	2,372
Consumer		
Home equity	7,654	7,016
Automobile	607	773
Other	1,325	1,375
Total consumer	9,586	9,164
Residential mortgage	4,750	6,395
Lease financing		
Vehicle	1,661	1,930
Equipment	3,620	3,627
Total lease financing	5,281	5,557
Other	437	445
Unearned income	(1,104)	(1,164)
Total, net of unearned income	$37,684	$37,974

Loan portfolio composition continued to be diversified across PNC's footprint among numerous industries and types of businesses. At June 30, 2002, loans of $37.7 billion included $1.7 billion of vehicle leases and $18 million of commercial loans that have been designated for exit.

NET UNFUNDED COMMITMENTS

In millions	June 30 2002	December 31 2001
Commercial	$21,390	$20,233
Commercial real estate	780	711
Consumer	5,260	4,977
Lease financing	111	146
Other	118	139
Designated for exit or held for sale	2,248	4,837
Total	$29,907	$31,043

Commitments to extend credit represent arrangements to lend funds or provide liquidity subject to specified contractual conditions. Commitments include loan commitments and liquidity facilities provided to Market Street. Commercial commitments are reported net of participations, assignments and syndications, primarily to financial institutions, totaling $7.0 billion at June 30, 2002 and $7.1 billion at December 31, 2001.

Net outstanding letters of credit totaled $3.9 billion and $4.0 billion at June 30, 2002 and December 31, 2001, 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.

LOANS HELD FOR SALE

Loans held for sale were $2.4 billion at June 30, 2002 compared with $4.2 billion at December 31, 2001. See Strategic Repositioning in this Financial Review for further information regarding details of the institutional lending held for sale portfolio. Approximately $170 million of loans held at June 30, 2002 by companies formed with AIG are classified in the consolidated financial statements as loans held for sale. Substantially all student loans are classified as loans held for sale.

DETAILS OF LOANS HELD FOR SALE

In millions	June 30 2002	December 31 2001
Institutional lending repositioning		
Commercial		
Manufacturing	$415	$810
Communications	186	690
Service providers	86	333
Retail/wholesale	57	114
Financial services	33	40
Health care	33	73
Real estate related	13	30
Other	137	223
Total commercial	960	2,313
Commercial real estate	106	248
Lease financing		7
Total institutional lending repositioning	1,066	2,568
Student loans	1,123	1,340
Other	252	281
Total loans held for sale	$2,441	$4,189

NONPERFORMING, PAST DUE AND POTENTIAL PROBLEM ASSETS

Nonperforming assets include nonaccrual loans, troubled debt restructurings, nonaccrual loans held for sale and foreclosed assets. In addition, certain performing assets have interest payments that are past due or have the potential for future repayment problems.

NONPERFORMING ASSETS BY TYPE

Dollars in millions	June 30 2002	December 31 2001
Nonaccrual loans		
Commercial	$285	$188
Commercial real estate	3	4
Consumer	11	3
Residential mortgage	6	5
Lease financing	18	11
Total nonaccrual loans	323	211
Troubled debt restructured loan	2	
Total nonperforming loans	325	211
Nonperforming loans held for sale (a)	162	169
Foreclosed assets		
Commercial real estate		1
Residential mortgage	5	3
Other	8	7
Total foreclosed assets	13	11
Total nonperforming assets	$500	$391
Nonperforming loans to total loans	.86%	.56%
Nonperforming assets to total loans, loans held for sale and foreclosed assets	1.25	.93
Nonperforming assets to total assets	.75	.56

(a) Includes $6 million of a troubled debt restructured loan held for sale at December 31, 2001.

Of the total nonperforming loans at June 30, 2002, 42% are related to PNC Business Credit. These loans are to borrowers, many of which have weak credit risk ratings. As a result, these loans typically exhibit a higher risk of default and a greater proportion of such loans may be classified as nonperforming. Increases in nonperforming assets in this business are expected

to continue at this point in the economic cycle. The above table excludes nonperforming equity management assets carried at estimated fair value of $29 million and $18 million at June 30, 2002 and December 31, 2001, respectively, and included in other assets on the Consolidated Balance Sheet.

The amount of nonperforming loans that were current as to principal and interest was $122 million at June 30, 2002 and $93 million at December 31, 2001. The amount of nonperforming loans held for sale that were current as to principal and interest was $36 million at June 30, 2002 and $8 million at December 31, 2001.

NONPERFORMING ASSETS BY BUSINESS

In millions	June 30 2002	December 31 2001
Regional Community Banking	$65	$52
Corporate Banking	261	220
PNC Real Estate Finance	6	6
PNC Business Credit	164	109
PNC Advisors	4	4
Total nonperforming assets	$500	$391

At June 30, 2002, Corporate Banking, PNC Real Estate Finance and PNC Business Credit had nonperforming loans held for sale of $133 million, $3 million and $26 million, respectively, which are included in the preceding table.

CHANGE IN NONPERFORMING ASSETS

In millions	2002	2001
January 1	$391	$372
Transferred from accrual	548	368
Returned to performing	(19)	(13)
Principal reductions	(189)	(97)
Asset sales	(98)	(23)
Charge-offs and valuation adjustments	(133)	(133)
June 30	$500	$474

Credit quality was adversely affected for the first six months of 2002 and a sustained weakness or further weakening of the economy, or other factors that 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. These risks may be particularly relevant to PNC Business Credit due to the nature of its borrowers. See PNC Business Credit in the Review of Businesses section of this Financial Review for additional information.

ACCRUING LOANS AND LOANS HELD FOR SALE PAST DUE 90 DAYS OR MORE

	Amount		Percent of Total Outstandings	
Dollars in millions	June 30 2002	Dec. 31 2001	June 30 2002	Dec. 31 2001
Commercial	$76	$54	.47%	.36%
Commercial real estate	1	11	.04	.46
Consumer	29	36	.30	.39
Residential mortgage	46	56	.97	.88
Lease financing	1	2	.02	.05
Total loans	153	159	.41	.42
Loans held for sale	26	33	1.07	.79
Total loans and loans held for sale	$179	$192	.45	.46

Loans and loans held for sale not included in nonperforming or past due categories, but where information about possible credit problems causes management to be uncertain about the borrower's ability to comply with existing repayment terms over the next six months, totaled $278 million and $101 million, respectively, at June 30, 2002. Approximately one-half of these loans are in the PNC Business Credit portfolio and all of the loans held for sale relate to the

institutional lending repositioning.

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 financial derivative transactions. The Corporation seeks to manage credit risk through, among others, diversification, limiting credit exposure to any single industry or customer, requiring collateral, selling participations to third parties, and purchasing credit-related derivatives.

ALLOWANCES FOR CREDIT LOSSES AND UNFUNDED LOAN COMMITMENTS AND LETTERS OF CREDIT

The Corporation maintains an allowance for credit losses to absorb losses inherent in the loan portfolio. The allowance is determined based on quarterly assessments of the probable estimated losses inherent in the loan portfolio. The methodology for measuring the appropriate level of the allowance consists of several elements, including specific allocations to impaired loans, allocations to pools of non-impaired loans and unallocated reserves. While allocations are made to specific loans and pools of loans, the total reserve is available for all loan losses. Enhancements and refinements to the reserve methodology during the second quarter of 2002 resulted in a reallocation of the allowance for credit losses among the Corporation's businesses and from unallocated to specific and pool categories.

In addition to the allowance for credit losses, the Corporation maintains an allowance for unfunded loan commitments and letters of credit. This amount, reported as a liability on the Consolidated Balance Sheet, is determined using estimates of the probability of the ultimate funding and potential losses related to those credit exposures. The methodology used is similar to the methodology used for determining the adequacy of the allowance for credit losses. The allowance was previously included as a component of the allowance for credit losses.

Specific allowances are established for loans considered impaired by a method prescribed by SFAS No. 114, "Accounting by Creditors for Impairment of a Loan." All nonperforming loans are considered impaired under SFAS No. 114. Specific allowances are determined for individual loans over a dollar threshold by PNC's Special Asset Committee based on an analysis of the present value of its expected future cash flows discounted at its effective interest rate, its observable market price or the fair value of the underlying collateral. A minimum specific allowance is established on all impaired loans at the applicable pool reserve allocation for similar loans.

Allocations to non-impaired commercial and commercial real estate loans (pool reserve allocations) are assigned to pools of loans as defined by PNC's business structure and internal risk rating categories. Key elements of the pool reserve methodology include expected default probabilities ("EDP"), loss given default ("LGD") and exposure at default ("EAD"). EDPs are derived from historical default analyses and are a function of the borrower's risk rating grade and expected loan term. LGDs are derived from historical loss data and are a function of the loan's collateral value and other structural factors that may affect the ultimate ability to collect on the loan. EADs are derived from banking industry and PNC's own exposure at default data.

This methodology is sensitive to changes in key risk parameters such as EDPs and LGDs. In general, a given change in any of the major risk parameters will have a commensurate change in the pool reserve allocations to non-impaired commercial loans. Additionally, other factors such as the rate of migration in the severity of problem loans or changes in the maturity distribution of the loans will contribute to the final pool reserve allocations.

Consumer (including residential mortgage) loan allocations are made at a total portfolio level by consumer product line based on historical loss experience. A four-quarter average loss rate is computed as net charge-offs for the prior four quarters as a percentage of the average loan outstandings in those quarters. This loss rate is applied to loans outstanding at the end of the current period.

The final loan reserve allocations are based on this methodology and management's judgment of other qualitative factors which may include, among others, regional and national economic conditions, business segment and portfolio concentrations, historical versus estimated losses, model risk and changes to the level of credit risk in the portfolio.

Unallocated reserves are established to provide coverage for risks not considered in the specific, pool and consumer reserve methodologies, such as, but not limited to, potential judgment and data errors. Furthermore, events may have occurred as of the reserve evaluation date that are not yet reflected in the risk measures or characteristics of the portfolio due to inherent lags in information. Management's evaluation of these and other relevant factors determines the level of unallocated reserves established at the evaluation date.

The 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.

ALLOCATION OF ALLOWANCE FOR CREDIT LOSSES

	June 30, 2002		December 31, 2001	
Dollars in millions	Allowance	Loans to Total Loans	Allowance	Loans to Total Loans
Commercial	$507	43.1%	$392	40.0%
Commercial real estate	60	6.7	63	6.3
Consumer	29	25.4	39	24.1
Residential mortgage	10	12.6	8	16.8
Other	48	12.2	58	12.8
Total	$654	100%	$560	100%

For purposes of this presentation, the unallocated portion of the allowance for credit losses of $115 million at June 30, 2002 and $143 million at December 31, 2001 has been assigned to loan categories based on the relative specific and pool allocation amounts. The unallocated portion of the allowance for credit losses represented 18% of the total allowance and .31% of total loans at June 30, 2002, compared with 26% and .38%, respectively, at December 31, 2001.

The provision for credit losses for the first six months of 2002 and the evaluation of the allowances for credit losses and unfunded loan commitments and letters of credit as of June 30, 2002 reflected changes in loan portfolio composition, the net impact of downsizing credit exposure, the impact of refinements to the Corporation's reserve methodology and changes in asset quality.

ROLLFORWARD OF ALLOWANCE FOR CREDIT LOSSES

In millions	2002	2001
January 1	$560	$598
Charge-offs	(139)	(148)
Recoveries	24	23
Net charge-offs	(115)	(125)
Provision for credit losses	171	125
Acquired allowance (NBOC acquisition)	41	
Net change in allowance for unfunded loan commitments and letters of credit	(3)	(3)
June 30	$654	$595

ROLLFORWARD OF ALLOWANCE FOR UNFUNDED LOAN COMMITMENTS AND LETTERS OF CREDIT

In millions	2002	2001
January 1	$70	$77
Net change in allowance for unfunded loan commitments and letters of credit	3	3
June 30	$73	$80

The allowance for credit losses as a percent of nonperforming loans and total loans was 201% and 1.74%, respectively, at June 30, 2002 compared with 265% and 1.47%, respectively, at December 31, 2001. The decline in the allowance as a percent of nonperforming loans since December 31, 2001 resulted from increases in nonperforming assets at PNC Business Credit and in Corporate Banking related to a Market Street liquidity facility.

CHARGE-OFFS AND RECOVERIES

Six months ended June 30 Dollars in millions	Charge-offs	Recoveries	Net Charge-offs	Percent of Average Loans
2002				
Commercial	$105	$14	$91	1.13%
Commercial real estate	2		2	.16
Consumer	20	8	12	.26
Residential mortgage	2	1	1	.04
Lease financing	10	1	9	.42

Total	$139	$24	$115	.61
2001				
Commercial	$119	$12	$107	1.05%
Consumer	20	9	11	.24
Residential mortgage	1		1	.02
Lease financing	8	2	6	.30
Total	$148	$23	$125	.53

CREDIT DEFAULT SWAPS
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 June 30, 2002, credit default swaps of $159 million in notional value were used by the Corporation to hedge credit risk associated with commercial lending activities and are included in the Other Derivatives table in the Financial Derivatives section of this Financial Review. Net gains realized in connection with credit default swaps totaled $161,000 for the second quarter and first six months of 2002. There were no gains or losses in the first six months of the prior year.

SECURITIES
Total securities were $12.3 billion and represented 18% of total assets at June 30, 2002 compared with $13.9 billion and 20%, respectively, at December 31, 2001. The decreases were primarily due to the sale of mortgage-backed securities during the first quarter of 2002.

At June 30, 2002, the securities available for sale balance included a net unrealized gain of $100 million, which represented the difference between fair value and amortized cost. The comparable amount at December 31, 2001 was a net unrealized loss of $132 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. The expected weighted-average life of securities available for sale was 3 years and 5 months at June 30, 2002 compared with 4 years at December 31, 2001.

Securities designated as held to maturity are carried at amortized cost and are assets of companies formed with AIG that are consolidated in PNC's financial statements. The expected weighted-average life of securities held to maturity was 20 years and 4 months at June 30, 2002 compared with 18 years and 11 months at December 31, 2001.

DETAILS OF SECURITIES

In millions	Amortized Cost	Fair Value
JUNE 30, 2002		
SECURITIES AVAILABLE FOR SALE		
Debt securities		
U.S. Treasury and government agencies	$630	$632
Mortgage-backed	7,545	7,587
Asset-backed	2,706	2,756
State and municipal	61	66
Other debt	59	60
Corporate stocks and other	872	872
Total securities available for sale	$11,873	$11,973
SECURITIES HELD TO MATURITY		
Debt securities		
U.S. Treasury and government agencies	$268	$262
Asset-backed	8	8
Other debt	64	64
Total securities held to maturity	$340	$334
December 31, 2001		
SECURITIES AVAILABLE FOR SALE		
Debt securities		
U.S. Treasury and government agencies	$808	$807
Mortgage-backed	9,669	9,578
Asset-backed	2,799	2,776
State and municipal	62	64
Other debt	75	75
Corporate stocks and other	264	245
Total securities available for sale	$13,677	$13,545

SECURITIES HELD TO MATURITY		
Debt securities		
U.S. Treasury and government agencies	$260	$257
Asset-backed	8	8
Other debt	95	95
Total securities held to maturity	$363	$360

EQUITY MANAGEMENT ACTIVITIES
At June 30, 2002, equity management investments totaled approximately $569 million, composed of portfolio investments and assets held by co-investment partnerships. Approximately 56% of the amount is invested directly in a variety of companies and approximately 44% is invested in various limited partnerships. The valuation of equity management assets is subject to the performance of the underlying companies as well as market conditions and may be volatile. The Corporation continues to make equity management investments on a limited basis and to manage private equity investments for others. As described in the Corporation's July 18, 2002 Current Report on Form 8-K ("July 18, 2002 8-K"), such activities are subject to limitation as a result of bank regulatory, supervisory and examination activities and may have to be curtailed if the Corporation is not successful in satisfying relevant regulatory requirements.

FUNDING SOURCES
Total funding sources were $54.9 billion at June 30, 2002 and $59.4 billion at December 31, 2001, a decrease of $4.5 billion corresponding to a decrease of $2.7 billion in total assets and increases in other liabilities and total shareholders' equity of $1.2 billion and $.6 billion, respectively. Total deposits decreased $2.9 billion from December 31, 2001 partly due to a $1.4 billion decrease in deposits in foreign offices and other time deposits.

Borrowed funds decreased consistent with declines in total assets and earning assets.

DETAILS OF FUNDING SOURCES

In millions	June 30 2002	December 31 2001
Deposits		
Demand and money market	$31,154	$32,589
Savings	2,069	1,942
Retail certificates of deposit	10,555	10,727
Other time	340	472
Deposits in foreign offices	309	1,574
Total deposits	44,427	47,304
Borrowed funds		
Federal funds purchased	37	167
Repurchase agreements	971	954
Bank notes and senior debt	5,434	6,362
Federal Home Loan Bank borrowings	1,277	2,047
Subordinated debt	2,332	2,298
Other borrowed funds	429	262
Total borrowed funds	10,480	12,090
Total	$54,907	$59,394

LIQUIDITY
Liquid assets consist of short-term investments and securities available for sale. At June 30, 2002, such assets totaled $14.9 billion, with $6.8 billion pledged as collateral for borrowings, trust and other commitments. Secured advances from the Federal Home Loan Bank, of which PNC Bank, PNC's principal bank subsidiary, is a member, are generally secured by residential mortgages, other real-estate related loans and mortgage-backed securities. At June 30, 2002, approximately $9.8 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 issuance.

Liquidity for the parent company and subsidiaries is generated through the issuance of securities in public or private markets and lines of credit. At June 30, 2002, the Corporation had unused capacity under effective shelf registration statements of approximately $3.3 billion of debt or equity securities and $400 million of trust preferred capital securities. The Corporation had an unused line of credit of $460 million at June 30, 2002.

The principal source of parent company revenue and cash flow is the dividends it receives from PNC Bank. PNC Bank's dividend level may be impacted by its capital

needs, supervisory policies, corporate policies, contractual restrictions and other factors. Also, there are legal limitations on the ability of national banks to pay dividends or make other capital distributions. The amount available for dividend payments to the parent company by all bank subsidiaries without prior regulatory approval was approximately $350 million at June 30, 2002.

In addition to dividends from PNC Bank, other sources of parent company liquidity include cash and short-term investments, as well as dividends and loan repayments from other subsidiaries. As of June 30, 2002, the parent company had approximately $650 million in funds available from its cash and short-term investments or other funds available from unrestricted subsidiaries. Management believes the parent company has sufficient liquidity available to meet current obligations to its debt holders, vendors, and others and to pay dividends at current rates through 2002.

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, the ability to repurchase stock, the level of deposit insurance costs, and the level and nature of regulatory oversight depend, in part, on a financial institution's capital strength. At June 30, 2002, each banking subsidiary of the Corporation was considered "well capitalized" based on regulatory capital ratio requirements.

RISK-BASED CAPITAL

Dollars in millions	June 30 2002	December 31 2001
Capital components		
Shareholders' equity		
Common	$6,380	$5,813
Preferred	10	10
Trust preferred capital securities	848	848
Minority interest	174	134
Goodwill and other intangibles	(2,456)	(2,174)
Net unrealized securities (gains) losses	(65)	86
Net unrealized gains on cash flow hedge derivatives	(107)	(98)
Nonfinancial equity investments	(37)	
Other, net	(11)	(20)
Tier I risk-based capital	4,736	4,599
Subordinated debt	1,469	1,616
Minority interest	36	36
Eligible allowance for credit losses	726	707
Total risk-based capital	$6,967	$6,958
Assets		
Risk-weighted assets and off-balance-sheet instruments, and market risk equivalent assets	$58,016	$58,958
Average tangible assets	64,008	67,604
Capital ratios		
Tier I risk-based	8.2%	7.8%
Total risk-based	12.0	11.8
Leverage	7.4	6.8

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 January 3, 2002 the Board of Directors authorized the Corporation to purchase up to 35 million shares of its common stock through February 29, 2004. These shares may be purchased in the open market or privately negotiated transactions. This authorization terminated any prior authorization. During the first half of 2002, PNC

repurchased 320,000 shares of its common stock under this program. The extent and timing of any further share repurchases will depend on a number of factors including, among others, progress in disposing of loans held for sale, regulatory capital considerations, alternative uses of capital and receipt of regulatory approvals if then required. The Corporation does not currently intend to repurchase additional shares through the remainder of 2002 under this program.

RISK FACTORS

The Corporation is subject to a number of risks including, among others, those described below, in the Consolidated Balance Sheet Review, Risk Management and

Forward-Looking Statements sections of this Financial Review and elsewhere in this report. The Risk Factors section of the Financial Review included in the 2001 Form 10-K describes a number of risks applicable to the Corporation, including: business and economic conditions, supervision and regulation, monetary and other policies, competition, disintermediation, asset management performance, fund servicing, acquisitions and terrorist activities. Reference is made to the 2001 Form 10-K as supplemented by the July 18, 2002 8-K for a detailed description of these risks which continue to have the potential to impact the Corporation's business, financial condition and results of operations.

CRITICAL ACCOUNTING POLICIES AND JUDGMENTS

The Corporation's consolidated financial statements are prepared based on the application of certain accounting policies, the most significant of which are described in Note 1 Accounting Policies in the Notes to Consolidated Financial Statements. Certain of these policies require numerous estimates and strategic or economic assumptions that may prove inaccurate or subject to variations and may significantly affect PNC's reported results and financial position for the period or in future periods. Changes in underlying factors, assumptions, or estimates in any of these areas could have a material impact on PNC's future financial condition and results of operations.

ALLOWANCES FOR CREDIT LOSSES AND UNFUNDED LOAN COMMITMENTS AND LETTERS OF CREDIT

The allowances for credit losses and unfunded loan commitments and letters of credit are calculated with the objective of maintaining reserve levels believed by management to be sufficient to absorb estimated probable credit losses. Management's determination of the adequacy of the allowances is based on periodic evaluations of the credit portfolio and other relevant factors. However, this evaluation is inherently subjective as it requires material estimates, including, among others, expected default probabilities, loss given default, expected commitment usage, the amounts and timing of expected future cash flows on impaired loans, value of collateral, estimated losses on consumer loans and residential mortgages, and general amounts for historical loss experience. The process also considers economic conditions, uncertainties in estimating losses and inherent risks in the various credit portfolios. All of these factors may be susceptible to significant change. Also, the allocation of the allowance for credit losses to specific loan pools is based on historical loss trends and management's judgment concerning those trends. Commercial loans are the largest category of credits and are the most sensitive to changes in assumptions and judgments underlying the determination of the allowance for credit losses. Approximately $507 million or 78% of the total allowance for credit losses at June 30, 2002 has been allocated to the commercial loan category. This allocation also considers other relevant factors such as actual versus estimated losses, regional and national economic conditions, business segment and portfolio concentrations, industry competition and consolidation, the impact of government regulations, and risk of potential estimation or judgmental errors. To the extent actual outcomes differ from management estimates, additional provision for credit losses may be required that would adversely impact earnings in future periods.

LOANS HELD FOR SALE

Loans are classified as held for sale based on management's intent to sell them. At the initial transfer date of a loan from portfolio to held for sale, any lower of cost or market ("LOCOM") adjustment is recorded as a charge-off. This results in a new cost basis. Any subsequent adjustment as a result of the LOCOM analysis is recognized as a valuation adjustment with changes included in noninterest income. Although the market value for certain held for sale assets may be readily obtainable, other assets require significant judgments by management as to the value that could be realized at the balance sheet date. These assumptions include but are not limited to the cash flows generated from the asset, the timing of a sale, the value of any collateral, the market conditions for the particular credit, overall investor demand for these assets and the determination of a proper discount rate. Changes in market conditions and actual liquidation experience may result in additional valuation adjustments that could adversely impact earnings in future periods.

EQUITY MANAGEMENT ASSET VALUATION

Equity management assets are valued at each balance sheet date based primarily on either, in the case of limited partnership investments, the financial statements received from the general partner or, with respect to direct investments, the estimated fair value. Changes in the market value of these investments are reflected in the Corporation's results of operations. The value of limited partnership investments is based on the financial statements received from the general partners. Due to the nature of the direct investments, management must make assumptions as to future performance, financial condition, liquidity, availability of capital, and market conditions, among others, to determine the estimated fair value of the investments. Market conditions and actual performance of the companies invested in could differ from these assumptions resulting in lower valuations that could adversely impact earnings in future periods.

LEASE RESIDUALS

Leases are carried at the aggregate of lease payments and the estimated residual value of the leased property, less unearned income. The Corporation provides financing for various types of equipment, aircraft, energy and power systems, rolling stock and vehicles through a variety of lease arrangements. A significant portion of the residual value is covered by residual value insurance or guaranteed by governmental entities. Residual values are subject to judgments as to the value of the underlying equipment that can be affected by changes in economic and market conditions and the financial viability of the residual guarantors and insurers. To the extent not guaranteed or assumed by a third party, or otherwise insured against, the Corporation bears the risk of ownership of the leased assets including the risk that the actual value of the leased assets at the end of the lease term will be less than the residual value which could result in a charge and adversely impact earnings in future periods.

GOODWILL AND OTHER INTANGIBLE ASSETS

See Note 5 Goodwill And Other Intangible Assets in the Notes to Consolidated Financial Statements for further information on PNC's adoption of SFAS No. 142 effective January 1, 2002.

Goodwill arising from business acquisitions represents the value attributable to unidentifiable intangible elements in the business acquired. The majority of the Corporation's goodwill relates to value inherent in fund servicing and banking businesses. The value of this goodwill is dependent upon the Corporation's ability to provide quality, cost effective services in the face of competition from other market leaders on a national and global basis. This ability in turn relies upon continuing investments in processing systems, the development of value-added service features, and the ease of use of the Corporation's services.

As such, goodwill value is supported ultimately by revenue which is driven by the volume of business transacted and, for certain businesses, the market value of assets under administration. A decline in earnings as a result of a lack of growth or the Corporation's inability to deliver cost effective services over sustained periods can lead to impairment of goodwill which could result in a charge and adversely impact earnings in future periods.

Total goodwill was $2.3 billion and other intangible assets, net of accumulated amortization, totaled $342 million at June 30, 2002.

RISK MANAGEMENT

In the normal course of business, the Corporation assumes various types of risk, which include, among others, credit risk, interest rate risk, liquidity risk, operational risk, and risk associated with trading activities, financial derivatives and "off-balance-sheet" activities. PNC has risk management processes designed to provide for risk identification, measurement and monitoring. Credit risk and liquidity risk are described in the Consolidated Balance Sheet Review section of this Financial Review. See the 2001 Form 10-K for further information. These factors and others could impact the Corporation's business, financial condition and results of operations.

INTEREST RATE RISK

The Corporation measures and manages both the short-term and long-term effects of changing interest rates. An income simulation model measures the sensitivity of net interest income to changing interest rates over the next twenty-four month period. An economic value of equity model measures the sensitivity of the value of existing on-balance-sheet and off-balance-sheet positions to changing interest rates.

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 and 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. In the scenario with a 200 basis point decline in interest rates, rates are reduced to not less than zero. Policy exceptions, if any, are reported to the Finance Committee of the Board of Directors.

At June 30, 2002, the Corporation was outside of Board-approved policy limits assuming a gradual, parallel 100 basis point decrease in interest rates over the next twelve months. In the current low rate environment, the probability of an additional 100 basis point decline in rates is considered less likely than usual. Therefore, management's actions have focused on attempting to reduce the effects of more modest interest rate declines and on the effects of significantly higher interest rates on the Corporation's net interest income and economic value of equity.

Management has kept the Finance Committee of the Board of Directors apprised of the Corporation's interest rate risk position and continues to model and report the results of this and other interest rate scenarios.

The following table sets forth the sensitivity results for the quarters ended June 30, 2002 and 2001.

INTEREST SENSITIVITY ANALYSIS

	June 30 2002	June 30 2001
NET INTEREST INCOME SENSITIVITY SIMULATION		
Effect on net interest income from gradual interest rate change over following 12 months of:		
100 basis point increase	1.0%	(0.5)%
100 basis point decrease	(4.2)%	(0.3)%
ECONOMIC VALUE OF EQUITY SENSITIVITY MODEL		
Effect on value of on- and off-balance-sheet positions as a percentage of assets from instantaneous change in interest rates of:		
200 basis point increase	(0.9)%	(1.3)%
200 basis point decrease	0.1%	0.4%
KEY PERIOD-END INTEREST RATES		
One month LIBOR	1.84%	3.86%
Three-year swap	3.85%	5.31%

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. Trading activities are confined to financial instruments and financial derivatives. 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 was $53 million for the first six months of 2002 compared with $81 million for the first six months of 2001. See Note 7 Trading Activities in the Notes to Consolidated Financial Statements for additional information.

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 million at June 30, 2002.

OPERATIONAL RISK

The Corporation is exposed to a variety of operational risks that can affect each of its business activities, particularly those involving processing and servicing. Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people or systems or from external events such as the September 11th terrorist attacks. The risk of loss also includes the potential legal actions that could result from operational deficiencies or noncompliance with contracts, laws or regulations.

PNC monitors and evaluates operational risk on an ongoing basis via systems of internal control, formal Corporate-wide policies and procedures, and an internal audit function. In addition, in April 2002 the Corporation created a new position, Chief Risk Officer. The Chief Risk Officer will direct credit policy, balance sheet risk management, operational risk, audit, compliance, and regulatory affairs, with the aim to help PNC sharpen its strategic focus and integrated coordination of all risk management activities throughout the Corporation.

FINANCIAL DERIVATIVES

As required, effective January 1, 2001, the Corporation implemented SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended by SFAS No. 137 and 138. The statement requires the Corporation to recognize all derivative instruments at fair value as either assets or liabilities. Financial derivatives are reported at fair value in other assets or other liabilities. The 2001 cumulative effect of the change in accounting principle resulting from the adoption of SFAS No. 133 was an after-tax charge of $5 million reported in the Consolidated Statement of Income and an after-tax accumulated other comprehensive loss of $4 million reported in the Consolidated Balance Sheet.

The following table sets forth changes, during the first six months of 2002, in the notional value of financial derivatives used for risk management and designated as accounting hedges under SFAS No. 133.

FINANCIAL DERIVATIVES ACTIVITY

<TABLE>
<CAPTION>

Dollars in millions	December 31 2001	Additions	Maturities	Terminations	June 30 2002	Weighted-Average Maturity
<S>	<C>	<C>	<C>	<C>	<C>	<C> <C>
Interest rate risk management						
Interest rate swaps						
Receive fixed	$6,748	$2,250	$(1,250)	$(2,600)	$5,148	3 yrs. 9 mos.
Pay fixed	107			(20)	87	4 yrs. 1 mo.
Basis swaps	87			(30)	57	6 yrs. 3 mos.
Interest rate caps	25				25	3 yrs. 11 mos.
Interest rate floors	7				7	2 yrs. 10 mos.
Futures contracts	398	96		(261)	233	9 mos.
Total interest rate risk management	7,372	2,346	(1,250)	(2,911)	5,557	
Commercial mortgage banking risk management						
Interest rate swaps	105	408		(328)	185	10 yrs. 7 mos.
Total rate of return swaps	150	150	(225)		75	3 mos.
Total commercial mortgage banking risk management	255	558	(225)	(328)	260	
Total	$7,627	$2,904	$(1,475)	$(3,239)	$5,817	

</TABLE>

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 at June 30, 2002. Weighted-average interest rates presented are based on the implied forward yield curve at June 30, 2002.

FINANCIAL DERIVATIVES - 2002

<TABLE>
<CAPTION>

June 30, 2002 - dollars in millions	Notional Value	Fair Value	Weighted-Average Interest Rates Paid	Weighted-Average Interest Rates Received
<S>	<C>	<C>	<C>	<C>
Interest rate risk management				
Asset rate conversion				
Interest rate swaps (a)				
Receive fixed designated to loans	$2,735	$86	3.50%	4.46%
Pay fixed designated to loans	87	(6)	6.02	4.23
Basis swaps designated to loans	57		4.91	4.86
Interest rate caps designated to loans (b)	25		NM	NM
Interest rate floors designated to loans (c)	7		NM	NM
Futures contracts designated to loans	233		NM	NM
Total asset rate conversion	3,144	80		

Liability rate conversion				
Interest rate swaps (a)				
Receive fixed designated to borrowed funds	2,413	199	4.60	5.94
Total liability rate conversion	2,413	199		
Total interest rate risk management	5,557	279		
Commercial mortgage banking risk management				
Pay fixed interest rate swaps designated to loans held for sale (a)	185	(8)	5.85	5.51
Pay total rate of return swaps designated to loans held for sale (a)	75	(2)	6.06	1.45
Total commercial mortgage banking risk management	260	(10)		
Total financial derivatives designated for risk management	$5,817	$269		

</TABLE>

(a) The floating rate portion of interest rate contracts is based on money-market indices. As a percent of notional value, 55% were based on 1-month LIBOR and 45% on 3-month LIBOR.
(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%. The remainder is based on other short-term indices. At June 30, 2002, 3-month LIBOR was 1.86% and 1-month LIBOR was 1.84%.
(c) Interest rate floors with notional values of $5 million require the counterparty to pay the excess, if any, of the weighted-average strike of 4.50% over 3-month LIBOR. The remainder is based on other short-term indices. At June 30, 2002, 3-month LIBOR was 1.86%.
NM- Not meaningful

The following table sets forth the notional value and the fair value of financial derivatives used for risk management at December 31, 2001. Weighted-average interest rates presented are based on the implied forward yield curve at December 31, 2001.

FINANCIAL DERIVATIVES - 2001
<TABLE>
<CAPTION>

			Weighted-Average Interest Rates	
December 31, 2001 - dollars in millions	Notional Value	Fair Value	Paid	Received
<S>	<C>	<C>	<C>	<C>
Interest rate risk management				
Asset rate conversion				
Interest rate swaps (a)				
Receive fixed designated to loans	$4,335	$132	3.35%	5.23%
Pay fixed designated to loans	107	(5)	5.88	4.66
Basis swaps designated to loans	87		5.49	5.42
Interest rate caps designated to loans (b)	25		NM	NM
Interest rate floors designated to loans (c)	7		NM	NM
Futures contracts designated to loans	398		NM	NM
Total asset rate conversion	4,959	127		
Liability rate conversion				
Interest rate swaps (a)				
Receive fixed designated to borrowed funds	2,413	135	5.20	

				5.94
Total liability rate conversion	2,413	135		
Total interest rate risk management	7,372	262		
Commercial mortgage banking risk management				
Pay fixed interest rate swaps designated to loans held for sale (a)	105	1	5.52	5.82
Pay total rate of return swaps designated to loans held for sale (a)	150		5.89	1.39
Total commercial mortgage banking risk management	255	1		
Total financial derivatives designated for risk management	$7,627	$263		

</TABLE>

(a) The floating rate portion of interest rate contracts is based on money-market indices. As a percent of notional value, 65% were based on 1-month LIBOR, 34% 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%. The remainder is based on other short-term indices. At December 31, 2001, 3-month LIBOR was 1.88% and 1-month LIBOR was 1.87%.
(c) Interest rate floors with notional values of $5 million require the counterparty to pay the excess, if any, of the weighted-average strike of 4.50% over 3-month LIBOR. The remainder is based on other short-term indices. At December 31, 2001, 3-month LIBOR was 1.88%.
NM- Not meaningful

OTHER DERIVATIVES
Additionally, the Corporation enters into other derivative transactions for risk management purposes that are not designated as accounting hedges, primarily consisting of interest rate floors and caps and basis swaps. Other noninterest income for the first six months of 2002 included approximately $3 million of net gains related to the derivatives held for risk management purposes not designated as accounting hedges.

OTHER DERIVATIVES

<TABLE>
<CAPTION>

	At June 30, 2002				
In millions	Notional Value	Positive Fair Value	Negative Fair Value	Net Asset (Liability)	Average Fair Value (a)
<S>	<C>	<C>	<C>	<C>	<C>
Customer-related					
Interest rate					
Swaps	$20,905	$344	$(367)	$(23)	$(15)
Caps/floors					
Sold	2,689		(33)	(33)	(33)
Purchased	2,233	25		25	26
Foreign exchange	4,323	70	(65)	5	4
Other	5,755	71	(59)	12	11
Total customer-related	35,905	510	(524)	(14)	(7)

Other risk management and proprietary					
Interest rate					
Basis swaps	2,238	6		6	6
Caps/floors					
Sold					(12)
Purchased	4,400				12
Other	450	8	(1)	7	6
Total other risk management and proprietary	7,088	14	(1)	13	12
Total other derivatives	$42,993	$524	$(525)	$(1)	$5

</TABLE>

(a) Represents average for six months ended June 30, 2002.

"OFF-BALANCE-SHEET" ACTIVITIES

As previously reported, PNC has reputation, legal, operational and fiduciary risks in virtually every area of its business, many of which are not reflected in assets and liabilities recorded on the balance sheet, and some of which are conducted through limited purpose entities known as "special purpose entities." These activities are part of the banking business and would be found in most larger financial institutions with the size and activities of PNC. Most of these involve financial products distributed to customers, trust and custody services, and servicing, processing and funds transfer services, and the amounts involved can be quite large in relation to the Corporation's assets, equity and earnings. The primary accounting followed by PNC for these activities is to reflect the earned income, operating expenses and any receivables or liabilities for transaction settlements. See "Off-Balance-Sheet Activities" in the Risk Management section of the Financial Review included in the 2001 Form 10-K for further information. Also see Note 1 Accounting Policies in the Notes to Consolidated Financial Statements.

The accounting for special purpose entities is currently under review by the Financial Accounting Standards Board. An exposure draft has been issued and the conditions for consolidation or non-consolidation of such entities could change.

MARKET STREET

Market Street is a multi-seller asset-backed commercial paper conduit that is independently owned and managed. The activities of Market Street are limited to the purchase of, or making of, loans secured by interests in pools of receivables acquired from U.S. corporations unaffiliated with PNC that desire access to the commercial paper market. Market Street funds the purchases by issuing commercial paper. Market Street's commercial paper has been rated A1/P1 by Standard & Poor's and Moody's. Market Street had total assets of $4.3 billion at June 30, 2002 compared with $5.2 billion at December 31, 2001. The accounting rules for these types of entities are currently under review. See Note 1 Accounting Policies in the Notes to Consolidated Financial Statements for additional information.

PNC Bank provides certain administrative services, a portion of the program-level credit enhancement and participates with other banks in providing liquidity facilities to Market Street in exchange for fees negotiated based on market rates. Credit enhancement is provided in part by PNC Bank in the form of a revolving credit facility with a five year term expiring December 31, 2004. At June 30, 2002, approximately $149 million was outstanding on this facility compared with $166 million at December 31, 2001. An additional $448 million was provided by a major insurer. Also at June 30, 2002, Market Street had liquidity

facilities supporting individual pools of receivables totaling $6.4 billion, of which $5.2 billion are provided by PNC Bank. The comparable amounts at December 31, 2001 were $7.0 billion and $5.8 billion, respectively. Credit exposure related to PNC's liquidity facilities provided to Market Street is included in net unfunded commitments as described in Loans in the Consolidated Balance Sheet Review section of this Financial Review.

As Market Street's program administrator, PNC received fees of $7.3 million for the six months ended June 30, 2002. Commitment fees related to PNC's portion of the liquidity facilities amounted to $4.5 million for the first six months of 2002.

As previously reported, during the second quarter of 2002 the Corporation

learned of an apparent fraud related to a seller of receivables to Market Street. In April 2002, PNC funded approximately $50 million to Market Street under a liquidity facility agreement. Reserves were specifically allocated to cover this exposure at March 31, 2002 and a charge-off of $45 million representing the total loan outstanding net of cash collateral was recorded during the second quarter of 2002.

Also during the second quarter of 2002, the Corporation funded approximately $63 million resulting from a draw on a liquidity facility with Market Street. This loan was classified as a nonperforming asset at June 30, 2002. PNC is a beneficiary under an insurance policy that provides protection against losses related to the underlying collateral of student loans. The insurance carrier has initiated litigation to rescind the policy in an attempt to avoid payment of claims. Management will vigorously contest the insurer's action and believes that PNC is entitled to collect payment in full. The potential exposure related to this liquidity draw without reference to the insurance coverage was considered in determining the allocation of reserves within the allowance for credit losses at June 30, 2002. Based on current facts and circumstances, management expects that additional reserves will be required in the third quarter of 2002.

PNC has reduced its credit exposure to Market Street since December 31, 2001 and will continue to assess the nature and amount of liquidity facilities provided to this conduit.

REGULATORY MATTERS

On July 18, 2002 the Corporation announced that it had reached a resolution with the SEC concerning the SEC's previously disclosed inquiry into the transfer of certain PNC assets to companies formed with AIG in 2001. PNC consented to an SEC cease-and-desist order to settle the matter and neither admitted nor denied the SEC's findings regarding disclosure, accounting and recordkeeping violations.

PNC also announced on July 18, 2002 that it had entered into an agreement with the Federal Reserve, and that PNC Bank, PNC's principal bank subsidiary, had entered into an agreement with the OCC which address such issues as risk, management and financial controls, following the conclusion of scheduled regulatory examinations. The Corporation will incur additional operating costs in connection with its compliance with these agreements including, among others, incremental staff, continued higher legal and consulting expenses, and higher deposit insurance premiums.

The Corporation's Board of Directors is required by the Corporation's agreement with the Federal Reserve to engage an independent consultant acceptable to the Federal Reserve to conduct a review of the structure, functions and performance of PNC's management and the Board of Directors oversight of management activities (the "Corporate Review") and to prepare a written report that includes findings, conclusions, and written descriptions of any management or operational changes recommended as a result of the Corporate Review. PNC's Board of Directors has selected independent consultants for this Corporate Review and this selection has been approved by the Federal Reserve.

Reference is made to the July 18, 2002 8-K (the text of which is included as Exhibit 99.4 to this Form 10-Q) for additional information regarding these matters.

FORWARD LOOKING STATEMENTS

This report and other statements made by the Corporation may contain forward-looking statements with respect to the Corporation's outlook or expectations for earnings, revenues, returns or other future financial or business performance, strategies and expectations and the impact of legal, regulatory and supervisory matters on the Corporation's business operations and performance. Forward-looking statements are typically identified by words or phrases such as "believe," "feel," "expect," "anticipate," "intend," "outlook," "estimate," "forecast," "position," "poised," "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. Forward-looking statements speak only as of the date they are made, and the Corporation assumes no duty to update forward-looking statements. Actual results could differ materially from those anticipated in forward-looking statements and future results could differ materially from historical performance.

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) the resolution of disputes over certain closing date adjustments related to the sale of the residential mortgage banking business;
(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 credit losses; a reduction in demand for credit or fee-based products and services; a reduction in net interest income, value of assets under management and assets serviced, value of private equity investments and of other debt and equity investments, value of loans held for sale or value of other 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 and absolute 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, the timing and pricing of any sales of loans held for sale, 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;
(8) the inability to manage risks inherent in PNC's business;
(9) the unfavorable resolution of legal proceedings or government inquiries; the impact of increased litigation risk from recent regulatory developments; and the impact of reputational risk created by recent regulatory developments on such matters as business generation and retention, the ability to attract and retain management, liquidity and funding;
(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;
(14) the impact of legislative and regulatory reforms;
(15) the impact of the regulatory examination process, the Corporation's failure to satisfy the requirements of written agreements with regulatory agencies and regulators' future use of supervisory and enforcement tools, and
(16) terrorist activities including the September 11th terrorist attacks, which may adversely affect the general economy, financial and capital markets, specific industries, and the Corporation.

Factors relating to interest rate risk, financial and other derivatives, and regulatory matters are discussed in the Risk Management section of this Financial Review. Other risk factors are described in the Risk Factors section and elsewhere in this report.

CONSOLIDATED STATEMENT OF INCOME
THE PNC FINANCIAL SERVICES GROUP, INC.
<TABLE>
<CAPTION>

In millions, except per share data Unaudited	Three months ended June 30		Six months ended June 30	
	2002	2001	2002	2001
<S>	<C>	<C>	<C>	<C>
INTEREST INCOME				
Loans and fees on loans	$588	$839	$1,187	$1,820
Securities	149	177	326	299
Loans held for sale	41	31	93	68
Other	26	32	56	64

Total interest income	804	1,079	1,662	2,251
INTEREST EXPENSE				
Deposits	172	334	348	731
Borrowed funds	77	180	169	401
Total interest expense	249	514	517	1,132
Net interest income	555	565	1,145	1,119
Provision for credit losses	89	45	171	125
Net interest income less provision for credit losses	466	520	974	994
NONINTEREST INCOME				
Asset management	230	214	451	437
Fund servicing	202	195	398	390
Service charges on deposits	55	54	109	104
Brokerage	55	55	110	109
Consumer services	61	58	116	113
Corporate services	149	76	267	152
Equity management	(13)	(30)	(15)	(69)
Net securities gains	16	17	20	46
Other	100	94	173	166
Total noninterest income	855	733	1,629	1,448
NONINTEREST EXPENSE				
Staff expense	441	418	871	839
Net occupancy	59	54	117	107
Equipment	67	60	135	117
Marketing	13	16	26	25
Distributions on capital securities	14	16	29	33
Other	230	230	437	454
Total noninterest expense	824	794	1,615	1,575
Income from continuing operations before minority interest and income taxes	497	459	988	867
Minority interest in income of consolidated entities	12	8	22	16
Income taxes	165	156	329	291
Income from continuing operations	320	295	637	560
Income from discontinued operations (less applicable income taxes of $0)				

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Income before cumulative effect of accounting change	320	295	637	565
Cumulative effect of accounting change (less applicable income tax benefit of $2)				(5)
Net income	$320	$295	$637	$560
EARNINGS PER COMMON SHARE				
Continuing operations and net income				
Basic	$1.13	$1.01	$2.25	$1.91
Diluted	$1.12	$1.00	$2.23	$1.89
AVERAGE COMMON SHARES OUTSTANDING				
Basic	283	288	283	289
Diluted	285	291	285	292

</TABLE>

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED BALANCE SHEET
THE PNC FINANCIAL SERVICES GROUP, INC.

<TABLE>
<CAPTION>

In millions, except par value Unaudited	June 30 2002	December 31 2001
<S>	<C>	<C>
ASSETS		
Cash and due from banks	$2,839	$4,327
Short-term investments	2,895	1,335
Loans held for sale	2,441	4,189
Securities	12,313	13,908
Loans, net of unearned income of $1,104 and $1,164	37,684	37,974
Allowance for credit losses	(654)	(560)
Net loans	37,030	37,414
Goodwill	2,314	2,036
Other intangible assets	342	337
Other	6,739	6,092
Total assets	$66,913	$69,638
LIABILITIES		
Deposits		
Noninterest-bearing	$9,227	$10,124
Interest-bearing	35,200	

		37,180
Total deposits	44,427	47,304
Borrowed funds		
Federal funds purchased	37	167
Repurchase agreements	971	954
Bank notes and senior debt	5,434	6,362
Federal Home Loan Bank borrowings	1,277	2,047
Subordinated debt	2,332	2,298
Other borrowed funds	429	262
Total borrowed funds	10,480	12,090
Allowance for unfunded loan commitments and letters of credit	73	70
Other	4,485	3,333
Total liabilities	59,465	62,797
Minority interest	210	170
Mandatorily redeemable capital securities of subsidiary trusts	848	848
SHAREHOLDERS' EQUITY		
Preferred stock		1
Common stock - $5 par value		
Authorized 800 shares		
Issued 353 shares	1,764	1,764
Capital surplus	1,102	1,077
Retained earnings	6,913	6,549
Deferred benefit expense	(13)	(16)
Accumulated other comprehensive income	170	5
Common stock held in treasury at cost: 69 and 70 shares	(3,546)	(3,557)
Total shareholders' equity	6,390	5,823
Total liabilities, minority interest, capital securities and shareholders' equity	$66,913	$69,638

</TABLE>

See accompanying Notes to Consolidated Financial Statements.

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

<TABLE>
<CAPTION>

Six months ended June 30 - in millions Unaudited	2002	2001
<S>	<C>	

<C>

OPERATING ACTIVITIES		
Net income	$637	$560
Income from discontinued operations		(5)
Cumulative effect of accounting change		5
Income from continuing operations	637	560
Adjustments to reconcile income from continuing operations to net cash provided by operating activities		
Provision for credit losses	171	125
Depreciation, amortization and accretion	44	147
Deferred income taxes	226	171
Securities transactions	(20)	(45)
Valuation adjustments	30	9
Change in		
Loans held for sale	1,948	26
Other	(1,423)	(255)
Net cash provided by operating activities	1,613	738
INVESTING ACTIVITIES		
Net change in loans	(619)	(167)
Repayment of securities	1,346	1,153
Sales		
Securities	7,858	8,823
Loans	2,099	2,557
Foreclosed assets	5	11
Purchases		
Securities	(7,181)	(11,359)
Loans	(22)	(234)
Net cash (paid) received for divestitures/acquisitions	(1,676)	503
Other	(118)	11
Net cash provided by investing activities	1,692	1,298
FINANCING ACTIVITIES		
Net change in		
Noninterest-bearing deposits	(897)	492
Interest-bearing deposits	(1,980)	(2,357)
Federal funds purchased	(130)	2
Repurchase agreements	17	(38)
Sales/issuances		
Federal Home Loan Bank borrowings		3,123
Other borrowed funds	11,591	18,982
Common stock	72	128
Repayments/maturities		
Bank notes and senior debt	(954)	(1,615)
Federal Home Loan Bank borrowings	(770)	

		(1,155)
Subordinated debt		(100)
Other borrowed funds	(11,424)	(18,838)
Acquisition of treasury stock	(45)	(279)
Series F preferred stock tender offer		(96)
Cash dividends paid	(273)	(288)
Net cash used by financing activities	(4,793)	(2,039)
DECREASE IN CASH AND DUE FROM BANKS	(1,488)	(3)
Cash and due from banks at beginning of year	4,327	3,662
Cash and due from banks at end of period	$2,839	$3,659
CASH PAID FOR		
Interest	521	1,105
Income taxes	56	100
NON-CASH ITEMS		
Transfer of mortgage loans to securities		3,775
Transfer from loans to loans held for sale	166	251
Transfer from loans to other assets	9	5

</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 banking, 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.

NOTE 1 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, and entities formed with American International Group, Inc. ("AIG"). 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. Certain prior-period amounts have been reclassified to conform with the current period presentation. These reclassifications did not impact the Corporation's financial condition or results of operations.

Investments that are not consolidated and are less than 50% owned over which the Corporation has the ability to significantly influence operating and financial policies of the investee are accounted for using the equity method.

Equity management assets are included in other assets and are comprised of limited partnerships and direct investments. Investments in limited partnerships are valued based on the financial statements received from the general partner. Direct investments are carried at estimated fair value. Changes in the value of these assets are recognized in noninterest income.

Special Purpose Entities ("SPEs") are broadly defined as legal entities created

for a particular purpose. PNC utilizes SPEs in various legal forms to conduct normal business activities including the sale or transfer of assets to third parties. SPEs that meet the criteria for a Qualifying Special Purpose Entity ("QSPE") as defined in Statement of Financial Accounting Standards ("SFAS") No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities" are not required to be consolidated. SPEs that are not QSPEs are reviewed for consolidation based on each SPE's individual structure and operations. General factors to be considered in making this determination include whether the majority owner (or owners) of the SPE are independent of PNC, have made a substantive capital investment in the SPE, have control of the SPE, and possess the substantive risks and rewards of ownership of the SPE.

In June 2002, the Financial Accounting Standards Board ("FASB") issued an exposure draft of a Proposed Interpretation, "Consolidation of Certain Special-Purpose Entities" (an interpretation of Accounting Research Bulletin No. 51, Consolidated Financial Statements) ("Proposed Interpretation"), which addresses issues related to identifying and accounting for SPEs. The Proposed Interpretation would require the consolidation of an SPE in which a business enterprise has a controlling financial interest. In certain situations, changes to contractual relationships that have been customary industry practice may be required to ensure compliance with the non-consolidation provisions of the Proposed Interpretation. The deadline for comments is August 30, 2002. The final rules would be effective immediately for new transactions and January 1, 2003 for existing transactions. The effect of the Proposed Interpretation on the Corporation's financial condition or results of operations cannot be determined at this time.

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, notes to consolidated financial statements and statistical information 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 PNC's 2001 Annual Report on Form 10-K ("2001 Form 10-K").

DEPRECIATION AND AMORTIZATION

For financial reporting purposes, premises and equipment are depreciated principally using the straight-line method over their estimated useful lives. Accelerated methods are used for federal income tax purposes.

The estimated useful lives used for furniture and equipment range from one to 10 years, while buildings are depreciated over an estimated useful life of 39 years. Leasehold improvements are amortized over their estimated useful lives of 10 years, or the respective lease terms, whichever is shorter.

NOTE 2 DISCONTINUED OPERATIONS

In the first quarter of 2001, PNC closed the sale of its residential mortgage banking business. Certain closing date adjustments are currently in dispute between PNC and the buyer, Washington Mutual Bank, FA. The ultimate financial impact of the sale will not be determined until the disputed matters are finally resolved. See Note 10 Legal Proceedings for additional information.

The income of the residential mortgage banking business, which is presented on one line in the Consolidated Statement of Income, is as follows:

INCOME FROM DISCONTINUED OPERATIONS

Six months ended June 30 - in millions	2001
Income from operations, after tax	$15
Net loss on sale of business, after tax	(10)
Total income from discontinued operations	$5

There were no net assets of the residential mortgage banking business remaining at either June 30, 2002 or December 31, 2001.

NOTE 3 NBOC ACQUISITION

In January 2002, PNC Business Credit acquired a portion of National Bank of Canada's ("NBOC") U.S. asset-based lending business in a purchase business combination. With this acquisition, PNC Business Credit established six new

marketing offices. The transaction was designed to allow PNC to acquire the higher-quality portion of the portfolio, and provide NBOC a means for the orderly liquidation and exit of the remaining portfolio.

PNC acquired 245 lending customer relationships representing approximately $2.6 billion of credit exposure including $1.5 billion of loan outstandings with the balance representing unfunded loan commitments. PNC also acquired certain other assets and assumed liabilities resulting in a total acquisition cost of approximately $1.8 billion that was paid primarily in cash. Goodwill recorded was approximately $277 million, of which approximately $101 million is non-deductible for federal income tax purposes. The results of the acquired business have been included in results of operations for PNC Business Credit since the acquisition date.

NBOC retained a portfolio ("Serviced Portfolio") totaling approximately $662 million of credit exposure including $463 million of outstandings, which will be serviced by PNC for an 18-month term unless a different date is mutually agreed upon. In June 2002, NBOC and PNC reached final agreement as to the Serviced Portfolio's financial information. As such, certain financial data previously disclosed with regard to the NBOC Serviced Portfolio has been modified to reflect this agreement. The Serviced Portfolio retained by NBOC primarily represents the portion of NBOC's U.S. asset-based loan portfolio with the highest risk. The loans are either to borrowers with deteriorating trends or with identified weaknesses which if not corrected could jeopardize full satisfaction of the loans or in industries to which PNC Business Credit wants to limit its exposure. Approximately $138 million of the Serviced Portfolio outstandings were nonperforming on the acquisition date. At the end of the servicing term, NBOC has the right to transfer the then remaining Serviced Portfolio to PNC ("Put Option"). NBOC's and PNC's strategy is to aggressively liquidate the Serviced Portfolio during the servicing term. PNC intends to sell or otherwise liquidate any remaining loans in the event NBOC puts them to PNC at the end of the servicing term.

NBOC retains significant risks and rewards of owning the Serviced Portfolio, including realized credit losses, during the servicing term as described below. NBOC assigned $24 million of specific reserves to certain of the loans in the Serviced Portfolio. Additionally, NBOC absorbs realized credit losses on the Serviced Portfolio in addition to the specific reserves on individual identified loans. If during the servicing term the realized credit losses in the Serviced Portfolio exceed $50 million plus the specific reserves, then PNC Business Credit will advance cash to NBOC for these excess losses ("Excess Loss Payments"). PNC is to be reimbursed by NBOC for any Excess Loss Payments if the Put Option is not exercised. If the Put Option is exercised, the Put Option purchase price will be reduced by the amount of any Excess Loss Payments.

As part of the allocation of the purchase price for the business acquired, PNC Business Credit established a liability of $112 million to reflect its obligation under the Put Option. An independent third party valuation firm valued the Put Option by estimating the difference between the anticipated fair value of loans from the Serviced Portfolio expected to be outstanding at the put date and the anticipated Put Option purchase price. The Put Option liability will be revalued on a quarterly basis by the independent valuation firm with changes in the value included in earnings. At June 30, 2002 the Put Option liability was approximately $86 million. A $15 million reduction from the acquisition date amount has been recognized in earnings for the first six months of 2002 as other noninterest income. In addition, $11 million has been paid to NBOC as Excess Loss Payments.

If the Put Option is exercised, then PNC would record the loans acquired as loans held for sale at the purchase price less the balance of the Put Option liability at that date, which should approximate fair value. The Put Option purchase price will be NBOC's outstanding principal balance for the loans remaining in the Serviced Portfolio adjusted for the realized credit losses during the servicing term and Excess Loss Payments. As the realized credit losses exceeded $50 million plus the specific reserves used, the Excess Loss Payments made by PNC Business Credit to NBOC will be deducted from NBOC's outstanding principal balance in determining the Put Option purchase price.

At June 30, 2002, the independent valuation firm estimated that loans outstanding in the Serviced Portfolio at the put date would be $244 million and that estimated credit losses on liquidating the Serviced Portfolio would be $77 million. Using these and other assumptions, if the Put were exercised at the end of the servicing term, PNC would record the acquired loans at $146 million. Actual results may differ materially from these assumptions.

Prior to closing of the acquisition, PNC Business Credit transferred $49 million of nonperforming loans to NBOC in a transaction accounted for as a financing. Those loans are subject to the terms of the servicing agreement and are included in the Serviced Portfolio amounts set forth above. The loans were transferred to loans held for sale on PNC's balance sheet at a loss of $9.9 million, which was

recognized as a charge-off in the first quarter of 2002. The carrying amount of those loans held for sale was $11 million at June 30, 2002 and is included in PNC's nonperforming assets. Excluding these loans, the Serviced Portfolio in January 2002 was $608 million of credit exposure including $414 million of outstandings of which $88 million was nonperforming. At June 30, 2002, comparable amounts were $566 million, $272 million and $65 million respectively.

NOTE 4 RECENT ACCOUNTING PRONOUNCEMENTS
In July 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities," which replaces Emerging Issues Task Force Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)." SFAS No. 146 addresses the accounting and reporting for one-time employee termination benefits, certain contract termination costs, and other costs associated with exit or disposal activities such as facility closings or consolidations and employee relocations. The standard is effective for exit or disposal activities initiated after December 31, 2002. The Corporation plans to adopt SFAS No. 146 prospectively as of January 1, 2003 and it is not expected to have a material impact on PNC's consolidated 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. 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 standard was effective January 1, 2002 and is not expected to have a material impact on the Corporation's consolidated financial statements.

NOTE 5 GOODWILL AND OTHER INTANGIBLE ASSETS
Effective January 1, 2002, the Corporation implemented SFAS No. 142, "Goodwill and Other Intangible Assets," which changed the accounting for goodwill from the amortization of goodwill to an impairment-only approach. The amortization of goodwill, including goodwill recognized relating to past business combinations, ceased upon adoption of the new standard. Impairment testing for goodwill at a reporting unit level will be required on at least an annual basis.

In accordance with SFAS No. 142, the Corporation identified its reporting unit structure for goodwill impairment testing purposes as of January 1, 2002. Management performed the first step of the transitional goodwill impairment test on its reporting units during the first quarter of 2002. The results of this test indicated no impairment loss as the fair value of the reporting units exceeded the carrying amount of the net assets (including goodwill) in all cases. Fair value was determined by using a discounted cash flow methodology. As a result of adopting this statement, the Corporation reassessed the useful lives and the classification of identifiable intangible assets and determined that they continue to be appropriate.

GOODWILL
A summary of the changes in goodwill by line of business for the six months ended June 30, 2002, follows:

<TABLE>
<CAPTION>

In millions	January 1 2002	Goodwill Acquired	Adjustments	June 30 2002
Regional Community Banking	$438			$438
Corporate Banking	39			39
PNC Real Estate Finance	298		$4	302
PNC Business Credit	23	$277	(1)	299
PNC Advisors	151		1	152
BlackRock	175			175
PFPC	912		(3)	909
Total	$2,036	$277	$1	$2,314

</TABLE>

OTHER INTANGIBLE ASSETS
The gross carrying amount, accumulated amortization and net carrying amount of other intangible assets by major category consisted of the following:

<TABLE>
<CAPTION>

In millions	June 30 2002	December 31 2001

<S>	<C>	<C>
Customer-related intangibles		
Gross carrying amount	$198	$185
Accumulated amortization	(56)	(47)
Net carrying amount	$142	$138
Mortgage and other loan servicing rights		
Gross carrying amount	$299	$286
Accumulated amortization	(99)	(87)
Net carrying amount	$200	$199

</TABLE>

All of the Corporation's other intangible assets have finite lives and are amortized primarily on a straight-line basis or, in the case of mortgage and other loan servicing rights, over the estimated servicing period. For customer-related intangibles, the estimated remaining useful lives range from one to sixteen years, with a weighted-average remaining useful life of approximately eight years. The Corporation's mortgage and other loan servicing rights are amortized over a period of seven to ten years using the net present value of the cash flows received from servicing the related loans.

The changes in the carrying amount of goodwill and net other intangible assets for the six months ended June 30, 2002, are as follows:

CHANGES IN GOODWILL AND OTHER INTANGIBLES
<TABLE>
<CAPTION>

In millions	Goodwill	Customer-Related	Servicing Rights
<S>	<C>	<C>	<C>
Balance at December 31, 2001	$2,036	$138	$199
Additions/adjustments	278	13	13
Amortization		(9)	(12)
Balance at June 30, 2002	$2,314	$142	$200

</TABLE>

In conjunction with the first quarter 2002 NBOC acquisition, PNC Business Credit recorded a customer-based intangible of $12.4 million that will be amortized over seven years. Goodwill recorded in connection with the NBOC acquisition was approximately $277 million.

Amortization expense on intangible assets for the second quarter and first six months of 2002 was approximately $11 million and $22 million, respectively. Amortization expense on existing intangible assets for the remainder of 2002 and for 2003, 2004, 2005, 2006 and 2007 is estimated to be $24 million, $44 million, $40 million, $38 million, $36 million and $34 million, respectively.

The following table sets forth reported and pro forma income from continuing operations and basic and diluted earnings per share as if the nonamortization provisions of SFAS No. 142 had been applied in the previous period.

<TABLE>
<CAPTION>
PRO FORMA EFFECTS

Three months ended June 30 In millions, except per share data	2002	2001
<S>	<C>	<C>
Reported income from continuing operations	$320	$295
Goodwill amortization, net of taxes		23
Pro forma income from continuing operations	$320	$318
Basic earnings per share		
Reported, from continuing operations	$1.13	$1.01
Goodwill amortization, net of taxes		.08
Pro forma basic earnings per share	$1.13	$1.09
Diluted earnings per share		
Reported, from continuing operations	$1.12	$1.00
Goodwill amortization, net of taxes		.08
Pro forma diluted earnings per share	$1.12	$1.08

</TABLE>

<TABLE>
<CAPTION>

Six months ended June 30 In millions, except per share data	2002	2001
<S>	<C>	<C>
Reported income from continuing operations	$637	$560
Goodwill amortization, net of taxes		46
Pro forma income from continuing operations	$637	$606
Basic earnings per share		
Reported, from continuing operations	$2.25	$1.91
Goodwill amortization, net of taxes		.16
Pro forma basic earnings per share	$2.25	$2.07
Diluted earnings per share		
Reported, from continuing operations	$2.23	$1.89
Goodwill amortization, net of taxes		.16
Pro forma diluted earnings per share	$2.23	$2.05

</TABLE>

NOTE 6 CASH FLOWS

During the first six months of 2002, acquisition activity that affected cash flows consisted of $1.736 billion of acquired assets and $60 million of acquired liabilities, resulting in net cash disbursements of $1.676 billion. The 2002 activity consisted solely of the NBOC acquisition as described in Note 3. During the first six months of 2001, divestiture activity that affected cash flows consisted of $383 million of divested net assets and cash receipts of $503 million, both of which were related to the sale of PNC's residential mortgage banking business.

NOTE 7 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 six months of 2002 totaled $53 million compared with $81 million for the prior-year period and was included in noninterest income as follows:

DETAILS OF TRADING ACTIVITIES

Six months ended June 30 - in millions	2002	2001
Corporate services		$4
Other noninterest income		
Securities underwriting and trading	$30	28
Derivatives trading	10	37
Foreign exchange	13	12
Net trading income	$53	$81

NOTE 8 NONPERFORMING ASSETS

Nonperforming assets were as follows:

In millions	June 30 2002	December 31 2001
Nonperforming loans	$325	$211
Nonperforming loans held for sale (a)	162	169
Foreclosed assets	13	11
Total nonperforming assets (b)	$500	$391

(a) Includes a $6 million troubled debt restructured loan held for sale as of December 31, 2001.

(b) Excludes $29 million and $18 million of equity management assets carried at estimated fair value at June 30, 2002 and December 31, 2001, respectively.

NOTE 9 ALLOWANCES FOR CREDIT LOSSES AND UNFUNDED LOAN COMMITMENTS AND LETTERS OF CREDIT

Changes in the allowance for credit losses were as follows:

In millions	2002	2001
Allowance at January 1	$560	$598
Charge-offs		
Commercial	(105)	(119)
Commercial real estate	(2)	
Consumer	(20)	(20)
Residential mortgage	(2)	(1)
Lease financing	(10)	(8)
Total charge-offs	(139)	(148)
Recoveries		
Commercial	14	12
Consumer	8	9
Residential mortgage	1	
Lease financing	1	2
Total recoveries	24	23
Net charge-offs		
Commercial	(91)	(107)
Commercial real estate	(2)	
Consumer	(12)	(11)
Residential mortgage	(1)	(1)
Lease financing	(9)	(6)
Total net charge-offs	(115)	(125)
Provision for credit losses	171	125
Acquired allowance (NBOC acquisition)	41	
Net change in allowance for unfunded loan commitments and letters of credit	(3)	(3)
Allowance at June 30	$654	$595

Changes in the allowance for unfunded loan commitments and letters of credit were as follows:

In millions	2002	2001
Allowance at January 1	$70	$77
Net change in allowance for unfunded loan commitments and letters of credit	3	3
Allowance at June 30	$73	$80

NOTE 10 LEGAL PROCEEDINGS

Note 24 to the Consolidated Financial Statements included in the 2001 Form 10-K ("Note 24") describes putative federal securities law class action litigation against the Corporation, certain present or former officers and directors, and its independent auditors for 2001; a dispute over certain closing date purchase price adjustments related to the January 2001 sale of the Corporation's residential mortgage banking business; and regulatory inquiries relating to certain transactions with companies formed with AIG. There were no material developments with respect to any of these matters or in management's assessment of them from the information reported in Note 24 except as described in the following paragraph.

As described in the Corporation's Current Report on Form 8-K filed on July 18, 2002, the Securities and Exchange Commission ("SEC"), with the consent of the Corporation, instituted public administrative proceedings, made findings and entered a cease-and-desist order against the Corporation and the Corporation announced that it has entered into a written agreement with the Federal Reserve Bank of Cleveland and its principal bank subsidiary, PNC Bank, National Association, has entered into a written agreement with the Office of the Comptroller of the Currency. The Corporation believes that the regulatory inquiries described in Note 24 have been concluded as to the Corporation as a result of these actions. See the Corporation's Current Report on Form 8-K filed on July 18, 2002 (the text of which is included as Exhibit 99.4 to this Form 10-Q) for additional information regarding these matters.

The Corporation and persons to whom the Corporation may have indemnification obligations, in the normal course of business, are subject to various other pending and threatened legal proceedings in which claims for monetary damages and other relief are asserted.

The Corporation has received a letter from a shareholder demanding that the Corporation take legal action against parties allegedly responsible for the events giving rise to the SEC consent order filed on July 18, 2002 and that it consider legal action against directors of the Corporation who approved certain bonus payments. Management has referred this demand to the Board of Directors.

On July 29, 2002, the Corporation was contacted by a field agent from the Philadelphia regional office of the Pension and Welfare Benefits Administration of the United States Department of Labor. The field agent made an informal inquiry into the Corporation's restatement of earnings for 2001 as it relates to the Corporation's common stock held under the Corporation's Incentive Savings Plan. The Corporation intends to cooperate with the inquiry.

Management does not anticipate that the ultimate aggregate liability, if any, arising out of such other legal proceedings will have a material adverse effect on the Corporation's financial position. However, management is not in a position to determine whether any pending or threatened legal proceedings will have a material adverse effect on the Corporation's results of operations in any future reporting period.

<TABLE>
<CAPTION>

NOTE 11 SECURITIES

		Unrealized		
In millions	Amortized Cost	Gains	Losses	Fair Value
<S>	<C>	<C>	<C>	<C>
JUNE 30, 2002				
SECURITIES AVAILABLE FOR SALE				
Debt securities				
U.S. Treasury and government agencies	$630	$2		$632
Mortgage-backed	7,545	55	$(13)	7,587
Asset-backed	2,706	50		2,756
State and municipal	61	5		66
Other debt	59	1		60
Total debt securities	11,001	113	(13)	11,101
Corporate stocks and other	872	14	(14)	872
Total securities available for sale	$11,873	$127	$(27)	$11,973
SECURITIES HELD TO MATURITY				
Debt securities				
U.S. Treasury and government agencies	$268		$(6)	$262
Asset-backed	8			8
Other debt	64			64
Total debt securities	340		(6)	334
Total securities held to maturity	$340		$(6)	

$334

DECEMBER 31, 2001				
SECURITIES AVAILABLE FOR SALE				
Debt securities				
U.S. Treasury and government agencies	$808	$3	$(4)	$807
Mortgage-backed	9,669	37	(128)	9,578
Asset-backed	2,799	8	(31)	2,776
State and municipal	62	2		64
Other debt	75	1	(1)	75
Total debt securities	13,413	51	(164)	13,300
Corporate stocks and other	264		(19)	245
Total securities available for sale	$13,677	$51	$(183)	$13,545
SECURITIES HELD TO MATURITY				
Debt securities				
U.S. Treasury and government agencies	$260		$(3)	$257
Asset-backed	8			8
Other debt	95			95
Total debt securities	363		(3)	360
Total securities held to maturity	$363		$(3)	$360

</TABLE>

The fair value of total securities at June 30, 2002 was $12.3 billion compared with $13.9 billion at December 31, 2001. Securities represented 18% of total assets at June 30, 2002 compared with 20% at December 31, 2001. The decline in total securities compared with December 31, 2001 was primarily due to the sale of mortgage-backed securities during the first quarter of 2002.

The expected weighted-average life of securities available for sale was 3 years and 5 months at June 30, 2002 compared with 4 years at December 31, 2001.

The securities classified as held to maturity are carried at amortized cost and are owned by companies formed with AIG that are consolidated in PNC's financial statements. The expected weighted-average life of securities held to maturity was 20 years and 4 months at June 30, 2002 and 18 years and 11 months at December 31, 2001.

At June 30, 2002, the securities available for sale balance included a net unrealized gain of $100 million, which represented the difference between fair value and amortized cost. The comparable amount at December 31, 2001 was a net unrealized loss of $132 million. Net unrealized gains and losses in the securities available for sale portfolio are included in accumulated other comprehensive income or loss, net of tax or, for the portion attributable to changes in a hedged risk as part of a fair value hedge strategy, in net income.

Net securities gains were $20 million for the first six months of 2002 and $45 million for the first six months of 2001. Net securities gains in 2001 included $1 million of net securities losses related to commercial mortgage banking activities that were reported in corporate services revenue. There was no comparable amount for the first six months of 2002.

Information relating to securities sold is set forth in the following table:

SECURITIES SOLD

Six months ended June 30 In millions	Proceeds	Gross Gains	Gross Losses	Net Gains	Income Taxes
2002	$7,858	$31	$11	$20	$7
2001	8,823	52	7	45	16

NOTE 12 EARNINGS PER SHARE

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

<TABLE>
<CAPTION>

In millions, except share and per share data	Three months ended June 30 2002	Three months ended June 30 2001	Six months ended June 30 2002	Six months ended June 30 2001
<S>	<C>	<C>	<C>	<C>
CALCULATION OF BASIC EARNINGS PER COMMON SHARE				
Income from continuing operations	$320	$295	$637	$560
Less: Preferred dividends declared	1	5	1	10
Income from continuing operations applicable to basic earnings per common share	319	290	636	550
Income from discontinued operations applicable to basic earnings per common share				5
Cumulative effect of accounting change applicable to basic earnings per common share				(5)
Net income applicable to basic earnings per common share	$319	$290	$636	$550
Basic weighted-average common shares outstanding (in thousands)	283,116	288,269	282,944	288,734
Basic earnings per common share from continuing operations	$1.13	$1.01	$2.25	$1.91
Basic earnings per common share from discontinued operations				.02
Basic earnings per common share from cumulative effect of accounting change				(.02)
Basic earnings per common share	$1.13	$1.01	$2.25	$1.91
CALCULATION OF DILUTED EARNINGS PER COMMON SHARE				
Income from continuing operations	$320	$295	$637	$560
Less: Dividends declared on nonconvertible Series F preferred stock and other	1	5	1	9
Income from continuing operations applicable to diluted earnings per common share	319	290	636	551
Income from discontinued operations applicable to diluted earnings per common share				5
Cumulative effect of accounting change applicable to diluted earnings per common share				(5)
Net income applicable to diluted earnings per common share	$319	$290	$636	$551
Basic weighted-average common shares outstanding (in thousands)	283,116	288,269	282,944	288,734
Weighted-average common shares to be issued using average market price and assuming:				
Conversion of preferred stock Series A and B	99	107		

			100	109
Conversion of preferred stock Series C and D	802	884	812	892
Conversion of debentures	16	17	16	17
Exercise of stock options	858	1,830	973	2,044
Incentive share awards	423	309	423	305
Diluted weighted-average common shares outstanding (in thousands)	285,314	291,416	285,268	292,101
Diluted earnings per common share from continuing operations	$1.12	$1.00	$2.23	$1.89
Diluted earnings per common share from discontinued operations			.02	
Diluted earnings per common share from cumulative effect of accounting change			(.02)	
Diluted earnings per common share	$1.12	$1.00	$2.23	$1.89

</TABLE>

NOTE 13 SHAREHOLDERS' EQUITY AND COMPREHENSIVE INCOME

The following table sets forth the activity in shareholders' equity for the first six months of 2002.

<TABLE>
<CAPTION>

In millions, except share and per share data	Preferred Stock	Common Stock	Capital Surplus	Retained Earnings	Deferred Benefit Expense	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Balance at December 31, 2001	$1	$1,764	$1,077	$6,549	$(16)	$5	$(3,557)	$5,823
Net income				637				637
Other comprehensive income, net of tax (a)								
Net unrealized securities gains						151		151
Net unrealized gains on cash flow hedge derivatives						9		9
Other						5		5
Comprehensive income								802
Cash dividends declared								
Common ($.48 per share)				(272)				(272)
Preferred				(1)				(1)
Treasury stock activity (655,000 net shares issued)	(1)		16				11	26
Tax benefit of stock option and other employee benefit plans			9					9
Deferred benefit expense					3			3
Balance at June 30, 2002		$1,764	$1,102	$6,913	$(13)	$170	$(3,546)	$6,390

</TABLE>

(a) A summary of the components of other comprehensive income follows:

Six months ended June 30, 2002 In millions	Pretax amount	Tax Benefit (Expense)	After-tax Amount
Unrealized securities gains	$203	$(71)	$132
Less: Reclassification adjustment for gains realized in net income	(29)	10	(19)
Net unrealized securities gains	232	(81)	151
Unrealized gains on cash flow hedge derivatives	55	(19)	36
Less: Reclassification adjustment for gains realized in net income	41	(14)	27
Net unrealized gains on cash flow hedge derivatives	14	(5)	9
Other (b)	8	(3)	5
Other comprehensive income	$254	$(89)	$165

(b) Consists of interest-only strip valuation adjustments and foreign currency translation adjustments.

COMPREHENSIVE INCOME
Comprehensive income from continuing operations was $520 million for the second quarter of 2002 compared with $228 million for the second quarter of 2001. Comprehensive income for the first half of 2002 was $802 million compared with $543 million for the first six months of 2001. The increases in comprehensive income in both 2002 periods are primarily due to net unrealized securities gains in 2002 and higher income from continuing operations compared with the respective prior year periods.

NOTE 14 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. Assets, revenue and earnings attributable to foreign activities were not material in the periods presented.

Results of individual businesses 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, the financial results of individual businesses are not necessarily comparable with similar information for any other company. Financial results are presented, to the extent practicable, as if each business operated on a stand-alone basis. Also, certain amounts for 2001 have been reclassified to conform with the 2002 presentation.

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 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. The costs incurred by

support areas not directly aligned with the businesses are allocated primarily based on the utilization of services.

Total business results differ from consolidated results from continuing operations primarily due to differences between management accounting practices and generally accepted accounting principles, equity management activities, minority interest in income of consolidated entities, residual asset and liability management activities, eliminations and other corporate items, the impact of which is reflected in the "Other" category.

The impact of the institutional lending repositioning and other strategic actions that occurred during 2001 is reflected in the business results.

BUSINESS SEGMENT PRODUCTS AND SERVICES

Regional Community Banking provides deposit, branch-based brokerage under the PNC Investments brand name, 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 primarily to mid-sized corporations and government entities within PNC's geographic region.

PNC Real Estate Finance specializes in financial solutions for the acquisition, development, permanent financing and operation of commercial real estate nationally. PNC Real Estate Finance offers treasury and investment management, access to the capital markets, commercial mortgage loan servicing and other products and services to clients that develop, own, manage or invest 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 national syndication of affordable housing equity through Columbia Housing Partners, LP.

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 approximately $250 billion of assets under management at June 30, 2002. BlackRock manages assets on behalf of institutions and individuals worldwide through a variety of fixed income, liquidity and equity mutual funds, separate accounts and alternative investment products. Mutual funds include the flagship fund families - BlackRock Funds and BlackRock Provident Institutional Funds. In addition, BlackRock provides risk management and investment system services to 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 processing solutions to the international marketplace through its Ireland and Luxembourg operations.

<TABLE>
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RESULTS OF BUSINESSES

Three months ended June 30 In millions	Regional Community Banking	Corporate Banking	PNC Real Estate Finance	PNC Business Credit	PNC Advisors	BlackRock	PFPC	Other	Total

Consolidated

								Other	Consolidated
2002 INCOME STATEMENT									
Net interest income	$356	$87	$29	$33	$26	$4	$(18)	$38	$555
Noninterest income	186	129	35	12	145	157	201	(10)	855
Total revenue	542	216	64	45	171	161	183	28	1,410
Provision for credit losses	11	49		29	1			(1)	89
Depreciation and amortization	9	3	2		3	5	3	16	41
Other noninterest expense	254	83	36	13	119	97	145	36	783
Earnings before minority interest and income taxes	268	81	26	3	48	59	35	(23)	497
Minority interest in income of consolidated entities								12	12
Income taxes	92	27		1	17	24	14	(10)	165
Earnings	$176	$54	$26	$2	$31	$35	$21	$(25)	$320
Inter-segment revenue	$2	$2			$10	$4	$2	$(20)	
AVERAGE ASSETS	$39,089	$14,292	$4,989	$3,978	$3,016	$734	$1,932	$(1,570)	$66,460
2001 INCOME STATEMENT									
Net interest income	$363	$129	$28	$27	$36	$2	$(16)	$(4)	$565
Noninterest income	194	63	24	6	154	135	197	(40)	733
Total revenue	557	192	52	33	190	137	181	(44)	1,298
Provision for credit losses	10	31	(2)	3	1			2	45
Depreciation and amortization	17	3	6		4	6	12	19	67
Other noninterest expense	255	93	34	8	124	86	143	(16)	727
Earnings before minority interest and income taxes	275	65	14	22	61	45	26	(49)	459
Minority interest in income of consolidated entities								8	8
Income taxes	98	21	(3)	8	22	19	11	(20)	156
Earnings	$177	$44	$17	$14	$39	$26	$15	$(37)	$295
Inter-segment revenue	$1	$1			$16	$5	$3	$(26)	
AVERAGE ASSETS	$40,028	$16,964	$5,220	$2,482	$3,336	$571	$1,749	$442	$70,792

Six months ended
June 30 - In millions

2002 INCOME STATEMENT									
Net interest income	$738	$181	$59	$66	$52	$6	$(36)	$79	$1,145
Noninterest income	353	228	56	24	302	303	396	(33)	1,629
Total revenue	1,091	409	115	90	354	309	360	46	2,774
Provision for credit losses	23	95	(5)	57	1				171
Depreciation and amortization	18	5	3		5	10	4	35	80
Other noninterest expense	511	178	71	27	247	188	292	21	1,535
Earnings before minority interest and income taxes	539	131	46	6	101	111	64	(10)	988
Minority interest in income of consolidated entities								22	22
Income taxes	186	44	(2)	2	37	45	26	(9)	329
Earnings	$353	$87	$48	$4	$64	$66	$38	$(23)	$637
Inter-segment revenue	$7	$4			$23	$8	$4	$(46)	
AVERAGE ASSETS	$38,920	$14,752	$5,081	$3,898	$3,029	$734	$1,890	$ (964)	$67,340
2001 INCOME STATEMENT									
Net interest income	$715	$271	$56	$51	$68	$4	$(31)	$(15)	$1,119
Noninterest income	382	110	48	20	321	269	390	(92)	1,448
Total revenue	1,097	381	104	71	389	273	359	(107)	2,567
Provision for credit losses	20	88	7	8	1			1	125
Depreciation and amortization	35	6	11	1	8	12	22	36	131
Other noninterest expense	519	195	66	15	248	172	284	(55)	1,444
Earnings before minority interest and income taxes	523	92	20	47	132	89	53	(89)	867
Minority interest in income of consolidated entities								16	16
Income taxes	186	28	(11)	17	49	37	21	(36)	291
Earnings	$337	$64	$31	$30	$83	$52	$32	$(69)	$560
Inter-segment revenue	$2	$2			$35	$8	$3	$(50)	
AVERAGE ASSETS	$40,321	$17,323	$5,336	$2,430	$3,420	$571	$1,742	$181	$71,324

</TABLE>

STATISTICAL INFORMATION
The PNC Financial Services Group, Inc.

CONSOLIDATED AVERAGE BALANCE SHEET AND NET INTEREST ANALYSIS
<TABLE>
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Six months ended June 30	2002			2001		
Taxable-equivalent basis Dollars in millions	Average Balances	Interest Income/ Expense	Average Yields/ Rates	Average Balances	Interest Income/ Expense	Average Yields/ Rates
ASSETS						
Interest-earning assets						
Loans held for sale	$3,753	$ 93	4.95%	$1,864	$68	7.19%
Securities						
Securities available for sale						
U.S. Treasury and government agencies and corporations	3,237	86	5.28	3,813	111	5.82
Other debt	8,324	226	5.43	5,966	185	6.22
State, municipal and other	93	7	14.68	114	4	6.39
Total securities available for sale	11,654	319	5.46	9,893	300	6.07
Securities held to maturity	364	8	4.66			
Total securities	12,018	327	5.44	9,893	300	6.07
Loans, net of unearned income						
Commercial	16,287	483	5.90	20,575	797	7.70
Commercial real estate	2,461	66	5.31	2,576	103	7.92
Consumer	9,395	314	6.74	9,090	382	8.49
Residential mortgage	5,365	183	6.83	10,554	384	7.27
Lease financing	4,285	138	6.45	4,024	145	7.19
Other	398	8	4.21	490	18	7.36
Total loans, net of unearned income	38,191	1,192	6.24	47,309	1,829	7.72
Other	2,666	56	4.23	1,592	63	8.03
Total interest-earning assets/interest income	56,628	1,668	5.89	60,658	2,260	7.44
Noninterest-earning assets						
Investment in discontinued operations				103		
Allowance for credit losses	(596)			(606)		
Cash and due from banks	2,791			2,942		
Other assets	8,517			8,330		
Total assets	$67,340			$71,427		
LIABILITIES, MINORITY INTEREST, CAPITAL SECURITIES AND SHAREHOLDERS' EQUITY						
Interest-bearing liabilities						
Interest-bearing deposits						
Demand and money market	$21,976	123	1.13	$20,707	296	2.88
Savings	2,031	5	.49	1,928	11	1.12

	Average Balances	Interest Income/Expense	Average Yields/Rates	Average Balances	Interest Income/Expense	Average Yields/Rates
Retail certificates of deposit	10,562	198	3.77	13,190	374	5.73
Other time	888	17	3.89	551	18	6.58
Deposits in foreign offices	553	5	1.65	1,248	32	5.05
Total interest-bearing deposits	36,010	348	1.95	37,624	731	3.92
Borrowed funds						
Federal funds purchased	1,066	9	1.59	2,775	72	5.14
Repurchase agreements	947	7	1.42	1,116	23	4.04
Bank notes and senior debt	5,558	76	2.71	5,540	158	5.68
Federal Home Loan Bank borrowings	1,793	4	.50	2,001	52	5.20
Subordinated debt	2,209	50	4.59	2,386	78	6.55
Other borrowed funds	437	23	10.58	383	18	9.51
Total borrowed funds	12,010	169	2.81	14,201	401	5.63
Total interest-bearing liabilities/ interest expense	48,020	517	2.16	51,825	1,132	4.38
Noninterest-bearing liabilities, minority interest, capital securities and shareholders' equity						
Demand and other noninterest-bearing deposits	8,347			8,210		
Accrued expenses and other liabilities	3,937			3,762		
Minority interest	184			118		
Mandatorily redeemable capital securities of subsidiary trusts	848			848		
Shareholders' equity	6,004			6,664		
Total liabilities, minority interest, capital securities and shareholders' equity	$67,340			$71,427		
Interest rate spread			3.73			3.06
Impact of noninterest-bearing sources			.33			.64
Net interest income/margin		$1,151	4.06%		$1,128	3.70%

</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. Basis adjustments related to hedged items are included in noninterest-earning assets and noninterest-bearing liabilities. Average balances of securities are based on amortized historical cost (excluding SFAS No. 115 adjustments to fair value which are included in other assets).

Loan fees for the six months ended June 30, 2002 and June 30, 2001 were $58 million and $59 million, respectively. Loan fees for the three months ended June 30, 2002, March 31, 2002 and June 30, 2001 were $29 million, $29 million and $30 million, respectively.

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Second Quarter 2002			First Quarter 2002			Second Quarter 2001	
Average Balances	Interest Income/Expense	Average Yields/Rates	Average Balances	Interest Income/Expense	Average Yields/Rates	Average Balances	Interest Income/Expense

Yields/Rates

<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
$3,235	$41	5.07%	$4,276	$52	4.85%	$1,723	$31	7.05%
2,972	39	5.21	3,506	47	5.33	3,696	54	5.79
7,607	101	5.33	9,048	125	5.50	7,910	122	6.18
92	4	15.13	94	3	14.24	101	2	7.33
10,671	144	5.38	12,648	175	5.52	11,707	178	6.07
364	5	5.70	363	3	3.61			
11,035	149	5.39	13,011	178	5.47	11,707	178	6.07
16,311	243	5.90	16,264	240	5.90	20,271	375	7.31
2,470	33	5.26	2,452	33	5.36	2,572	48	7.40
9,509	158	6.67	9,278	156	6.82	9,096	188	8.29
4,979	85	6.79	5,756	98	6.85	8,459	152	7.18
4,244	68	6.39	4,327	70	6.52	4,149	74	7.08
402	4	4.26	394	4	4.16	459	7	6.66
37,915	591	6.20	38,471	601	6.28	45,006	844	7.46
3,457	26	3.07	1,867	30	6.38	1,562	30	7.94
55,642	807	5.78	57,625	861	5.99	59,998	1,083	7.19
(625)			(567)			(607)		
2,705			2,877			2,907		
8,738			8,294			8,494		
$66,460			$68,229			$70,792		
$22,147	63	1.16	$21,802	60	1.11	$20,944	134	2.57
2,067	3	.50	1,994	2	.48	1,936	5	.94
10,518	97	3.68	10,608	101	3.86	12,662	175	5.54
948	8	3.45	827	9	4.40	537	8	6.48
243	1	1.66	867	4	1.65	1,096	12	4.17
35,923	172	1.92	36,098	176	1.97	37,175	334	3.60
35		1.81	2,109	9	1.58	2,596	28	4.30
979	4	1.45	915	3	1.38	958	9	3.64
5,441	38	2.76	5,675	38	2.68	5,189	67	5.08
1,714	2	.52	1,873	2	.48	2,550	31	4.78
2,210	25	4.58	2,209	25	4.60	2,364	36	

								6.15
483	8	6.66	391	15	15.48	373	9	9.80
10,862	77	2.83	13,172	92	2.80	14,030	180	5.09
46,785	249	2.13	49,270	268	2.19	51,205	514	4.01
8,406			8,288			8,228		
4,125			3,745			3,732		
192			177			122		
848			848			848		
6,104			5,901			6,657		
$66,460			$68,229			$70,792		
		3.65			3.80			3.18
		.34			.32			.59
	$558	3.99%		$593	4.12%		$569	3.77%

</TABLE>

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

Securities and Exchange Commission
Washington, D.C. 20549

Quarterly Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended June 30, 2002.

Commission File Number 1-9718

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

As of July 31, 2002 The PNC Financial Services Group, Inc. had 284,229,319 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 six months ended June 30, 2002 and 2001	29
	Consolidated Balance Sheet as of June 30, 2002 and December 31, 2001	30
	Consolidated Statement of Cash Flows for the six months ended June 30, 2002 and	

	2001	31
	Notes to Consolidated Financial Statements	32 - 42
	Consolidated Average Balance Sheet and Net Interest Analysis	43 - 44
Item 2	Management's Discussion and Analysis of Financial Condition and Results of Operations	3 - 28
Item 3	Quantitative and Qualitative Disclosures About Market Risk	22 - 28

PART II OTHER FINANCIAL INFORMATION

ITEM 1. LEGAL PROCEEDINGS

As previously reported in the Corporation's Current Report on Form 8-K filed on July 18, 2002, the SEC, with the consent of the Corporation, instituted public administrative proceedings, made findings and entered a cease-and-desist order against the Corporation and the Corporation announced that it has entered into a written agreement with the Federal Reserve Bank of Cleveland and that its principal bank subsidiary, PNC Bank, National Association, has entered into a written agreement with the Office of the Comptroller of the Currency. The Corporation believes that the regulatory inquiries described in the final paragraph of Item 3 of the 2001 Form 10-K have been concluded as to the Corporation as a result of these actions. See the Corporation's Current Report on Form 8-K filed on July 18, 2002 (the text of which is included as Exhibit 99.4 to this Form 10-Q) for additional information regarding these matters.

The Corporation has received a letter from a shareholder demanding that the Corporation take legal action against parties allegedly responsible for the events giving rise to the SEC consent order filed on July 18, 2002 and that it consider legal action against directors of the Corporation who approved certain bonus payments. Management has referred this demand to the Board of Directors.

On July 29, 2002, the Corporation was contacted by a field agent from the Philadelphia regional office of the Pension and Welfare Benefits Administration of the United States Department of Labor. The field agent made an informal inquiry into the Corporation's restatement of earnings for 2001 as it relates to the Corporation's common stock held under the Corporation's Incentive Savings Plan. The Corporation intends to cooperate with the inquiry.

Management does not anticipate that the ultimate aggregate liability, if any, arising out of such other legal proceedings will have a material adverse effect on the Corporation's financial position. However, management is not in a position to determine whether any pending or threatened legal proceedings will have a material adverse effect on the Corporation's results of operations in any future reporting period.

ITEM 5. OTHER INFORMATION

Mr. William R. Johnson, a director of the Corporation and its principal banking subsidiary, PNC Bank, National Association, has resigned from both Boards of Directors effective August 12, 2002, citing personal reasons.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

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

10.1	The PNC Financial Services Group, Inc. Supplemental Executive Retirement Plan, as amended (a)
10.3	The PNC Financial Services Group, Inc. Key Executive Equity Program, as amended (a)
12.1	Computation of Ratio of Earnings to Fixed Charges
12.2	Computation of Ratio of Earnings to Fixed Charges and Preferred Stock Dividends
99.1	Agreement between The PNC Financial Services Group, Inc. and Federal Reserve Bank of Cleveland (b)
99.2	Form of Agreement between PNC Bank, National Association and Office of the Comptroller of the Currency (b)
99.3	Form of Order of the Securities and Exchange Commission Instituting Public Administrative Proceedings Pursuant to Section 8A of the Securities Act of 1933 and 21C of the Securities Exchange Act of 1934, Making Findings and Imposing Cease-and-Desist Order (b)
99.4	Excerpt of text of Item 5 of the Corporation's Current Report on Form 8-K dated July 18, 2002

(a) Denotes management compensatory plan.
(b) Incorporated herein by reference to Exhibits 99.1, 99.2 and 99.3, respectively, of the Corporation's Current Report on Form 8-K dated July 18, 2002.

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 Thomas F. Garbe, Director of Financial Accounting, at corporate headquarters, by calling (412) 762-1553 or via e-mail at financial.reporting@pnc.com.

The Corporation did not file any reports on Form 8-K during the quarter ended June 30, 2002.

On July 18, 2002, the Corporation filed a Current Report on Form 8-K in connection with the Corporation's announcement on that date that it had entered into a written agreement with the Federal Reserve Bank of Cleveland and that its principal subsidiary, PNC Bank, National Association, had entered into a written agreement with the Office of the Comptroller of the Currency. These agreements (together, the "Regulatory Agreements") address such issues as risk, management and financial controls.

The Form 8-K dated July 18, 2002 also disclosed that the SEC, with the Corporation's consent, entered an Order Instituting Public Administrative Proceedings Pursuant to Section 8A of the Securities Act of 1933 and 21C of the Securities Exchange Act of 1934, Making Findings and Imposing Cease-and-Desist Order ("Commission Order"). In consenting to the entry of the Commission Order and the SEC's jurisdiction, the Corporation did not admit or deny the SEC's findings.

The Regulatory Agreements and the Commission Order were filed as Exhibits with the July 18, 2002 Form 8-K filing.

On August 7, 2002, the Corporation filed a Current Report on Form 8-K to disclose the resignation of one of the members of the Corporation's Board of Directors and an executive promotion.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on August 14, 2002, on its behalf by the undersigned thereunto duly authorized.

THE PNC FINANCIAL SERVICES GROUP, INC.
BY: /S/ ROBERT L. HAUNSCHILD
- ------------------------------
Robert L. Haunschild
Chief Financial Officer

CORPORATE INFORMATION
THE PNC FINANCIAL SERVICES GROUP, INC.

CORPORATE HEADQUARTERS

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

STOCK LISTING

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

INTERNET INFORMATION

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

FINANCIAL INFORMATION

The Annual Report on Form 10-K is filed with the Securities and Exchange Commission ("SEC"). Copies of this document and other filings, including exhibits thereto, may be obtained electronically at the SEC's home page at www.sec.gov. Copies may also be obtained without charge by writing to Thomas F. Garbe, Director of Financial Accounting, 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, Senior Vice President, Corporate Communications, at (412) 762-4550 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
2002 QUARTER				
First	$62.800	$52.500	$61.490	$.48
Second	60.400	49.120	51.770	.48
Total				$.96
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
Fourth	60.110	52.300	56.200	.48
Total				$1.92

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 10.1

THE PNC FINANCIAL SERVICES GROUP, INC.
SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN

AMENDED AND RESTATED
(GENERALLY EFFECTIVE AS OF JANUARY 1, 2002)

WHEREAS, The PNC Financial Services Group, Inc. (the "Corporation") previously adopted and presently maintains The PNC Financial Services Group, Inc. Supplemental Executive Retirement Plan (the "Plan") originally effective as of September 1, 1985 and amended and restated in its entirety effective January 1, 1999; and

WHEREAS, the Corporation desires to amend and restate the Plan in its entirety, to be generally effective January 1, 2002, in order to reflect changes made to the benefit formula to cease or reduce future benefit accruals for certain Participants and other changes deemed necessary or appropriate; and

WHEREAS, Section 15 of the Plan authorizes the Corporation to amend the Plan at any time.

NOW, THEREFORE, in consideration of the foregoing, the Plan is hereby amended and restated in its entirety to provide as follows:

SECTION 1

DEFINITIONS

1.1 "Account" means the bookkeeping record described in Section 4 used solely to communicate a Participant's Accrued Benefit expressed as a single dollar amount.

1.2 "Accrued Benefit" means the Participant's Account balance converted to a single-life annuity in the same manner as under the Pension Plan.

1.3 "Annual Base Salary" means the annual pay rate as of the last payday in each January preceding the Participant's Vested Termination of Employment.

Notwithstanding the foregoing, after a Change in Control, in no event shall a Participant's Annual Base Salary be less than his annual pay rate as of the last payday of the January preceding the date of the Change in Control.

1.4 "Applicable Interest Rate" has the meaning assigned such term in the Pension Plan.

1.5 "Average Bonus" means the average of the five highest bonuses whether or not deferred of the ten final consecutive years of a Participant's employment awarded to a Participant under the Executive Bonus Plan for services performed by the Participant during the prior year.

1.6 "Average Final Compensation" means the Participant's average Compensation (defined in Section 1.14(a) of the Plan) for the five highest of the ten final consecutive years of a Participant's employment, including the year of the Participant's death or Vested Termination of Employment.

1.7 "Beneficiary" or "Beneficiaries" means the individual or individuals designated by the Participant to receive the balance of the Participant's account upon the Participant's death, in accordance with Section 8 of the Plan.

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

1.9 "Cause" means:

(a) the willful and continued failure of a Participant to substantially perform the Participant's duties with the Employer (other than any such failure resulting from incapacity due to physical or mental illness), after a written demand for substantial performance is delivered to the Participant by the Board or the Board of Directors of the Employer, the Chief Executive Officer of the Corporation or

the Employer, or the Participant's superior, which specifically identifies the manner in which the Board or the Board of Directors of the Employer, Chief Executive Officer of the Corporation or the Employer, or superior believes that the Participant has not substantially performed the Participant's duties; or

(b) the willful engaging by the Participant in illegal conduct or gross misconduct that is materially and demonstrably injurious to the Employer.

For purposes of the preceding clauses (a) and (b), no act or failure to act, on the part of a Participant, shall be considered "willful" unless it is done, or omitted to be done, by the Participant in bad faith and without reasonable belief that the Participant's action or omission was in the best interests of the Employer. Any act, or failure to act, based upon the instructions or prior approval of the Board or the Board of Directors of the Employer, Chief Executive Officer of the Corporation or the Employer or the Participant's superior, or based upon the advice of counsel for the Corporation or the Employer, shall be conclusively presumed to be done, or omitted to be done, by the Participant in good faith and in the best interests of the Corporation or the Employer. The cessation of employment of the Participant shall not be deemed to be for Cause unless and until there shall have been delivered to the Participant a copy of a resolution duly adopted by the affirmative vote of not less than a majority of the entire membership of the Board or the Committee at a Board or Committee meeting called and held for the purpose of considering such termination finding that, in the good faith opinion of the Board or Committee, the Participant is guilty of the conduct described in clause (a) or (b) above,

and specifying the particulars thereof in detail. Such resolution shall be adopted only after reasonable notice of such meeting is provided to the Participant and the Participant is given an opportunity, together with counsel, to be heard before the Board or the Committee.

1.10 "Change in Control" means a change of control of the Corporation of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A (or in response to any similar item on any similar schedule or form) promulgated under the Securities Exchange Act of 1934 (the "Exchange Act"), whether or not the Corporation is then subject to such reporting requirement; provided, however, that without limitation, a Change in Control shall be deemed to have occurred if:

(a) any person, excluding employee benefit plans of the Corporation, is or becomes the "beneficial owner" (as defined in Rules 13d-3 and 13d-5 under the Exchange Act), directly or indirectly, of securities of the Corporation representing 20% or more of the combined voting power of the Corporation's then outstanding securities, provided, however, that such an acquisition of beneficial ownership representing between 20% and 40%, inclusive, of such voting power shall not be considered a Change in Control if the Board approves such acquisition either prior to or immediately after its occurrence;

(b) the Corporation consummates a merger, consolidation, share exchange, division or other reorganization or transaction of the Corporation (a "Fundamental Transaction") with any other corporation, other than a Fundamental Transaction that results in the voting securities of the Corporation outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) at least 60% of the combined voting power immediately after such Fundamental Transaction of (i) the Corporation's outstanding securities, (ii) the surviving entity's outstanding securities or (iii) in the case of a division, the outstanding securities of each entity resulting from the division;

(c) the shareholders of the Corporation approve a plan of complete liquidation or winding-up of the Corporation or an agreement for the sale or disposition (in one transaction or a series of transactions) of all or substantially all of the Corporation's assets;

(d) as a result of a proxy contest, individuals who prior to the conclusion thereof constituted the Board (including for this purpose any new director whose election or nomination for election by the Corporation's shareholders in connection with

such proxy contest was approved by a vote of at least two-thirds of the directors then still in office who were directors prior to such proxy contest) cease to constitute at least a majority of the Board (excluding any Board seat that is vacant or otherwise unoccupied);

(e) during any period of 24 consecutive months, individuals who at the beginning of such period constituted the Board (including for this purpose any new director whose election or nomination for election by the Corporation's shareholders was approved by a vote of at least two-thirds of the directors then still in office who were directors at the beginning of such period) cease for any reason to constitute at least a majority of the Board (excluding any Board seat that is vacant or otherwise unoccupied); or

(f) the Board determines that a Change in Control has occurred.

"Person" has the meaning given in section 3(a)(9) of the Exchange Act and also includes any syndicate or group deemed to be a "person" under section 13(d)(3) of the Exchange Act.

Notwithstanding anything to the contrary herein, a divestiture or spin-off of a Subsidiary or division of the Corporation shall not by itself constitute a "Change in Control."

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

1.12 "Committee" means the Personnel and Compensation Committee of the Board.

1.13 "Compensation" means:

(a) For purposes of Section 3 of the Plan, the Annual Base Salary established by the Employer for services rendered by a Participant for a particular year, plus the amount of cash, if any, whether deferred or not, awarded to a Participant under any Executive Bonus Plan paid during that same year; provided, however, that, subject to exceptions approved by the Committee, the amount of cash awarded to a Participant under any Executive Bonus Plan shall be the lower of the amount awarded under such Executive Bonus Plan or the amount that such Participant would have been awarded under such Executive Bonus Plan had the Participant's annual bonus been awarded pursuant to the same grade or level that is used in calculating the Participant's recommended stock option grant under The PNC Financial Services Group, Inc. 1997 Long-Term Incentive Award Plan.

(b) For purposes of Section 4 of the Plan, the amount of cash, whether deferred or not, awarded to a Participant under any Executive Bonus Plan paid during a particular year; provided, however, that for a Participant who is not a member of the Corporate Executive Group, Compensation under the Plan may not exceed $250,000 per year.

(c) Participants who have incurred a Total Disability shall be treated as though they have continued in employment throughout the continuance of such Total Disability with Compensation equal to (i) for purposes of Section 3 of the Plan, the annual pay rate in effect at the onset of such Total Disability plus the bonus award described in Section 1.13(a) that was earned in the year prior to the Total

Disability, or (ii) for purposes of Section 4 of the Plan, Compensation as defined in Section 1.13(b) for the last full calendar year of Compensation, Compensation used for all of the Participant's previous Earnings Credits annualized to be reflective of one full year.

1.14 "Corporate Executive Group" means the group designated as such by the Corporation.

1.15 "Corporation" means The PNC Financial Services Group, Inc. and any successors thereto.

1.16 "Credited Service" has the meaning assigned such term in the Pension Plan from time to time that results in the largest period of credited

service for the applicable participant.

1.17 "Deferral Election" means a Participant's irrevocable election to defer the commencement of the payments of his or her benefits under the Plan by timely delivery to the Plan Manager of a Deferral Election Form.

1.18 "Deferral Election Form" means the document, in a form approved by the Plan Manager, whereby the Participant elects to defer the commencement of the payment of his or her benefits under the Plan.

1.19 "Deferred Benefits" means the participant's benefits under the Plan the payment of which have been deferred pursuant to a Deferral Election.

1.20 "Earnings Credits" means the credits allocated pursuant to Section 4.2 of the Plan to the Account of a Participant who is not a Grandfathered Participant.

1.21 "Employer" means the Corporation and any Subsidiary that has been designated by the Plan Manager as an Employer hereunder.

1.22 "ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

1.23 "Executive Bonus Plan" means the plans designated by the Committee as participating hereunder.

1.24 "Good Reason" means:

(a) the assignment to a Participant of any duties inconsistent in any respect with the Participant's position (including status, offices, titles and reporting requirements), authority, duties or responsibilities immediately prior to the Change in Control, or any other action by the Employer which results in a diminution in any respect in such position, authority, duties or responsibilities, excluding for this purpose an isolated, insubstantial and inadvertent action not taken in bad faith that is remedied by the Employer promptly after receipt of notice thereof given by the Participant;

(b) a reduction by the Employer in the Participant's Annual Base Salary in effect on the day prior to the date of a Change in Control;

(c) the Employer's requiring the Participant to be based at any office or location that is more than 50 miles from the Participant's office or location immediately prior to the Change in Control;

(d) the failure by the Employer (i) to continue in effect any bonus, stock option or other cash or equity-based incentive plan in which the Participant participates immediately prior to the Change in Control that is material to the Participant's total compensation, unless a substantially equivalent arrangement (embodied in an ongoing substitute or alternative plan) has been made with respect to such plan, or (ii) to continue the Participant's participation in such plan (or in such substitute or alternative plan) on a basis at least as favorable, both in terms of the amount of benefits provided and the level of the Participant's participation relative to other participants, as existed immediately prior to the Change in Control; or

(e) the failure by the Employer to continue to provide the Participant with benefits substantially similar to those received by the Participant under any of the Employer's pension (including, but not limited to, tax-qualified plans), life insurance, health, accident, disability or other welfare plans in which the Participant was participating, at costs substantially similar to those paid by the Participant, immediately prior to the Change in Control.

1.25 "Grandfathered Participant" means a Participant who on December 31, 1998 (i) was employed by the Employer, (ii) participated in the Plan and (iii) had completed at least five years of Credited Service and attained age 50.

1.26 "Initial SEG 06 Participant" means a Participant who as of December 31, 1998 was a member of the Senior Executive Group level 06 or higher and is not a member of the group described in Section 1.25.

1.27 "Hardship" means severe financial hardship to the Participant resulting from a sudden and unexpected illness of the Participant or one of the

Participant's dependents (within the meaning of section 152(a) of the Code), or an accident involving the Participant or a Participant's dependent, loss of a Participant's property due to casualty, or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant. The circumstances that will constitute Hardship shall depend upon the facts of each case, but, in any case, Hardship will not exist to the extent that such hardship is or may be relieved;

(a) through reimbursement or compensation by insurance or otherwise;

(b) by liquidation of the Participant's assets, to the extent the liquidation of such assets would not itself cause severe financial hardship; or

(c) by cessation of deferrals under this Plan or other plans maintained by the Employer.

The Plan Manager shall have the sole and absolute discretion to determine whether a Hardship exists.

1.28 "Interest Credits" means the credits allocated pursuant to Section 4.4 of the Plan to the Account of a Participant who is not a Grandfathered Participant.

1.29 "Minimum Benefit" means the minimum benefit calculated under Section 4.7 for a Participant who is not a Grandfathered Participant.

1.30 "Participant" means all persons who participated in the Plan on December 31, 1998 and all other persons who are invited thereafter by the Corporation to participate in the Plan.

1.31 "Pension Plan" means The PNC Financial Services Group, Inc. Pension Plan as in effect on January 1, 1999, and as amended from time to time thereafter.

1.32 "Plan" means this The PNC Financial Services Group, Inc. Supplemental Executive Retirement Plan, as amended from time to time.

1.33 "Plan Manager" means any individual designated by the Committee to manage the operation of the Plan as herein provided or to whom the Committee has duly delegated any of its duties and obligations hereunder.

1.34 "Plan Year" means the calendar year beginning January 1.

1.35 "Prior Excess Plan" means The PNC Financial Services Group, Inc. ERISA Excess Pension Plan as in effect on December 31, 1998.

1.36 "Prior Pension Plan" means The PNC Financial Services Group, Inc. Pension Plan as in effect on December 31, 1998.

1.37 "Prior Plan" means The PNC Financial Services Group, Inc. Supplemental Executive Retirement Plan as in effect on December 31, 1998.

1.38 "Subsidiary" means any business entity the equity of which (directly or indirectly) is owned 50% or more by the Corporation.

1.39 "Total Disability" has the meaning assigned such term in the Pension Plan.

1.40 "Transitional Earnings Credits" means the credits allocated pursuant to Section 4.3 of the Plan to the Account of a Participant who is not a Grandfathered Participant.

1.41 "Trust" means the grantor trust established by the Corporation to assist in funding its obligation under the Plan.

1.42 "Vested Termination of Employment" means a Participant's termination of employment with the Employer:

(a) for any reason after completing five years of Vesting Service; or

(b) by the Participant for Good Reason after a Change in Control or by the Employer without Cause after a Change in Control.

1.43 "Vesting Service" has the meaning assigned such term in the Pension Plan.

SECTION 2

APPLICATION OF PLAN

This Plan applies only to Participants who are employed on or after January 1, 1999. A Participant under the Prior Plan who was not employed on or after January 1, 1999 will continue to be covered under the Prior Plan.

SECTION 3

RETIREMENT INCOME SUPPLEMENT FOR GRANDFATHERED PARTICIPANTS

3.1 Grandfathered Participants

Upon Vested Termination of Employment, a Grandfathered Participant shall receive an annual cash payment equal to the greater of:

(a) 10% plus 1% for each year of Credited Service (including fractions thereof) in excess of ten but less than 25 years times the Participant's Annual Base Salary at the time of Vested Termination of Employment; or

(b) the annual amount of retirement benefit the Participant would have received as a single life annuity under the Prior Pension Plan if the Prior Pension Plan had been continued and the definition of "Compensation" and "Average Final Compensation" in the Prior Pension Plan were as recited in Sections 1.13(a) and 1.6 above, respectively (assuming that the Participant elected a single life annuity under the Prior Pension Plan and commenced receiving benefits at age 62).

The amount determined under Section 3.1(b) above will be reduced by the annual amount of any benefit the Participant would have been entitled to receive under the Prior Pension Plan and the Prior Excess Plan, assuming the Participant commenced receiving benefit payments in the form of a single life annuity under such plans at age 62.

Unless otherwise elected, the annual amount payable pursuant to Section 3.1(a) or 3.1(b) and the preceding sentence shall be paid in monthly installments, commencing on the first day of the month coincident with or next following the Vested Termination of Employment of the Participant and continuing for fifteen years. Any benefit payment made pursuant to Section 3.1(a) or 3.1(b) that commences prior to a Participant's attainment of age 62 shall be actuarially reduced in accordance with reduction factors used in the Prior Pension Plan. A Participant may elect, in accordance with appropriate administrative procedures, to receive, in lieu of the monthly retirement benefit to which he is entitled hereunder, a lump-sum cash payment equal to the present value of such monthly benefit, calculated using the interest rate used under the Prior Pension Plan as of the date the payment is to be made.

A Participant also may elect, pursuant to Section 10 of the Plan, to defer the commencement of the payment of his or her benefits.

3.2 Death Benefit

Upon the death of a Grandfathered Participant prior to Vested Termination of Employment, his or her Beneficiary shall receive an annual cash payment equal to the greater of:

(a) 10% plus 1% for each year of Credited Service (including fractions thereof) between ten and 25 years times the Participant's Annual Base Salary at the time of death; or

(b) the annual amount of retirement benefit the Participant would have received as a single life annuity under the Prior Pension Plan if the Prior Pension Plan had been continued and if the definition of "Compensation" and "Average Final Compensation" in the Prior Pension Plan were as recited in Sections 1.13(a) and 1.6 above, respectively.

The amount determined under Section 3.2(b) above will be reduced by the annual amount of any benefit the Participant would be entitled to receive under the Prior Pension Plan and the Prior Excess Plan.

The benefit shall be distributed to the Participant's Beneficiary or Beneficiaries at the time and pursuant to the method elected by the Participant. Upon application of the Participant's Beneficiary, the Plan Manager may, in his or her sole and absolute discretion, direct that the benefit be paid in a single lump sum.

SECTION 4

RETIREMENT INCOME SUPPLEMENT FOR PARTICIPANTS WHO ARE NOT GRANDFATHERED PARTICIPANTS

4.1 Accounts

An Account shall be established and maintained for each Participant who is not a Grandfathered Participant to which credits shall be allocated pursuant to the provisions of this Section 4. A Participant's opening Account balance shall be determined in the same manner as under the Pension Plan based on the Participant's benefit accrued under the Prior Plan as of December 31, 1998.

4.2 Earnings Credits

As of each pay period, there shall be credited to the Account of each such active Participant who is not an Initial SEG 06 Participant and who has earned Compensation during such pay period an amount determined as follows:

Age Plus Years of Credited Service	Percentage of Compensation Credited to Participant's Account
Less than 40	3%
Between 40 and 49	4%
Between 50 and 59	5%
Between 60 and 69	6%
70 or more	8%

As of each pay period, there shall be credited to the Account of each such active Participant who is an Initial SEG 06 Participant and who has earned Compensation during such pay period an amount determined as follows:

Age Plus Years of Credited Service	Percentage of Compensation Credited to Participant's Account
Less than 40	6%
Between 40 and 49	8%
Between 50 and 59	10%
Between 60 and 69	12%
70 or more	16%

For purposes of the above two charts, age and Credited Service are determined as of the last day of the preceding Plan Year. For purposes of determining the percentage of Compensation to be credited to a

Participant's Account, only complete years of Credited Service and age shall be used; no partial years of age or Credited Service shall be counted.

4.3 Transitional Earnings Credits

Beginning on January 1, 1999 and ending on December 31, 2008, as of each calendar quarter, there shall be allocated Transitional Earnings Credits to the Account of each active Participant who has earned Compensation during such calendar quarter. These Transitional Earnings Credits shall apply to the following Participants and are determined as follows:

(a) For active Participants who as of January 1, 1999 were age 45 or older and had at least fifteen years of Credited Service, an additional allocation of 4% of Compensation shall be made.

(b) For active Participants not described in (a) above who as of January 1, 1999 were age 40 or older and had at least ten years of Credited Service, an additional allocation of 2% of Compensation shall be made.

Only Participants employed by the Employer on January 1, 1999 are eligible for Transitional Earnings Credits. The rules applicable to Earnings Credits described in Section 4.2 also apply to these Transitional Earnings Credits.

4.4 Interest Credits

Each calendar quarter, the determination, calculation and allocation of Interest Credits shall occur in the manner described in subsection (b) below determined in accordance with subsection (a) below:

(a) For each calendar quarter, one-fourth of the Applicable Interest Rate.

(b) During each calendar quarter, each Participant's Account shall be adjusted by an amount equal to the interest rate determined in (a) above multiplied by the Account balance as of the end of the immediately preceding calendar quarter.

(c) A Participant who elects to defer the commencement of the payment of his or her benefits under Section 10 of the Plan, shall continue to receive an allocation of Interest Credits on his or her Deferred Benefits in the manner prescribed above until the first day of the month coincident with or preceding the date the Participant receives a final distribution of his or her Account.

4.5 Payment of Benefits

Upon Vested Termination of Employment, a Participant covered under this Section 4 may elect, in accordance with appropriate administrative procedures, to receive his or her benefit under this Plan in a form available to the Participant under the Pension Plan. The form of benefit elected under this Plan may be different from the basis upon which a Participant receives his or her benefit under the Pension Plan. A Participant also may elect, pursuant to Section 9 of the Plan, to defer the commencement of the payment of his or her benefits.

The calculation of the amounts of optional forms of benefit shall utilize the same adjustment factors as used in the Pension Plan, and it is intended that these factors will be monitored and amended as necessary to meet the provisions of Treasury Regulation section 3121(v)(2)-1(C)(2)(iii)(B)(3).

4.6 Death Benefit

Upon the death of a Participant prior to Vested Termination of Employment, but after completing five full years of Vesting Service, his or her Beneficiary shall be entitled to a benefit in an amount equal to the Participant's Accrued Benefit determined as of the date of his death.

The benefit shall be distributed to the Participant's Beneficiary or

Beneficiaries at the time and pursuant to the method elected by the Participant. Upon application of the Participant's Beneficiary, the Plan Manager may, in his or her sole and absolute discretion, direct that the benefit be paid in a single lump sum.

4.7 Minimum Benefit

Upon Vested Termination of Employment, a Participant who is not a Grandfathered Participant is entitled to a Minimum Benefit under the Plan. The Minimum Benefit is equal to the Participant's benefit under the Prior Plan calculated as of December 31, 1998. If the Minimum Benefit exceeds the Participant's benefit under Section 4, the Participant shall receive the Minimum Benefit in lieu of the Section 4 benefit.

SECTION 5

FROZEN BENEFIT - CERTAIN TRANSFERS

Any Participant who is or becomes eligible to participate in The PNC Financial Services Group, Inc. Retirement Savings Plan or who transfers employment to a Subsidiary that is not an Employer shall have the value of his or her benefit frozen as of the first day of the month following the date he or she is eligible to participate in The PNC Financial Services Group, Inc. Retirement Savings Plan or transfers employment to a Subsidiary that is not an Employer, except that interest will continue to be credited under Section 4.4. Such frozen benefit will be payable at the same time and in the same manner as benefits otherwise payable under the Plan, provided that any future benefit eligibility requirements are met.

SECTION 6

FROZEN BENEFIT - DESIGNATED PARTICIPANTS

6.1 General Rule.

Effective as of April 1, 2002, benefit accruals under the Plan for certain Participants designated by the Corporation who are notified of the change prior to April 1, 2002 shall either (i) cease as of March 31, 2002, or (ii) as the case may be, be calculated as set forth in this Section 6. The provisions of this Section 6 shall not be effective with respect to any member of the Corporate Executive Group as designated by the Corporation and in effect on March 31, 2002.

6.2 Designated Grandfathered Participants.

Effective April 1, 2002, Grandfathered Participants designated by the Corporation whose benefits are calculated under Section 3 shall cease to accrue additional years of Credited Service (and fractions thereof) for purposes of calculating benefits payable upon Vested Termination of Employment or at death. Such designated Grandfathered Participants' years of Credited Service for purposes of Section 3 shall be calculated as if their employment by an Employer had ended on March 31, 2002.

6.3 Designated Nongrandfathered Participants.

Effective April 1, 2002, Participants designated by the Corporation who are not Grandfathered Participants and whose benefits are calculated under Section 4 of the Plan shall cease to accrue any additional benefits under the Plan. The values of such Participant's Accounts shall be frozen at the values accrued through March 31, 2002, including any Interest Credits due for the calendar quarter ended March 31, 2002. No further Earnings Credits, Transitional Earnings Credits or Interest Credits shall accrue to such designated nongrandfathered Participants' Accounts after March 31, 2002.

SECTION 7

TRANSFER OF EMPLOYMENT TO MINORITY-OWNED ENTITY

If a Participant is transferred from the employment of the Corporation or a Subsidiary to an entity the equity of which (directly or indirectly) is owned 10% or more (but 50% or less) by the Corporation (a "Minority-Owned Entity"), the benefits earned while a Participant will be frozen (except that Interest Credits under Section 4.4, if applicable, shall continue) and will be paid in the event that the Participant subsequently becomes disabled while employed by the Minority-Owned Entity or retires from the employment of the Minority-Owned Entity.

SECTION 8

DESIGNATION OF BENEFICIARIES

A Participant shall designate a Beneficiary or Beneficiaries to receive the balance of the Participant's Account upon the Participant's death. Such designation shall be on a form approved by the Plan Manager and shall not be effective until it is received by the Plan Manager. If no valid Beneficiary designation form is on file with the Plan Manager upon the Participant's death, then the balance of the Participant's Account shall be payable to the Beneficiary designated by the Participant under the Employer's group life insurance plan, or, if no such designation exists, to the Participant's estate.

SECTION 9

PAYMENT OF BENEFITS

The benefits payable to a Participant under this Plan shall be made from the general revenues of the entity that employs the Participant on the date of the Participant's Vested Termination of Employment.

SECTION 10

DEFERRAL OF BENEFITS

10.1 Deferral Election

A Participant may elect to defer the commencement of the payment of his or her benefits under this Plan. A Participant's Deferral Election Form must be received by the Plan Manager at least one year prior to the Participant's Vested Termination of Employment. The Deferral Election Form shall specify the year in which payment shall commence and the form of distribution.

10.2 Hardship Distribution

Upon approval by the Plan Manager, in his or her sole and absolute discretion, payment of a Participant's Deferred Benefits under the Plan shall be made in the event of a Participant's Hardship. Payment of any Hardship distribution shall be made in a single lump sum as soon as administratively feasible after approval.

SECTION 11

RIGHTS OF PARTICIPANTS

No Participant shall have any rights to any payment under this Plan until Vested Termination of Employment and in no event shall the interests of Participants under this Plan be in any way subject to their debts or other obligations and may not be voluntarily or involuntarily sold, transferred, or assigned.

SECTION 12

TRUST FUND

No assets of the Corporation or any Employer shall be segregated or earmarked in respect to any benefits, and all such benefits shall constitute unsecured contractual obligations of the Employer. If the Corporation chooses to contribute to the Trust to offset its obligation under this Plan, all assets or property held by the Trust shall at all times remain subject to the claims of the general creditors of the Corporation or any Employer.

SECTION 13

CLAIMS PROCEDURE

13.1 Initial Claim

Claims for benefits under the Plan shall be filed with the Plan Manager. If any Participant or Beneficiary claims to be entitled to a benefit under the Plan and the Plan Manager determines that such claim should be denied in whole or in part, the Plan Manager shall notify such person of its decision in writing. Such notification will be written in a manner calculated to be understood by such person and will contain (i) specific reasons for the denial, (ii) specific reference to pertinent Plan provisions, (iii) a description of any additional material or information necessary for such person to perfect such claim and an explanation of why such material or information is necessary and (iv) information as to the steps to be taken if the person wishes to submit a request for review. Such notification will be given within 60 days after the claim is received by the Plan Manager. If such notification is not given within such period, the claim will be considered denied as of the last day of such period and such person may request a review of his or her claim.

13.2 Review Procedure

Within 60 days after the date on which a Participant or Beneficiary receives a written notice of a denied claim (or, if applicable, within 60 days after the date on which such denial is considered to have occurred) such person (or his or her duly authorized representative) may (i) file a written request with the Committee for a review of his or her denied claim and of pertinent documents and (ii) submit written issues and comments to the Committee. The Committee will notify such person of its decision in writing. Such notification will be written in a manner calculated to be understood by such person and will contain specific reasons for the decision as well as specific references to pertinent Plan provisions. The decision on review will be made within 60 days after the request for review is received by the Committee. If the decision on review is not made within such period, the claim will be considered denied.

13.3 Claims and Review Procedure Not Mandatory After a Change in Control

After the occurrence of a Change in Control, the claims procedure and review procedure provided for in this Section 13 shall be provided for the use and benefit of Participants who may choose to use such procedures, but compliance with the provisions of this Section 13 shall not be mandatory for any Participant claiming benefits after a Change in Control. It shall not be necessary for any Participant to exhaust

these procedures and remedies after a Change in Control prior to bringing any legal claim or action, or asserting any other demand, for payments or other benefits to which such Employee claims entitlement.

SECTION 14

ADMINISTRATION

This Plan shall be administered by the Committee, and it shall have the sole authority to resolve any questions which arise hereunder.

This Plan is intended to be "a plan which is unfunded and is maintained by an employer primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees" within the meaning of sections 201(2), 301(a)(3) and 401(a)(1) of ERISA and shall be administered in a manner consistent with that intent.

SECTION 15

AMENDMENT AND TERMINATION

The Plan may be amended or terminated by the Board at any time, and any Subsidiary of PNC that has adopted the Plan may withdraw from further participation in the Plan at any time; provided, however, that no such amendment, termination or withdrawal (each, a "Plan Change") shall reduce or in any way adversely affect (i) the retirement or disability benefits payable hereunder with respect to a Participant who is entitled to disability benefits by reason of having become disabled prior to the date of the Plan Change or who has terminated employment with the Employer prior to the date of such Plan Change or (ii) the amount of, or payment of, the Accrued Benefit (as hereinafter defined) of any other Participant as of the date of such Plan Change.

For purposes of this Section 15, the term "Accrued Benefit" means, for a Grandfathered Participant, the benefit that would be payable to the Participant hereunder assuming that (i) the Participant terminated employment immediately prior to the Plan Change, and (ii) solely for the purpose of determining the Participant's eligibility for Vested Termination of Employment under this Plan and not for purposes of determining the amount of benefit, that the Participant had completed five years of Vesting Service (to the extent that the Participant had not yet completed such years of Vesting Service immediately prior to the Plan Change). The term "Accrued Benefit" means, for a Participant who is not a Grandfathered Participant, an amount equal to the balance of the Participant's Account immediately prior to the Plan Change.

After a Change in Control, the Plan may not be amended in any manner that adversely affects the administration or payment of a Participant's benefits hereunder (including but not limited to the timing and form or payment of benefits hereunder) without the consent of the Participant nor may the provisions of this Section 15, Section 16 or, for a Participant who is not a Grandfathered Participant, Section 4.4, be amended after a Change in Control with respect to a Participant without the written consent of the Participant; provided, however, that the failure of a Participant to consent to any such amendment shall not impair the ability of the Committee to amend the Plan with respect to any other Participant who has consented to such amendment.

SECTION 16

SUCCESSORS

In addition to any obligations imposed by law upon any successor(s) to the Corporation and the Employers, the Corporation and the Employers shall be obligated to require any successor(s) (whether direct or indirect, by purchase, merger, consolidation, operation of law or otherwise) to all or substantially all of the business and/or assets of the Corporation and the Employers to expressly assume and agree to perform under this Plan in the same manner and to the same extent that the Corporation and the Employers would be required to perform under it if no such succession had taken place; in the event of such a succession, references to "Corporation" and "Employers" herein shall thereafter

be deemed to include such successor(s).

SECTION 17

GOVERNING LAW

The Plan shall be governed according to the laws of the Commonwealth of Pennsylvania to the extent not preempted by federal law.

SECTION 18

FUNDING OF BENEFITS

In the sole discretion of the Corporation, the Corporation may establish a grantor trust and make contributions thereto for the purpose of providing a source of funds to pay benefits as they become due and payable hereunder; provided, however, that no such trust shall result in a Participant being required to include in gross income for federal income tax purposes any benefits payable hereunder prior to the date of actual payment. Notwithstanding the establishment of any such trust, a Participant's rights hereunder shall be solely those of a general unsecured creditor of the Corporation and the Employers.

* * * *

Executed and adopted by the Director of Human Resources of The PNC Financial Services Group, Inc. this 10th day of July, 2002.

/s/ William E. Rosner

William E. Rosner, Senior Vice President and
Director of Human Resources

Exhibit 10.3

THE PNC FINANCIAL SERVICES GROUP, INC.
KEY EXECUTIVE EQUITY PROGRAM

AMENDED AND RESTATED
(GENERALLY EFFECTIVE AS OF JANUARY 1, 2002)

WHEREAS, The PNC Financial Services Group, Inc. (the "Corporation") through its predecessor, PNC Bank Corp., previously adopted and presently maintains the PNC Bank Corp. Supplemental Executive Life Insurance and Spouse's Benefit Plan (the "Plan") originally effective as of January 1, 1987;

WHEREAS, the Corporation amended and restated the Plan in its entirety, effective January 1, 1999, to incorporate all prior amendments into the Plan document and make such other changes as deemed necessary or appropriate; and

WHEREAS, the Corporation desires to amend and restate the Plan in its entirety, to be generally effective January 1, 2002, to embody changes in the benefits provided under the Plan and to make such other changes as are deemed necessary or appropriate; and

WHEREAS, Section 7 of the Plan authorizes the Corporation to amend the Plan at any time.

NOW, THEREFORE, in consideration of the foregoing, the Plan is hereby amended and restated in its entirety to read as follows:

SECTION 1

DEFINITIONS

1.1 "Annual Base Salary" means for the purpose of determining life insurance benefits, the biweekly rate of pay that is in effect at the time a Participant retires under the Pension Plan multiplied by 26.

1.2 "Beneficiary" means the person, persons, or entity designated as Beneficiary by the Participant in the records maintained for this Plan of the Prior Plans, or absent such designation, the Beneficiary designated by the Participant under the Employer's group life insurance plan, or, if no such designation exists, to the Participant's estate.

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

1.4 "Change in Control" has the meaning assigned such term in The PNC Financial Services Group, Inc. Supplemental Executive Retirement Plan, as amended from time to time.

1.5 "Committee" means the Personnel and Compensation Committee of the Board.

1.6 "Corporation" means The PNC Financial Services Group, Inc. and any successors thereto.

1.7 "Disability" means the Participant's eligibility to receive benefits under the Employer's long-term disability plan.

1.8 "Employer" means the Corporation and any Subsidiary that has been designated by the Plan Manager as an Employer hereunder.

1.9 "Executive Bonus Plan" means the incentive award plans designated by the Plan Manager as participating hereunder.

1.10 "Participant" means all persons who were Participants in the Prior Plans and, at the discretion of the Board, any other person employed by the Corporation and its Subsidiaries who has been designated to participate in the Plan.

1.11 "Pension Plan" means The PNC Financial Services Group, Inc. Pension Plan, as amended from time to time.

1.12 "Plan" means this The PNC Financial Services Group, Inc. Key Executive Equity Program.

1.13 "Plan Manager" means any individual designated by the Committee to manage the operation of the Plan as herein provided or to whom the Committee has duly delegated any of its duties and obligations hereunder.

1.14 "Prior Plans" means the Executive Group Life Insurance Plan of Pittsburgh National Bank, the Death Benefit Section of the Supplemental Excess Retirement Plan of Provident National Bank, the Supplemental Insurance Plan of Marine Bank and the Supplemental Insurance Plan of Northeastern Bank.

1.15 "Retirement" means that the Participant has attained at least age 55 and completed five years of Vesting Service.

1.16 "Subsidiary" means any business entity the equity of which (directly or indirectly) is owned 50% or more by the Corporation.

1.17 "Trust" means the grantor trust established by the Corporation to assist in funding its obligations under the Plan.

1.18 "Vesting Service" has the meaning assigned to such term in the Pension Plan.

SECTION 2

BENEFITS

2.1 Pre-Retirement Life Insurance

Except as provided in the following subparagraphs for Participants in Prior Plans, the pre-retirement life insurance benefit shall be equal to the amount of insurance elected by the Participant or assigned by the Employer.

(a) Pittsburgh National Bank

The benefit shall be an amount which is equal to the Annual Base Salary multiple elected by the Participant under the Executive Group Life Insurance Plan of Pittsburgh National Bank.

(b) Provident National Bank

The benefit shall be an amount equal to three times the Participant's Annual Base Salary rate in effect on January 30, 1985.

(c) Marine Bank

The benefit shall be an amount equal to three times the Participant's Annual Base Salary rate in effect on January 30, 1985.

2.2 Post-Retirement Life Insurance Benefit

Except as provided in the following subparagraphs for Participants in the Prior Plans, the post-retirement life insurance benefit shall be equal to an amount which is equal to the Participant's Annual Base Salary rate in effect immediately preceding the Participant's Retirement.

(a) Pittsburgh National Bank

The benefit shall be an amount which is equal to the multiple of the Annual Base Salary elected by the Participant under the Executive Group Life Insurance Plan of Pittsburgh National Bank.

(b) Marine Bank

The benefit shall be equal to three times the Annual Base Salary rate in effect on January 30, 1985.

(c) Northeastern Bank

The benefit shall be equal to the face amount of the individually owned policy less amounts due Northeastern Bank to satisfy the insurance obligation.

2.3 Termination of Future Coverage For Designated Participants

Effective April 1, 2002, coverage under, and future participation in, the Plan, will cease for certain Participants who are identified and designated by the Corporation and who are given notice of the termination of future coverage prior to April 1, 2002. The accumulated cash surrender value, if any, on individual policies of insurance covering such designated Participants shall be calculated as of April 1, 2002. The accumulated cash surrender value determined as of April 1, 2002 shall be the sole benefit payable to such designated Participants in accordance with the terms of the Plan and policies, provided other conditions for payment as set forth in the Plan and policies have been satisfied by any such designated Participant

SECTION 3

RIGHTS OF PARTICIPANTS

No Beneficiary shall have any rights to any payment under this Plan except at the death of the Participant, and in no event shall the interests of Participants or Beneficiaries under this Plan be in any way subject to their debts or other obligations and may not be voluntarily or involuntarily sold, transferred or assigned without the express written consent of the Corporation.

SECTION 4

TERMINATION OF EMPLOYMENT

If a Participant's employment with the Employer is terminated for any reason other than Retirement, Disability or death, all benefits provided by this Plan shall cease.

SECTION 5

TRUST FUND

No assets of the Corporation or any Employer shall be segregated or earmarked in respect to any benefits, and all such benefits shall constitute unsecured contractual obligations of the Employer. If the Corporation chooses to contribute to the Trust to offset its oblation under this Plan, all assets or property held by the Trust shall at all times remain subject to claims of the general creditors of the Corporation or any Employer.

SECTION 6

CLAIMS PROCEDURE

6.1 Initial Claim

Claims for benefits under the Plan shall be filed with the Plan Manager. If any Participant or Beneficiary claims to be entitled to a benefit under the Plan and the Plan Manager determines that such claim should be denied in whole or in part, the Plan Manager shall notify such person of its decision in writing. Such notification will be written in a manner calculated to be understood by such person and will contain (i) specific reasons for the denial, (ii) specific reference to pertinent Plan provisions, (iii) a description of any additional material or information necessary for such person to perfect such claim and an explanation of why such material or information is necessary and (iv) information as to the steps to be taken if the person wishes to submit a request for review. Such notification will be given within 60 days after the claim is received by the Plan Manager. If such notification is not given within such period, the claim will be considered denied as of the last day of such period and such person may request a review of his or her claim.

6.2 Review Procedure

Within 60 days after the date on which a Participant or Beneficiary receives a written notice of a denied claim (or, if applicable, within 60 days after the date on which such denial is considered to have occurred) such person (or his or her duly authorized representative) may (i) file a written request with the Committee for a review of his or her denied claim and of pertinent documents and (ii) submit written issues and comments to the Committee. The Committee will notify such person of its decision in writing. Such notification will be written in a manner calculated to be understood by such person and will contain specific reasons for the decision as well as specific references to pertinent Plan provisions. The decision on review will be made within 60 days after the request for review is received by the Committee. If the decision on review is not made within such period, the claim will be considered denied.

6.3 Claims and Review Procedure Not Mandatory After a Change in Control

After the occurrence of a Change in Control, the claims procedure and review procedure provided for in this section 6 shall be provided for the use and benefit of Participants who may choose to use such procedures, but compliance with the provisions of this section 6 shall not be mandatory for any Participant claiming benefits after a Change in Control. It shall not be necessary for any Participant to exhaust these procedures and remedies after a Change in Control prior to bringing any legal claim or action, or asserting any other demand, for payments or other benefits to which such Employee claims entitlement.

SECTION 7

AMENDMENT AND TERMINATION

The Plan may be amended or terminated by the Board at any time, and any Subsidiary that has adopted the Plan may withdraw from further participation in the Plan at any time; provided, however, that no such amendment, termination or withdrawal shall reduce or adversely affect any amounts due hereunder to the Beneficiary of a Participant.

After a Change in Control, the Plan may not be amended in any manner that adversely affects the administration or payment of a Participant's benefits hereunder (including but not limited to the timing and form or payment of benefits hereunder) without the consent of the Participant nor may the provisions of this section 7, section 8 or section 9 be amended after a Change in Control with respect to a Participant without the written consent of the Participant; provided, however, that the failure of a Participant to consent to any such amendment shall not impair the ability of the Committee to amend the Plan with respect to any other Participant who has consented to such amendment.

SECTION 8

CERTAIN REQUIRED POLICY TRANSFERS

If, after a Change in Control, either (i) the Plan is terminated and is not replaced by a plan that provides substantially equivalent benefits to Participants in this Plan or (ii) the Corporation ceases making premium payments on one or more of the split dollar life insurance policies (the "Split Dollar Policies") that cover Participants hereunder, then (x) in the case of a termination described in the precedent clause (i), all of the Split Dollar Policies shall be promptly transferred to the respective Participants on whose lives the policies were issued, and (y) in the case of a cessation of premium payments described in the preceding clause (ii), the Split Dollar Policies on which premiums have ceased shall be promptly transferred to the respective Participants on whose lives the policies were issued. Such transfers shall be made without the payment of any consideration by the affected Participants.

SECTION 9

SUCCESSORS

In addition to any obligations imposed by law upon any successor(s) to the Corporation and the Employers, the Corporation and the Employers shall be obligated to require any successor(s) (whether direct or indirect, by purchase, merger, consolidation, operation of law, or otherwise) to all or substantially all of the business and/or assets of the Corporation and the Employers to expressly assume and agree to perform this Plan in the same manner and to the same extent that the Corporation and the Employers would be required to perform it if no such succession had taken place; in the event of such a succession, references to "Corporation" and "Employers" herein shall thereafter be deemed to include such successor(s).

SECTION 10

ADMINISTRATION

This Plan shall be administered by the Committee, and it shall have the sole authority to resolve any questions which arise hereunder.

SECTION 11

GOVERNING LAW

This Plan shall be governed according to the laws of the Commonwealth of Pennsylvania to the extent not preempted by federal law.

SECTION 12

FUNDING OF BENEFITS

In the sole discretion of the Corporation, the Corporation may establish a grantor trust and make contributions thereto for the purpose of providing a source of funds to pay benefits as they become due and payable hereunder; provided, however, that no such trust shall result in a Participant being required to include in gross income for federal income tax purposes any benefits payable hereunder prior to the date of actual payment. Notwithstanding the establishment of any such trust, a Participant's rights hereunder shall be solely those of a general unsecured creditor.

* * * *

Executed and adopted by the Director of Human Resources of The PNC Financial Services Group, Inc. this 10th day of July, 2002

/s/ William E. Rosner

William E. Rosner, Senior Vice President and
Director of Human Resources

EXHIBIT 12.1

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

	Six months ended	Year ended December 31				
Dollars in millions	June 30, 2002	2001	2000	1999	1998	1997
EARNINGS						
Income from continuing operations before taxes	$966	$564	$1,848	$1,788	$1,651	$1,595
Fixed charges excluding interest on deposits	226	763	1,033	980	1,159	1,080
Subtotal	1,192	1,327	2,881	2,768	2,810	2,675
Interest on deposits	348	1,229	1,653	1,369	1,471	1,457
Total	$1,540	$2,556	$4,534	$4,137	$4,281	$4,132
FIXED CHARGES						
Interest on borrowed funds	$169	$646	$915	$870	$1,065	$1,010
Interest component of rentals	28	53	50	44	33	26
Amortization of notes and debentures		1	1	1	1	1
Distributions on Mandatorily Redeemable Capital Securities of Subsidiary Trusts	29	63	67	65	60	43
Subtotal	226	763	1,033	980	1,159	1,080
Interest on deposits	348	1,229	1,653	1,369	1,471	1,457
Total	$574	$1,992	$2,686	$2,349	$2,630	$2,537
RATIO OF EARNINGS TO FIXED CHARGES						
Excluding interest on deposits	5.27x	1.74x	2.79x	2.82x	2.42x	2.48x
Including interest on deposits	2.68	1.28	1.69	1.76	1.63	1.63

EXHIBIT 12.2

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

<TABLE>
<CAPTION>

	Six months ended	Year ended December 31				
Dollars in millions	June 30, 2002	2001	2000	1999	1998	1997
<S>	<C>	<C>	<C>	<C>	<C>	<C>
EARNINGS						
Income from continuing operations before taxes	$966	$564	$1,848	$1,788	$1,651	$1,595
Fixed charges and preferred stock dividends excluding interest on deposits	227	783	1,063	1,010	1,188	1,110
Subtotal	1,193	1,347	2,911	2,798	2,839	2,705
Interest on deposits	348	1,229	1,653	1,369	1,471	1,457
Total	$1,541	$2,576	$4,564	$4,167	$4,310	$4,162
FIXED CHARGES						
Interest on borrowed funds	$169	$646	$915	$870	$1,065	$1,010
Interest component of rentals	28	53	50	44	33	26
Amortization of notes and debentures		1	1	1	1	1
Distributions on Mandatorily Redeemable Capital Securities of Subsidiary Trusts	29	63	67	65	60	43
Preferred stock dividend requirements	1	20	30	30	29	30
Subtotal	227	783	1,063	1,010	1,188	1,110
Interest on deposits	348	1,229	1,653	1,369	1,471	1,457
Total	$575	$2,012	$2,716	$2,379	$2,659	$2,567
RATIO OF EARNINGS TO FIXED CHARGES AND PREFERRED STOCK DIVIDENDS						
Excluding interest on deposits	5.26x	1.72x	2.74x	2.77x	2.39x	2.44x
Including interest on deposits	2.68	1.28	1.68	1.75	1.62	1.62

</TABLE>

Excerpt of text of Item 5 of The PNC Financial Services Group, Inc.'s Current Report on Form 8-K dated July 18, 2002. The "Regulatory Agreements" and "Commission Order" referred to in Item 5 below are also included as exhibits to this Form 10-Q.

ITEM 5. OTHER EVENTS AND REGULATION FD DISCLOSURE.

On July 18, 2002, The PNC Financial Services Group, Inc. ("PNC") announced that it had entered into a written agreement with the Federal Reserve Bank of Cleveland ("Federal Reserve") and that its principal subsidiary, PNC Bank, National Association ("PNC Bank"), had entered into a written agreement with the Office of the Comptroller of the Currency ("OCC"). These agreements (together, the "Regulatory Agreements") address such issues as risk, management and financial controls.

On the same date, the Securities and Exchange Commission ("SEC"), with PNC's consent, entered an Order Instituting Public Administrative Proceedings Pursuant to Section 8A of the Securities Act of 1933 and 21C of the Securities Exchange Act of 1934, Making Findings and Imposing Cease-and-Desist Order ("Commission Order") in connection with three 2001 transactions that gave rise to a financial statement restatement announced by PNC on January 29, 2002. In consenting to the entry of the Commission Order and the SEC's jurisdiction, PNC did not admit or deny the SEC's findings.

The Regulatory Agreements are filed herewith as Exhibits 99.1 and 99.2, the Commission Order is filed herewith as Exhibit 99.3 and these three exhibits are incorporated herein by reference. The foregoing description of the Regulatory Agreements and the Commission Order is qualified in its entirety by reference to the text of the Regulatory Agreements and the Commission Order. PNC's press release relating to the execution of the Regulatory Agreements and the entry of the Commission Order is filed herewith as Exhibit 99.4.

As described under the caption "Supervision and Regulation" in Item 1 of PNC's Annual Report on Form 10-K for the year ended December 31, 2001 ("2001 Form 10-K"), PNC is registered with the Board of Governors of the Federal Reserve System ("FRB") as a financial holding company and PNC Bank has filed a financial subsidiary certification with the OCC, which registration and certification provide PNC and PNC Bank with certain advantages in regulatory procedures and powers pursuant to provisions of the Gramm-Leach-Bliley Act (the "GLB Procedures and Powers"). As a result of regulatory, supervisory and examination activities, PNC and PNC Bank have been advised by the FRB and the OCC, respectively, that PNC and PNC Bank no longer satisfy financial holding company and financial subsidiary requirements for purposes of the GLB Procedures and Powers. Applicable regulations contemplate that PNC and PNC Bank will enter into agreements with the Federal Reserve and the OCC, respectively, that require that certain corrective actions be taken within a 180 day period from receipt of the notices or such longer period as may be permitted by the applicable agency. During the interim, PNC is unable to engage in new activities or make new investments in reliance on the GLB Procedures and Powers without prior approval of the FRB, and PNC and PNC Bank may be subject to limitations on the conduct of their activities. The failure to satisfy the requirements of the anticipated agreements could result in PNC's loss of the GLB Procedures and Powers and additional consequences described in the 2001 Form 10-K. The potential impact of these consequences is primarily on the conduct of existing merchant banking, securities underwriting and dealing, and insurance activities that in large part can be addressed through alternative means of conducting these activities and that in any event is not expected to be material to PNC's consolidated business.

As a result of entering into the Regulatory Agreements, PNC and PNC Bank are required to obtain approval of the Federal Reserve and the OCC, respectively, prior to adding new directors or employing new senior executive officers, and are prohibited from making "golden parachute payments" as defined in applicable regulations without prior regulatory approval. PNC also will be subject to increases in deposit insurance premium assessments and regulatory examination fees payable by PNC Bank and in noninterest expenses for the cost of compliance with the Regulatory Agreements.

There also are collateral consequences from entry of the Commission Order, including the loss of "safe harbor" protection for forward-looking statements under the Private Securities Litigation Reform Act, the need to disclose the existence of the Commission Order to customers, regulators, investors and other constituencies, and the potential for restrictions upon the licenses, registrations, and regulatory approvals of PNC's subsidiaries engaged in broker-dealer and other regulated financial businesses and to impact the status of PNC's subsidiaries as government contractors. The potential restrictions are considered unlikely to be imposed. Nonetheless, the Regulatory Agreements, the Commission Order and the applicable provisions of law and regulation related to the GLB Procedures and Powers, together with the reputational impact and increased litigation risks created by these matters, could have a material adverse effect on the conduct, growth and profitability of PNC's operations, as well

as consequences to PNC in such areas as business generation and retention, the ability to attract and retain management, funding and liquidity that cannot be predicted at this time.

This Form 8-K and other statements by PNC contain forward-looking statements with respect to the impact of the legal, regulatory and supervisory matters described above on PNC's business operations and performance. Forward-looking statements are based on PNC's current expectations and are subject to numerous assumptions, risks and uncertainties. Forward-looking statements speak only as of the date they are made, and PNC assumes no duty to update them. In addition to factors mentioned in this Form 8-K or previously disclosed in PNC's SEC reports (accessible on the SEC's website at http://www.sec.gov), the following factors, among others, could cause actual results to differ materially from forward-looking statements or historical performance: (1) the examination process and regulators' future use of associated supervisory tools; (2) PNC's failure to satisfy the requirements of the recent and anticipated agreements with the Federal Reserve and the OCC; (3) the impact of reputational risk created by the developments on such matters as business generation and retention, funding and liquidity; and (4) further supervisory or enforcement actions of government agencies.