UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002
COMMISSION FILE NUMBER 1-9718

THE PNC FINANCIAL SERVICES GROUP, INC.
(Exact name of registrant as specified in its charter)

<TABLE>

PENNSYLVANIA	25-1435979
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

</TABLE>

ONE PNC PLAZA
249 FIFTH AVENUE
PITTSBURGH, PENNSYLVANIA 15222-2707
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES, INCLUDING ZIP CODE)

Registrant's telephone number, including area code - (412) 762-2000

Securities registered pursuant to Section 12(b) of the Act:

<TABLE>
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Title of Each Class	Name of Each Exchange on Which Registered
COMMON STOCK, PAR VALUE $5.00	New York Stock Exchange
$1.60 CUMULATIVE CONVERTIBLE PREFERRED STOCK-SERIES C, PAR VALUE $1.00	New York Stock Exchange
$1.80 CUMULATIVE CONVERTIBLE PREFERRED STOCK-SERIES D, PAR VALUE $1.00	New York Stock Exchange
SERIES G JUNIOR PARTICIPATING PREFERRED SHARE PURCHASE RIGHTS	New York Stock Exchange

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Securities registered pursuant to Section 12(g) of the Act:

$1.80 CUMULATIVE CONVERTIBLE PREFERRED STOCK - SERIES A, PAR VALUE $1.00
$1.80 CUMULATIVE CONVERTIBLE PREFERRED STOCK - SERIES B, PAR VALUE $1.00
8.25% CONVERTIBLE SUBORDINATED DEBENTURES DUE 2008

Indicate by check mark whether the registrant: (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 (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No ___

Indicate by check mark if the disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. X

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). Yes X No ___

The aggregate market value of the registrant's outstanding voting common stock held by nonaffiliates on June 28, 2002, determined using the per share closing price on that date on the New York Stock Exchange of $52.28, was approximately $14.8 billion. There is no non-voting common equity of the registrant outstanding.

Number of shares of registrant's common stock outstanding at February 28, 2003: 282,825,171

DOCUMENTS INCORPORATED BY REFERENCE

Portions of The PNC Financial Services Group, Inc. Annual Report to Shareholders for 2002 ("Annual Report to Shareholders") are incorporated by reference into

Parts I, II, III and IV and portions of the definitive Proxy Statement of The PNC Financial Services Group, Inc. to be filed pursuant to Regulation 14A for the annual meeting of shareholders to be held on April 22, 2003 ("Proxy Statement") are incorporated by reference into Part III of this Form 10-K. The incorporation by reference herein of portions of the Proxy Statement shall not be deemed to specifically incorporate by reference the information referred to in Items 306(c), 306(d) and 402(a)(8) and (9) of Regulation S-K.

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PART I

Forward-Looking Statements: From time to time The PNC Financial Services Group, Inc. ("PNC" or "Corporation") has made and may continue to make written or oral forward-looking statements with respect to the Corporation's outlook or expectations for earnings, revenues, expenses, capital levels, asset quality 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. This Annual Report on Form 10-K ("Form 10-K") also includes forward-looking statements. Forward-looking statements are typically identified by words or phrases such as "believe," "feel," "expect," "anticipate," "intend," "outlook," "estimate," "forecast," "project," "position," "target," "assume," "achievable," "potential," "strategy," "goal," "objective," "plan," "aspiration," "outcome," "continue," "remain," "maintain," "seek," "strive," "trend," and variations of such words and similar expressions, or future or conditional verbs such as "will," "would," "should," "could," "might," "can," "may" or similar expressions.

The Corporation cautions that forward-looking statements are subject to numerous assumptions, risks and uncertainties, which change over time. Actual results could differ materially from those anticipated in forward-looking statements and future results could differ materially from historical performance. Forward-looking statements speak only as of the date they are made, and the Corporation assumes no duty and does not undertake to update forward-looking statements.

The factors discussed elsewhere in this report and the following factors, among others, could cause actual results to differ materially from those anticipated in forward-looking statements or from historical performance:

(1) 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, increased credit losses, and increased funding of unfunded loan commitments and letters of credit; an adverse effect on the allowances for credit losses and unfunded loan commitments and letters of credit; 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;

(2) relative and absolute investment performance of assets under management;

(3) 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, or to implement integration plans relating to or resulting from mergers, acquisitions, restructurings and divestitures;

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

(5) the impact of increased competition;

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

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

(8) 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;

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

(10) 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 provision for credit losses and reduced profitability;

(11) 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;

(12) actions of the Federal Reserve Board;

(13) the impact of legislative and regulatory reforms and changes in accounting policies and principles;

(14) 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

(15) terrorist activities and international hostilities, including the situations surrounding Iraq and North Korea, which may adversely affect the general economy, financial and capital markets, specific industries, and the Corporation.

Some of the above factors are described in more detail in the "Risk Factors" section of the "Financial Review" included on pages 48 through 53 of the Annual Report to Shareholders, and factors relating to interest rate risk, operational risk, trading activities, financial and other derivatives and off-balance sheet activities are discussed in the "Risk Management" section of the "Financial Review" included on pages 53 through 61 of the Annual Report to Shareholders. Factors relating to credit risk and liquidity are discussed in the "Consolidated Balance Sheet Review" section of the "Financial Review" included on pages 40 through 48 of the Annual Report to Shareholders. The Annual Report to Shareholders is incorporated herein by reference. Other factors are described elsewhere in this Form 10-K and the Annual Report to Shareholders.

ITEM 1 - BUSINESS

BUSINESS OVERVIEW The Corporation is a bank holding company registered under the Bank Holding Company Act of 1956, as amended ("BHC Act") and a financial holding company under the Gramm-Leach-Bliley Act ("GLB Act"). PNC was incorporated under the laws of the Commonwealth of Pennsylvania in 1983 with the consolidation of Pittsburgh National Corporation and Provident National Corporation. Since 1983, PNC has diversified its geographical presence, business mix and product capabilities through strategic bank and nonbank acquisitions and the formation of various nonbanking subsidiaries.

The Corporation is one of the largest diversified financial services companies in the United States, operating businesses engaged in regional community banking; wholesale banking, including corporate banking, real estate finance and asset-based lending; wealth management; asset management and global fund processing services. The Corporation and its subsidiaries provide certain products and services nationally and others in PNC's primary geographic markets in Pennsylvania, New Jersey, Delaware, Ohio and Kentucky. The Corporation and its subsidiaries also provide certain banking, asset management and global fund processing services internationally. At December 31, 2002, the Corporation's consolidated total assets, deposits and shareholders' equity were $66.4 billion, $45.0 billion and $6.9 billion, respectively. In the context of this Business Overview, financial and other information by segment is included in "Note 26 Segment Reporting" of the "Notes To Consolidated Financial Statements" included on pages 100 and 101 of the Annual Report to Shareholders and incorporated herein by reference. Information on certain acquisitions and divestitures is included in "Note 2 NBOC Acquisition" and "Note 4 Discontinued Operations" included on pages 81 and 83, respectively, of the Annual Report to Shareholders and is incorporated herein by reference.

REVIEW OF BUSINESSES Information relating to the Corporation's businesses, which reflect its operating structure during 2002, is set forth under the captions "Overview" and "Review of Businesses" in the "Financial Review" included on pages 28 through 37 of the Annual Report to Shareholders and is incorporated herein by reference.

SUBSIDIARIES The corporate legal structure currently consists of two subsidiary banks, with their subsidiaries, and over 70 active nonbank subsidiaries. PNC Bank, National Association ("PNC Bank"), headquartered in Pittsburgh, Pennsylvania, is the Corporation's principal bank subsidiary. At December 31, 2002, PNC Bank had total consolidated assets representing approximately 90% of the Corporation's consolidated assets. For additional information on subsidiaries, see Exhibit 21 to this Form 10-K, which is incorporated herein by reference.

STATISTICAL DISCLOSURE BY BANK HOLDING COMPANIES The following statistical information is included on the indicated pages of the Annual Report to Shareholders and is incorporated herein by reference:

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RISK FACTORS & MANAGEMENT The Corporation is subject to a number of risk factors including, among others: business and economic conditions; the successful execution of the Corporation's 2001 strategic repositioning; changes in the underlying factors, assumptions and estimates inherent in the Corporation's critical accounting policies and judgments; compliance with applicable standards established by supervisory

and regulatory bodies; monetary and other policies; competition; disintermediation; and risk relating to asset management performance, fund servicing, acquisitions, and terrorist activities and international hostilities. These factors, and others, could impact the Corporation's business, financial condition and results of operations. In the normal course of business, the Corporation assumes various types of risk, which include, among others, credit risk, market risk, interest rate risk, liquidity risk, operational risk, and risk associated with trading activities, financial and other derivatives and "off-balance-sheet" activities. PNC has risk management processes designed to provide for risk identification, measurement and monitoring.

Risk factors are described in more detail in the "Credit Risk", "Liquidity" and "Risk Factors" sections of the "Financial Review" included on pages 43 through 46, 46 through 48, and 48 through 53, respectively, of the Annual Report to

Shareholders, which is incorporated herein by reference. The Corporation's risk management processes are described in more detail in the "Risk Management" section of the "Financial Review" included on pages 53 through 61 of the Annual Report to Shareholders, which is incorporated herein by reference. Also, see the Forward-Looking Statements section at the beginning of Part I of this Form 10-K for certain other factors that could cause actual results to differ materially from forward-looking statements or historical performance.

EFFECT OF GOVERNMENTAL, MONETARY AND OTHER POLICIES The activities and results of operations of bank holding companies and their subsidiaries are affected by monetary, tax and other policies of the government and its agencies, including the Board of Governors of the Federal Reserve System ("Federal Reserve Board"). An important function of the Federal Reserve Board is to regulate the national supply of bank credit. The Federal Reserve Board employs open market operations in U.S. Government securities, changes in the discount rate on bank borrowings and changes in reserve requirements on bank deposits to implement its monetary policy objectives. These instruments of monetary policy are used in varying combinations to influence the overall level of bank loans, investments and deposits, the interest rates charged on loans and paid for deposits, the price of the dollar in foreign exchange markets and the level of inflation. The Federal Reserve Board's policies influence the rates of interest that PNC charges on loans and pays on borrowings and interest-bearing deposits and can also affect the value of on-balance-sheet and off-balance-sheet financial instruments. Those policies also influence, to a significant extent, the cost of funding for the Corporation. It is not possible to predict the nature or timing of future changes in monetary, tax and other policies or the effect that they may have on the Corporation's activities and results of operations.

IMPACT OF INFLATION The assets and liabilities of the Corporation are primarily monetary in nature. Accordingly, future changes in prices do not affect the obligations to pay or receive fixed and determinable amounts of money. During periods of inflation, monetary assets lose value in terms of purchasing power and monetary liabilities have corresponding purchasing power gains. The concept of purchasing power, however, is not an adequate indicator of the effect of inflation on banks because it does not take into account changes in interest rates, which are an important determinant of the Corporation's earnings. A discussion of interest rate risk is set forth under the caption "Interest Rate Risk" in the "Risk Management" section of the "Financial Review" included on pages 53 through 55 of the Annual Report to Shareholders, and is incorporated herein by reference.

SUPERVISION AND REGULATION

OVERVIEW

The Corporation and its subsidiaries are subject to numerous governmental regulations, some of which are highlighted below and in "Note 3 Regulatory Matters" of the "Notes To Consolidated Financial Statements" included on pages 82 and 83 of the Annual Report to Shareholders, which is incorporated herein by reference. Applicable laws and regulations restrict permissible activities and investments and require compliance with protections for loan, deposit, brokerage, fiduciary, mutual fund and other customers, among other things. They also restrict the Corporation's ability to repurchase stock or to receive dividends from its bank subsidiaries and impose capital adequacy requirements. The consequences of noncompliance can include substantial monetary and nonmonetary sanctions.

In addition, the Corporation and its subsidiaries are subject to comprehensive examination and supervision by, among other regulatory bodies, the Federal Reserve Board and the Office of the Comptroller of the Currency ("OCC"). These regulatory agencies generally have broad discretion to impose restrictions and limitations on the operations of a regulated entity where the agencies determine, among other things, that such operations are unsafe or unsound, fail to comply with applicable law or are otherwise inconsistent with laws and regulations or with the supervisory policies of these agencies. This supervisory framework could materially impact the conduct, growth and profitability of the Corporation's operations.

The Corporation and certain of its subsidiaries are also subject to regulation by the Securities and Exchange Commission ("SEC") by virtue of the Corporation's status as a public company and due to the nature of certain of its businesses.

There are numerous rules governing the regulation of financial services institutions and their holding companies. Accordingly, the following discussion is general in nature and does not purport to be complete or to describe all of the laws and regulations that apply to the Corporation and its subsidiaries.

The discussion below begins by presenting a general description of the principal regulations affecting the Corporation. It then summarizes key regulatory developments that took place in 2002, including ongoing adverse

consequences. The general regulatory description should be reviewed in light of these 2002 developments.

GENERAL

As a bank holding company and, as discussed below, a "financial holding company," the Corporation is subject to supervision and regular inspection by the Federal Reserve Board. The Federal Reserve Board's prior approval is required whenever the Corporation proposes to acquire all or substantially all of the assets of any bank or thrift, to acquire direct or indirect ownership or control of more than 5% of the voting shares of any bank or thrift, or to merge or consolidate with any other bank holding company or thrift holding company. When reviewing bank acquisition applications for approval, the Federal Reserve Board considers, among other things, each subsidiary bank's record in meeting the credit needs of the communities it serves in accordance with the Community Reinvestment Act of 1977, as amended ("CRA"). At December 31, 2002, both of the Corporation's bank subsidiaries, PNC Bank and PNC Bank, Delaware, were rated "outstanding" with respect to CRA.

The GLB Act, which was enacted on November 12, 1999 and portions of which became effective on March 11, 2000, permits a qualifying bank holding company to become a financial holding company and thereby to affiliate with financial companies engaging in a broader range of activities than had previously been permitted for a bank holding company. Permitted affiliates include securities underwriters and dealers, insurance companies and companies engaged in other activities that are determined by the Federal Reserve Board, in consultation with the Secretary of the Treasury, to be "financial in nature or incidental thereto" or are determined by the Federal Reserve Board unilaterally to be "complementary" to financial activities. A bank holding company may elect to become a financial holding company if each of its subsidiary banks is "well capitalized," is "well managed," and has at least a "satisfactory" CRA rating. The Corporation became a financial holding company as of March 13, 2000.

The Federal Reserve Board is the "umbrella" regulator of a financial holding company. In addition, the financial holding company's operating entities, such as its subsidiary broker-dealers, investment managers, investment companies, insurance companies and banks, are also subject to the jurisdiction of various federal and state "functional" regulators.

The Corporation's subsidiary banks and their subsidiaries are subject to supervision and examination by applicable federal and state banking agencies, including the OCC with respect to PNC Bank and the Federal Deposit Insurance Corporation ("FDIC") and the Delaware Office of the State Bank Commissioner with respect to PNC Bank, Delaware. One aspect of this regulation is that the Corporation's subsidiary banks are subject to various federal and state restrictions on their ability to pay dividends to PNC Bancorp, Inc., the parent of the subsidiary banks, which in turn may affect the ability of PNC Bancorp, Inc. to pay dividends to the Corporation. These dividends constitute the principal source of the Corporation's revenue and cash flow at the parent company level. Without regulatory approval, the amount available for the payment of dividends by PNC Bank and PNC Bank, Delaware was approximately $460 million at December 31, 2002. The Corporation's subsidiary banks are also subject to federal laws limiting extensions of credit to their parent holding company and nonbank affiliates as discussed in "Note 3 Regulatory Matters" of the "Notes To Consolidated Financial Statements" included on pages 82 and 83 of the Annual Report to Shareholders, which is incorporated herein by reference.

Under Federal Reserve Board policy, a bank holding company is expected to act as a source of financial strength to each of its subsidiary banks and to commit resources to support each such bank. Consistent with the "source of strength" policy for subsidiary banks, the Federal Reserve Board has stated that, as a matter of prudent banking, a bank holding company generally should not maintain a rate of cash dividends unless its net income available to common shareholders has been sufficient to fully fund the dividends and the prospective rate of earnings retention appears to be consistent with the corporation's capital needs, asset quality and overall financial condition.

In addition to dividends from PNC Bank and PNC Bank, Delaware, other sources of parent company liquidity for the Corporation include cash and short-term investments, as well as dividends and loan repayments from other subsidiaries. As of December 31, 2002, the Corporation had approximately $719 million in funds available from its cash and short-term investments or other funds available from unrestricted subsidiaries. The Corporation currently has available funds to pay dividends at current rates through 2003.

Subsidiary banks are also limited by law and regulation in the scope of permitted activities and investments. Subsidiary banks and their operating subsidiaries may engage in any activities that are determined by the OCC to be part of or incidental to the business of banking. The GLB Act, however, permits a national bank, such as PNC Bank, to engage in expanded activities through the formation of a "financial subsidiary." PNC Bank has filed a financial subsidiary certification with the OCC and may thus engage through a financial subsidiary in any activity that is financial in nature or incidental to a financial activity with certain exceptions, including insurance underwriting, insurance investments, real estate investment or development, and merchant banking.

In order to qualify to establish or acquire a financial subsidiary, PNC Bank and each of its depository institution affiliates must be "well capitalized" and

"well managed" and may not have a less than "satisfactory" CRA rating. In addition, the total assets of all financial subsidiaries of a national bank may not exceed the lesser of $50 billion or 45% of the parent bank's total assets. A national bank that is one of the largest 50 insured banks in the United States, such as PNC

Bank, must also have issued debt with certain minimum ratings. In addition to calculating its risk-based capital information from its consolidated financial statements, a national bank with one or more financial subsidiaries must also be "well capitalized" after excluding from its assets and equity all equity investments, including retained earnings, in a financial subsidiary, and the assets of the financial subsidiary from the bank's consolidated assets. Any published financial statement for a national bank with a financial subsidiary must provide risk-based capital information under both methods described above. The bank must also have policies and procedures to assess financial subsidiary risk and protect the bank from such risks and potential liabilities.

As a regulated financial services firm, the Corporation's relationships and good standing with its regulators are of fundamental importance to the continuation and growth of the Corporation's businesses. The Federal Reserve Board, OCC, SEC, and other domestic and foreign regulators have broad enforcement powers, and powers to approve, deny, or refuse to act upon applications or notices of the Corporation or its subsidiaries to conduct new activities, acquire or divest businesses or assets, or reconfigure existing operations. In addition, the Corporation and its bank subsidiaries are subject to examination by various regulators, which results in examination reports and ratings (which are not publicly available) that can impact the conduct and growth of the Corporation's businesses. These examinations consider not only compliance with applicable laws and regulations, but also capital levels, asset quality and risk, management ability and performance, earnings, liabilities, and various other factors. An examination downgrade by any of the Corporation's federal bank regulators potentially can result in the imposition of significant limitations on the activities and growth of the Corporation and its subsidiaries.

For example, as subsidiaries of a financial holding company under the GLB Act, the nonbank subsidiaries of the Corporation are allowed to conduct new financial activities or acquire nonbank financial companies with after-the-fact notice to the Federal Reserve Board. In addition, the Corporation's nonbank subsidiaries (and financial subsidiaries of the Corporation's subsidiary banks) are now permitted to engage in certain activities that were not permitted for banks and bank holding companies prior to enactment of the GLB Act, and to engage in certain activities that previously were permitted, all on less restrictive terms. Among other activities, the Corporation currently relies on its status as a financial holding company to conduct mutual fund distribution activities, merchant banking activities, and underwriting and dealing activities.

To continue to qualify for financial holding company status, the Corporation's subsidiary banks must maintain "well capitalized" capital ratios, examination ratings of "1" or "2" (on a scale of 1 to 5), and certain other criteria that are incorporated into the definition of "well managed" under the Bank Holding Company Act and Federal Reserve Board rules. If the Corporation were no longer to qualify for this status, it could not continue to enjoy the after-the-fact notice process for new nonbanking activities and nonbanking acquisitions, and would be required promptly to enter into an agreement with the Federal Reserve Board providing a plan for the Corporation's subsidiary bank(s) to meet the "well capitalized" and "well managed" criteria. The Federal Reserve Board would have broad authority to limit the activities of the Corporation. Failure to satisfy the criteria within a six-month period could result in a requirement that the Corporation conform its existing nonbanking activities to activities that were permissible prior to the enactment of the GLB Act. If a subsidiary bank of the Corporation failed to maintain a "satisfactory" or better rating under the CRA, the Corporation could not commence new activities or make new investments in reliance on the GLB Act.

In addition, if the Corporation's subsidiary banks were no longer "well capitalized" and "well managed" within the meaning of the Bank Holding Company Act and Federal Reserve Board rules (which take into consideration capital ratios, examination ratings and other factors), the expedited processing of certain types of Federal Reserve Board applications would not be available to the Corporation. Moreover, examination ratings of "3" or lower, lower capital ratios than peer group institutions, regulatory concerns regarding management, controls, assets, operations or other factors, can all potentially result in practical limitations on the ability of a bank or bank holding company to engage in new activities, grow, acquire new businesses, repurchase its stock or pay dividends, or continue to conduct existing activities.

Certain subsidiaries of the Corporation's BlackRock, Inc. subsidiary ("BlackRock") have qualified as "financial subsidiaries," as described above, of PNC Bank. If a subsidiary bank of the Corporation were to fail to meet the "well capitalized" or "well managed" and related criteria, PNC Bank would be required to enter into an agreement with the OCC to correct the condition. The OCC would have the authority to limit the activities of the bank. If the condition were not corrected within six months or within any additional time granted by the OCC, PNC Bank could be required to conform the activities of its financial

subsidiaries to activities in which a national bank could engage directly. In addition, if the bank or any insured depository institution affiliate receives a less than satisfactory CRA examination rating, PNC Bank would not be permitted to engage in any new activities or to make new investments in reliance on the financial subsidiary authority.

The federal banking agencies possess broad powers to take corrective action as deemed appropriate for an insured depository institution and its holding company. The extent of these powers depends upon whether the institution in question is considered "well capitalized," "adequately capitalized," "undercapitalized," "significantly undercapitalized" or "critically undercapitalized." Generally, the smaller an institution's capital base in relation to its total assets, the greater the scope and severity of the agencies' powers, ultimately permitting the agencies to appoint a receiver for the

institution. Business activities may also be influenced by an institution's capital classification. For instance, only a "well capitalized" depository institution may accept brokered deposits without prior regulatory approval and an "adequately capitalized" depository institution may accept brokered deposits only with prior regulatory approval. At December 31, 2002, both of the Corporation's subsidiary banks exceeded the required ratios for classification as "well capitalized." Additional discussion of capital adequacy requirements is set forth under the caption "Capital" in the "Financial Review" and in "Note 3 Regulatory Matters" of the "Notes to Consolidated Financial Statements" on pages 47 and 48 and pages 82 and 83, respectively, of the Annual Report to Shareholders, which sections are incorporated herein by reference.

Regulatory matters could also increase the cost of FDIC deposit insurance premiums to an insured bank. Both of the Corporation's subsidiary banks are insured by the FDIC and subject to premium assessments. Since 1996, the FDIC has not assessed banks in the most favorable capital and assessment risk classification categories for insurance premiums for most deposits, due to the favorable ratio of the assets in the FDIC's deposit insurance funds to the aggregate level of insured deposits outstanding. This has resulted in significant cost savings to all insured banks. Recent costs to the FDIC in resolving several large bank and savings institution receiverships, however, have caused this ratio to decline to the point that the FDIC may be required in the near future to once again begin to assess deposit insurance premiums against insured banks in the most favorable capital and assessment risk classification categories. Deposit insurance premiums are assessed as a percentage of the deposits of the insured institution. If the FDIC assesses premiums for all deposits, it would impose a significant cost to all insured banks, including the Corporation's subsidiary banks, reducing the net spread between deposit and other bank funding costs and the earnings from assets and services of the bank, and thus the net income of the bank. FDIC deposit insurance premiums are "risk based", therefore, higher fee percentages would be charged to banks that have lower capital ratios or higher risk profiles. These risk profiles may take into account weaknesses that are found by the primary banking regulator through its examination and supervision of the bank. A negative evaluation by the FDIC or a bank's primary federal banking regulator, as a result, could increase the costs to a bank and result in an aggregate cost of deposit funds higher than that of competing banks in a lower risk category.

The Corporation's subsidiary banks are subject to "cross-guarantee" provisions under federal law that provide that if one of these banks fails or requires FDIC assistance, the FDIC may assess a "commonly-controlled" bank for the estimated losses suffered by the FDIC. Such liability could have a material adverse effect on the financial condition of any assessed bank and the Corporation. While the FDIC's claim is junior to the claims of depositors, holders of secured liabilities, general creditors and subordinated creditors, it is superior to the claims of shareholders and affiliates, such as the Corporation.

The Corporation's subsidiaries are subject to regulatory requirements imposed by the Federal Reserve Board and other federal and state agencies. The Corporation's registered broker-dealer subsidiaries, including one of BlackRock's subsidiaries, are regulated by the SEC and either by the OCC or the Federal Reserve Board. They are also subject to rules and regulations promulgated by the National Association of Securities Dealers, Inc. ("NASD"), among others. Three subsidiaries, including one of BlackRock's subsidiaries, are registered as commodity pool operators with the Commodity Futures Trading Commission ("CFTC") and the National Futures Association ("NFA"), and are subject to regulation by them.

Several of the Corporation's subsidiaries, including certain BlackRock subsidiaries, are registered with the SEC as investment advisers and, therefore, are subject to the requirements of the Investment Advisers Act of 1940 and the SEC's regulations thereunder. The principal purpose of the regulations applicable to investment advisers is the protection of clients and the securities markets, rather than the protection of creditors and stockholders of investment advisers. The regulations applicable to investment advisers cover all aspects of the investment advisory business, including limitations on the ability of investment advisers to charge performance-based or non-refundable fees to clients, record-keeping, operating, marketing and reporting

requirements, disclosure requirements, limitations on principal transactions between an adviser or its affiliates and advisory clients, as well as general anti-fraud prohibitions. The Corporation's investment advisory subsidiaries also may be subject to certain state securities laws and regulations. In addition, the Corporation's investment adviser subsidiaries, such as certain BlackRock subsidiaries, that are investment advisors to registered investment companies and other managed accounts are subject to the requirements of the Investment Company Act of 1940 and the SEC's regulations thereunder.

Additional legislation, changes in rules promulgated by the SEC, other federal and state regulatory authorities and self-regulatory organizations, or changes in the interpretation or enforcement of existing laws and rules may directly affect the method of operation and profitability of investment advisers. The profitability of investment advisers could also be affected by rules and regulations which impact the business and financial communities in general, including changes to the laws governing taxation, antitrust regulation and electronic commerce.

Under various provisions of the federal securities laws (including in particular those applicable to broker-dealers, investment advisers and registered investment companies and their service providers), a determination by a court or regulatory agency that certain violations have occurred at a company or its affiliates can result in a limitation of permitted activities, disqualification to continue to conduct certain

activities and an inability to rely on certain favorable exemptions. Certain types of infractions and violations can also affect a public company in its timing and ability expeditiously to issue new securities into the capital markets. In addition, expansion of activities of a broker-dealer generally requires approval of the New York Stock Exchange and/or NASD, and regulators may take into account a variety of considerations in acting upon such applications, including internal controls, capital, management experience and quality, and supervisory concerns.

For additional information about the regulation of BlackRock, see the discussion under the "Regulation" section of Item 1. Business in BlackRock's most recent Annual Report on Form 10-K, which may be obtained electronically at the SEC's home page at www.sec.gov.

2002 REGULATORY DEVELOPMENTS

On July 18, 2002, 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 connection with three 2001 transactions that gave rise to a financial statement restatement announced by the Corporation on January 29, 2002. 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. Collateral consequences from entry of the Commission Order include the loss of "safe harbor" protection for forward-looking statements under the Private Securities Litigation Reform Act for three years from the date of the Commission Order and the potential for restrictions on the licenses, registrations, and regulatory approvals of the Corporation's subsidiaries engaged in broker-dealer and other regulated financial businesses and impacting the status of the Corporation's subsidiaries as government contractors. The potential restrictions are considered unlikely to be imposed.

On the same date, the Corporation 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, had entered into a written agreement with the OCC. These agreements (together, the "Regulatory Agreements") address such issues as risk, management and financial controls. As a result of entering into the Regulatory Agreements, the Corporation and PNC Bank were required to obtain approval of the Federal Reserve and the OCC, respectively, prior to adding new directors or employing new senior executive officers, and were prohibited from making "golden parachute payments," as defined in applicable regulations, without prior regulatory approval. PNC Bank also was subject to increases in deposit insurance premium assessments and regulatory examination fees.

The Corporation and PNC Bank were also advised by the Federal Reserve Board and the OCC, respectively, that the Corporation and PNC Bank no longer satisfied financial holding company and financial subsidiary requirements for purposes of the GLB Act. The Corporation and PNC Bank entered into agreements with the Federal Reserve and the OCC, respectively, that required the Corporation and PNC Bank to provide a plan for the Corporation's subsidiary bank, PNC Bank, to meet the "well capitalized" and "well managed" criteria within a 180 day period from receipt of the notices. During that interim period, the Corporation and PNC Bank were prohibited from engaging in new activities or making new investments in reliance on the regulatory procedures and powers pursuant to the GLB Act without prior approval of the Federal Reserve or the OCC, respectively. The failure to satisfy the requirements of the agreements could have resulted in the Corporation's and PNC Bank's loss of powers allowed under the GLB Act.

As of December 19, 2002, the Federal Reserve notified the Corporation, and the OCC notified PNC Bank, that the Corporation and PNC Bank were in full compliance with the financial holding company and financial subsidiary requirements, respectively, for purposes of the GLB Act, reflecting that PNC Bank now met both the "well capitalized" and "well managed" criteria. This removed the limitations placed in July 2002 on the Corporation's engaging in new activities or making new investments and on PNC Bank's financial subsidiary activities. However, the Regulatory Agreements remain in place, and the Corporation and PNC Bank, respectively, in certain circumstances must continue to obtain prior approval from the Federal Reserve or the OCC, respectively, before making acquisitions or engaging in new activities.

The Federal Reserve and the OCC also notified the Corporation and PNC Bank, respectively, that, as of December 19, 2002, the Corporation and PNC Bank were no longer required to obtain approval of the Federal Reserve and the OCC, respectively, prior to adding new directors or employing new senior executive officers, and, in general, were not prohibited from making "golden parachute payments." Also, PNC Bank is no longer subject to increased regulatory examination fees. In addition, the FDIC has informed PNC Bank that, as of January 1, 2003, the bank was no longer subject to increases in deposit insurance premium assessments because it has been returned to the most favorable assessment risk classification category.

Under applicable regulations, as long as the Corporation remains subject to the Regulatory Agreement with the Federal Reserve, the Corporation must obtain prior regulatory approval to repurchase its common stock in amounts that exceed 10 percent of consolidated net worth in any 12-month period. The Corporation has incurred, and may continue to incur, additional operating costs in connection with compliance with the Regulatory Agreements including, among others, incremental staff and continued higher legal and consulting expenses. Further, the reputational risk created by the Commission Order and the Regulatory Agreements could still have an impact on such matters as business generation and retention, the ability to attract and retain management, liquidity and funding.

The Corporation believes that it has made substantial progress to date in enhancing its risk management and governance practices and improving its regulatory relations, while addressing the various requirements set forth in the Regulatory Agreements. There can be no assurance, however, as to the precise timing for determining that all required corrective actions have been taken to the appropriate satisfaction of the Federal Reserve and the OCC. The Board and senior management team are committed to the goal of establishing the Corporation as an industry leader in the areas of governance, corporate conduct, risk management and regulatory relations, and to meeting all of the Corporation's commitments to its regulators. While the Corporation believes that substantial progress has been made in this pursuit to date, the Corporation also recognizes that this remains an important ongoing effort requiring dedication and a commitment of resources at all levels of the institution.

COMPETITION The Corporation and its subsidiaries are subject to intense competition from various financial institutions and from "nonbank" entities that engage in similar activities without being subject to bank regulatory supervision and restrictions. This is particularly true as the Corporation expands nationally and internationally beyond its primary geographic region, where expansion requires significant investments to penetrate new markets and respond to competition, and as the Corporation and other entities expand their activities pursuant to the GLB Act, as discussed above.

In making loans, the subsidiary banks compete with traditional banking institutions as well as consumer finance companies, leasing companies and other nonbank lenders. Loan pricing and credit standards are under competitive pressure as lenders seek to deploy capital and a broader range of borrowers have access to capital markets. Traditional deposit activities are subject to pricing pressures and customer migration as a result of intense competition for consumer investment dollars. The Corporation's subsidiary banks compete for deposits with not only other commercial banks, savings banks, savings and loan associations and credit unions, but also insurance companies and issuers of commercial paper and other securities, including mutual funds. Various nonbank subsidiaries engaged in investment banking, private equity and venture capital activities compete with commercial banks, investment banking firms, merchant banks, insurance companies, venture capital firms and other investment vehicles. In providing asset management services, the Corporation's subsidiaries compete with many investment management firms, large banks and other financial institutions, brokerage firms, mutual fund complexes, and insurance companies.

The ability to access and use technology is an increasingly important competitive factor in the financial services industry. Technology is not only important with respect to delivery of financial services, but in processing information. Each of the Corporation's businesses consistently must make technological investments to remain competitive.

See "Supervision and Regulation," "Competition," "Disintermediation," "Asset Management Performance" and "Fund Servicing" within the "Risk Factors" section of the "Financial Review" included on pages 51 and 52 of the Annual Report to Shareholders, which is incorporated herein by reference.

EMPLOYEES Average full-time equivalent employees totaled approximately 23,900 for full year 2002, and were approximately 23,800 for the month of December 2002.

SEC REPORTS The Corporation is subject to the informational requirements of the Securities Exchange Act of 1934, as amended ("Exchange Act"), and in accordance with the Exchange Act, PNC files annual, quarterly and current reports, proxy statements, and other information with the SEC. PNC's SEC File Number is 1-9718. You may read and copy any document PNC files with the SEC at the SEC's Public Reference Room at 450 Fifth Street NW, Washington, D.C. 20549. You can obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC also maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC, including PNC's filings. The address of the SEC's website is http://www.sec.gov. Copies of such materials can also be obtained at prescribed rates from the public reference section of the SEC at 450 Fifth Street NW, Washington, D.C. 20549.

The Corporation makes its annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished to the SEC pursuant to Section 13(a) or 15(d) of the Exchange Act available free of charge on or through the Corporation's Internet site as soon as reasonably practicable after it files such material with, or furnishes it to, the SEC. The Corporation's Internet address is http://www.pnc.com.

ITEM 2 - PROPERTIES

The executive and administrative offices of the Corporation and PNC Bank are located at One PNC Plaza, Pittsburgh, Pennsylvania. The thirty-story structure is owned by PNC Bank. The Corporation and PNC Bank occupy the entire building. In addition, PNC Bank owns a thirty-four story structure adjacent to One PNC Plaza, known as Two PNC Plaza, that houses additional office space.

The Corporation and its subsidiaries own or lease numerous other premises for use in conducting business activities. The facilities owned or occupied under lease by the Corporation's subsidiaries are considered by management to be adequate. Additional information pertaining to the Corporation's properties is set forth in "Note 13 Premises, Equipment and Leasehold Improvements" of the "Notes To Consolidated Financial Statements" included on page 89 of the Annual Report to Shareholders, which is incorporated herein by reference.

ITEM 3 - LEGAL PROCEEDINGS

The several putative class action complaints filed during 2002 in the United States District Court for the Western District of Pennsylvania were consolidated in a Consolidated Class Action Complaint filed on October 4, 2002 brought on behalf of purchasers of the Corporation's common stock between July 19, 2001 and July 18, 2002. The Consolidated Class Action Complaint names as defendants the Corporation, the Chairman and Chief Executive Officer, the former Chief Financial Officer, the Controller, and the Corporation's independent auditors for 2001 and seeks unquantified damages, interest, attorneys' fees and other expenses. The Consolidated Class Action Complaint alleges violations of federal securities laws related to disclosures regarding the three 2001 transactions that gave rise to a financial statement restatement announced by the Corporation on January 29, 2002, and related matters. The Corporation and all other defendants have filed a motion to dismiss this lawsuit. Management believes there are substantial defenses to this lawsuit and intends to defend it vigorously. The impact of the final disposition of this lawsuit cannot be assessed at this time.

In August 2002, the Department of Labor began a formal investigation of the Administrative Committee of the Corporation's Incentive Savings Plan ("Plan") in connection with the Committee's conduct relating to the Corporation's common stock held by the Plan and the Corporation's restatement of earnings for 2001. Both the Administrative Committee and the Corporation are cooperating fully with the investigation. The impact of the final disposition of this investigation cannot be assessed at this time.

The Corporation received a letter from a shareholder in 2002 demanding that the Corporation take action against parties allegedly responsible for the events giving rise to the SEC consent order filed on July 18, 2002 and that it consider action against directors of the Corporation who approved certain bonus payments. Management referred this demand to the Board of Directors. The Corporation has recently been advised that the shareholder does not intend to pursue claims derivatively on behalf of the Corporation at this time.

In February 2002, Washington Mutual Bank, FA, the buyer of the Corporation's residential mortgage banking business, filed a lawsuit against the Corporation in the Superior Court of the State of California for the County of Los Angeles alleging various state law claims relating to certain closing date purchase price adjustments in dispute between the parties and seeking compensatory damages with respect to certain of the disputed matters, unquantified punitive

damages, and declaratory and other relief. The Corporation filed a motion in the litigation to compel arbitration in accordance with the provisions of the purchase agreement and to stay the litigation pending that determination, which was granted by the Court. On January 9, 2003, the Corporation and the buyer agreed to a settlement of all issues in dispute between them in connection with the sale of the Corporation's residential mortgage banking business. The settlement has been reported in the fourth quarter of 2002 by the Corporation in discontinued operations, and resulted in a net loss on sale of business, net of tax, for 2002 of $16 million.

On January 14, 2003, an arbitration panel of the National Association of Securities Dealers, Inc. ("NASD") issued an award against J.J.B. Hilliard, W.L. Lyons, Inc. ("Hilliard Lyons"), a subsidiary of the Corporation, and certain of its employees with respect to a claim filed by First of Michigan Corporation (now Fahnestock & Co., Inc.) arising out of Hilliard Lyons' hiring of brokers and support staff from First of Michigan Corporation ("First of Michigan") in late 1997 and spring 1998. The events underlying First of Michigan's claim all occurred prior to the Corporation's acquisition of Hilliard Lyons in December 1998. The panel awarded First of Michigan $22 million (actual damages of $16 million and prejudgment interest and costs of $6 million), resulting in a fourth quarter 2002 pretax charge at the Corporation of $10 million, after taking into account the application of related reserves and accruals.

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. 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, although at the present time, 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 4 - SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None during the fourth quarter of 2002.

EXECUTIVE OFFICERS OF THE REGISTRANT Information regarding each executive officer of the Corporation as of March 10, 2003 is set forth below. Each executive officer held the position or positions indicated or another executive position with the same entity or one of its affiliates for the past five years unless otherwise indicated below.

<TABLE>
<CAPTION>

Name	Age	Positions with Corporation	Year Employed(1)
James E. Rohr	54	Chairman and Chief Executive Officer(2)	1972
Joseph C. Guyaux	52	President	1972
William S. Demchak	40	Vice Chairman and Chief Financial Officer	2002
William C. Mutterperl	56	Vice Chairman	2002
Joseph J. Whiteside	61	Vice Chairman	2002
Timothy G. Shack	52	Executive Vice President and Chief Information Officer	1976
Thomas K. Whitford	47	Executive Vice President and Chief Risk Officer	1990
John J. Wixted, Jr.	51	Senior Vice President and Chief Regulatory Officer	2002
Michael J. Hannon	46	Senior Vice President and Chief Credit Policy Officer	1982
Robert C. Barry, Jr.	60	Senior Vice President and Director of Finance	1997
Richard J. Johnson	46	Senior Vice President and Director of Finance	2002
Samuel R. Patterson	44	Controller	1986
Helen P. Pudlin	53	Senior Vice President and General Counsel	1989

</TABLE>

- ---------------
(1) Where applicable, refers to year employed by predecessor company.
(2) Also serves as a Director of the Corporation.

William S. Demchak joined the Corporation as Vice Chairman and Chief Financial Officer in September 2002. From 1997 to May 2002, he served as Global Head of Structured Finance and Credit Portfolio for J.P. Morgan Chase & Co.

William C. Mutterperl joined the Corporation as Vice Chairman in October 2002. From August 2002 to October 2002, he was a Partner in the business law division of the international law firm of Brown Rudnick Berlack Israels LLP. From February 2002 to May 2002, he served as Executive Director of the Independent Oversight Board for Arthur Andersen LLP, headed by former Federal Reserve Chairman Paul Volcker. From April 1985 to December 2001, he served as Executive Vice President, or another executive position, General Counsel and Secretary to FleetBoston Financial Corp.

Joseph J. Whiteside joined the Corporation as Vice Chairman in October 2002. From 2001 to 2002 he served as Chairman and Chief Executive Officer for Homeside Lending, Inc. From 1996 to 2001 he served as Executive Vice President for National Australia Bank.

John J. Wixted, Jr. joined the Corporation as Senior Vice President and Chief Regulatory Officer in August 2002. From 1996 to 2002 he served as Senior Vice President for Banking Supervision and Regulation for the Federal Reserve Bank of Chicago.

Richard J. Johnson joined the Corporation as Senior Vice President and Director of Finance in December 2002. From 1999 to 2002 he served as President and Chief Executive Officer for J.P. Morgan Services. From 1996 to 1998 he served as Chief Financial Officer for J.P. Morgan Europe.

PART II

ITEM 5 - MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The Corporation's common stock is listed on the New York Stock Exchange and is traded under the symbol "PNC." At the close of business on February 28, 2003, there were 51,754 common shareholders of record.

Holders of common stock are entitled to receive dividends when declared by the Board of Directors out of funds legally available therefor. The Board of Directors may not pay or set apart dividends on the common stock until dividends for all past dividend periods on any series of outstanding preferred stock have been paid or declared and set apart for payment. The Board presently intends to continue the policy of paying quarterly cash dividends. However, the amount of any future dividends will depend on earnings, the financial condition of the Corporation and other factors, including contractual restrictions and applicable government regulations and policies (such as those relating to the ability of bank and nonbank subsidiaries to pay dividends to the parent company). Management expects that the parent company will have sufficient liquidity available to pay dividends at current rates through 2003.

The Federal Reserve Board has the power to prohibit the Corporation from paying dividends without its approval. Further discussion concerning dividend restrictions and restrictions on loans or advances from bank subsidiaries to the parent company is set forth under the caption "Supervision and Regulation" in Part I, Item 1 of this Form 10-K, under the caption "Liquidity" in the "Consolidated Balance Sheet Review" section of the "Financial Review" included on page 46 of the Annual Report to Shareholders, and in "Note 3 Regulatory Matters" of the "Notes To Consolidated Financial Statements" included on pages 82 and 83 of the Annual Report to Shareholders, each of which is incorporated herein by reference.

Additional information relating to the common stock is set forth under the caption "Common Stock Prices/Dividends Declared" on page 113 of the Annual Report to Shareholders, which is incorporated herein by reference.

Information regarding the Corporation's compensation plans under which equity securities of the registrant are authorized for issuance as of December 31, 2002 is included in the table under Item 12 of this Form 10-K.

ITEM 6 - SELECTED FINANCIAL DATA

The information set forth under the caption "Selected Consolidated Financial Data" in the "Financial Review" on pages 26 and 27 of the Annual Report to Shareholders and under the caption "Average Consolidated Balance Sheet and Net Interest Analysis" in the "Statistical Information" on pages 110 and 111 of the Annual Report to Shareholders is incorporated herein by reference.

ITEM 7 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS

OF OPERATIONS

The discussion of the Corporation's financial condition and results of operations set forth under the section "Financial Review" on pages 26 through 66 of the Annual Report to Shareholders is incorporated herein by reference.

ITEM 7A - QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information set forth in the "Risk Management" section in the "Financial Review" on pages 53 through 61 of the Annual Report to Shareholders is incorporated herein by reference.

ITEM 8 - FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The "Report of Deloitte & Touche LLP, Independent Auditors," "Consolidated Financial Statements," "Notes To Consolidated Financial Statements" and "Selected Quarterly Financial Data" on pages 67, 68 through 71, 72 through 107, and 108, respectively, of the Annual Report to Shareholders are incorporated herein by reference.

ITEM 9 - CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

(a) Previously reported.
(b) None.

PART III

ITEM 10 - DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Information regarding directors and nominees required by this item is set forth under the caption "Election of Directors - Information Concerning Nominees" in the Proxy Statement filed for the annual meeting of shareholders to be held on April 22, 2003 and is incorporated herein by reference.

Information regarding compliance with Section 16(a) of the Securities Exchange Act of 1934 is set forth under the caption "Section 16(a) Beneficial Ownership Reporting Compliance" in the Proxy Statement filed for the annual meeting of shareholders to be held on April 22, 2003 and is incorporated herein by reference.

Information regarding executive officers of the Corporation is included in Part I of this Form 10-K under the caption "Executive Officers of the Registrant."

ITEM 11 - EXECUTIVE COMPENSATION

The information required by this item is set forth under the captions "Election of Directors - Compensation of Directors" and "Compensation of Executive Officers," excluding the information set forth under the caption "Personnel and Compensation Committee Report," in the Proxy Statement filed for the annual meeting of shareholders to be held on April 22, 2003 and is incorporated herein by reference.

ITEM 12 - SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this item regarding security ownership of certain beneficial owners and management is set forth under the captions "Security Ownership of Directors, Nominees and Executive Officers" and "Security Ownership of Certain Beneficial Owners" under the heading "Security Ownership of Directors, Nominees and Executive Officers" in the Proxy Statement filed for the annual meeting of shareholders to be held on April 22, 2003 and is incorporated herein by reference.

Information regarding the Corporation's compensation plans under which equity securities of the registrant are authorized for issuance as of December 31, 2002 is included in the table which follows. Additional information regarding these plans is included in "Note 22 Stock-Based Compensation Plans" of the "Notes To Consolidated Financial Statements" included on pages 96 and 97 of the Annual Report to Shareholders and is incorporated herein by reference.

EQUITY COMPENSATION PLAN INFORMATION AT DECEMBER 31, 2002

<TABLE>
<CAPTION>
- --
(a) (b) (c)
Number of

	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
EQUITY COMPENSATION PLANS APPROVED BY SECURITY HOLDERS			
1997 Long-Term Incentive Award Plan (Note 2)			
Stock Options	15,540,719	$55.33	
Incentive Share Awards	63,500	N/A	
Subtotal	15,604,219		4,479,088
1996 Executive Incentive Award Plan			
Incentive Awards		N/A	245,392
Employee Stock Purchase Plan	200,000	(Note 1)	1,975,504
1992 Director Share Incentive Plan		N/A	375,239
Central Incentive Compensation Plan		N/A	5,058
Total approved by security holders	15,804,219		7,080,281
EQUITY COMPENSATION PLANS NOT APPROVED BY SECURITY HOLDERS	None	N/A	None
Total	15,804,219		7,080,281

</TABLE>
N/A - not applicable
Note 1 - 85% of the lower of the fair market value on the first or last day of each six-month offering period.
Note 2 - The maximum number of Shares that may be issued or as to which grants or awards may be made under the Incentive Plan (excluding Shares issued pursuant to grants or awards made prior to February 20, 1997) is (i) 10,141,853 Shares plus (ii) as of January 1 of each calendar year commencing with 1998 an additional number of Shares equal to 1.5% of the total issued shares of Common Stock (including reacquired Shares) at the end of the immediately preceding calendar year. However, no more than 3% of the total issued Shares of Common Stock (including reacquired Shares) at the end of the immediately preceding calendar year is cumulatively available for grants and awards made in any calendar year. In addition, Incentive Share awards granted during any calendar year may not exceed 20% of the maximum number of Shares available for grants and awards made during such calendar year.

ITEM 13 - CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by this item is set forth under the captions "Transactions Involving Directors and Executive Officers" and "Legal Proceedings" in the Proxy Statement filed for the annual meeting of shareholders to be held on April 22, 2003 and is incorporated herein by reference.

ITEM 14 - CONTROLS AND PROCEDURES

The information set forth under the caption "Internal Controls and Disclosure Controls and Procedures" in the "Financial Review" on page 61 of the Annual Report to Shareholders is incorporated herein by reference.

PART IV

ITEM 15 - EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

FINANCIAL STATEMENTS The following report of independent auditors and

consolidated financial information of the Corporation included in the Annual Report to Shareholders are incorporated herein by reference.

Financial Statements	Pages of Annual Report to Shareholders
Report of Deloitte & Touche LLP, Independent Auditors	67
Consolidated Statement Of Income for the three years ended December 31, 2002	68
Consolidated Balance Sheet as of December 31, 2002 and 2001	69
Consolidated Statement Of Shareholders' Equity for the three years ended December 31, 2002	70
Consolidated Statement Of Cash Flows for the three years ended December 31, 2002	71
Notes To Consolidated Financial Statements	72-107
Selected Quarterly Financial Data	108

No financial statement schedules are being filed.

The report of the Corporation's former independent auditors follows:

REPORT OF ERNST & YOUNG LLP,
INDEPENDENT AUDITORS

Shareholders and Board of Directors
The PNC Financial Services Group, Inc.

We have audited the accompanying consolidated balance sheet of The PNC Financial Services Group, Inc. and subsidiaries as of December 31, 2001 and 2000, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2001. These financial statements are the responsibility of The PNC Financial Services Group, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of The PNC Financial Services Group, Inc. and subsidiaries at December 31, 2001 and 2000, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2001, in conformity with accounting principles generally accepted in the United States.

/s/ Ernst & Young LLP

Pittsburgh, Pennsylvania
March 1, 2002

REPORTS ON FORM 8-K The following reports on Form 8-K were filed during the quarter ended December 31, 2002.

On November 14, 2002, the Corporation filed a Form 8-K which included information under Item 9 Regulation FD Disclosure related to certifications of the Corporation's Chairman and Chief Executive Officer and Vice Chairman and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. Conformed copies of such certifications were filed as Exhibits with this Form 8-K filing.

On December 19, 2002, the Corporation filed a Form 8-K which included information under Item 5 Other Events and Regulation FD Disclosure related to a news release regarding notification from the Federal Reserve Bank of Cleveland that the Corporation was in full compliance with the financial holding company and financial subsidiary requirements under the Gramm-Leach-Bliley Act. A copy

of the news release was filed as an Exhibit with this Form 8-K filing.

EXHIBITS The exhibits listed on the Exhibit Index on pages E-1 through E-3 of this Form 10-K are filed herewith or are incorporated herein by reference.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

THE PNC FINANCIAL SERVICES GROUP, INC.
(Registrant)

By: /s/ William S. Demchak
- ---
William S. Demchak
Vice Chairman and Chief Financial Officer
March 13, 2003

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of The PNC Financial Services Group, Inc. and in the capacities indicated on March 13, 2003.

<TABLE>
<CAPTION>

Signature	Capacities
<S>	<C>
/s/ James E. Rohr - ------------------------------- James E. Rohr	Chairman, Chief Executive Office and Director (Principal Executive Officer)
/s/ William S. Demchak - ------------------------------- William S. Demchak	Vice Chairman and Chief Financial Officer (Principal Financial Officer)
/s/ Samuel R. Patterson - ------------------------------- Samuel R. Patterson	Controller (Principal Accounting Officer)
* Paul W. Chellgren; Robert N. Clay; J. Gary Cooper; George A. Davidson, Jr.; Richard B. Kelson; Bruce C. Lindsay; Anthony A. Massaro; Thomas H. O'Brien; Jane G. Pepper; Lorene K. Steffes; Dennis F. Strigl; Stephen G. Thieke; Thomas J. Usher; Milton A. Washington; and Helge H. Wehmeier	
*By: /s/ Thomas R. Moore --- Thomas R. Moore, Attorney-in-Fact, pursuant to Powers of Attorney filed herewith	

</TABLE>

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, James E. Rohr, certify that:

1. I have reviewed this annual report on Form 10-K of The PNC Financial Services Group, Inc.;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

   a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

   b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

   c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

   a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officer and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: March 13, 2003

/s/ James E. Rohr
- -----------------
James E. Rohr
Chairman and Chief Executive Officer

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, William S. Demchak, certify that:

1. I have reviewed this annual report on Form 10-K of The PNC Financial Services Group, Inc.;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

   a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

   b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

   c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

   a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officer and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: March 13, 2003

/s/ William S. Demchak
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William S. Demchak
Vice Chairman and Chief Financial Officer

EXHIBIT INDEX

<TABLE>
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Exhibit No.	Description	Method of Filing+
3.1	Articles of Incorporation of the Corporation, as amended and restated as of April 24, 2001.	Incorporated herein by reference to Exhibit 3.1 of the Corporation's Quarterly Report on Form 10-Q for the quarter ended March 31, 2001.
3.2	By-Laws of the Corporation, as amended and restated.	Filed herewith.
4.1	There are no instruments with respect to long-term debt of the Corporation and its subsidiaries that involve securities authorized under the instrument in an amount exceeding 10 percent of the total assets of the Corporation and its subsidiaries on a consolidated basis. The Corporation agrees to provide the SEC with a copy of instruments defining the rights of holders of long-term debt of the Corporation and its subsidiaries on request.	
4.2	Terms of $1.80 Cumulative Convertible Preferred Stock, Series A.	Incorporated herein by reference to Exhibit 3.1 of the Corporation's Quarterly Report on Form 10-Q for the quarter ended March 31, 2001.
4.3	Terms of $1.80 Cumulative Convertible Preferred Stock, Series B.	Incorporated herein by reference to Exhibit 3.1 of the Corporation's Quarterly Report on Form 10-Q for the quarter ended March 31, 2001.
4.4	Terms of $1.60 Cumulative Convertible Preferred Stock, Series C.	Incorporated herein by reference to Exhibit 3.1 of the Corporation's Quarterly Report on Form 10-Q for the quarter ended March 31, 2001.
4.5	Terms of $1.80 Cumulative Convertible Preferred Stock, Series D.	Incorporated herein by reference to Exhibit 3.1 of the Corporation's Quarterly Report on Form 10-Q for the quarter ended March 31, 2001.
4.6	Terms of Series G Junior Participating Preferred Stock.	Incorporated herein by reference to Exhibit 3.1 of the Corporation's Quarterly Report on Form 10-Q for the quarter ended March 31, 2001.

Exhibit No.	Description	Method of Filing+
4.7	Rights Agreement between the Corporation and The Chase Manhattan Bank dated May 15, 2000.	Incorporated herein by reference to Exhibit 1 to the Corporation's Report on Form 8-A filed May 23, 2000.
4.8	First Amendment to Rights Agreement between the Corporation, The Chase Manhattan Bank, and Computershare Investor Services, LLC dated January 1, 2003.	Filed herewith.
10.1	The Corporation's Supplemental Executive Retirement Plan, as amended.	Incorporated herein by reference to Exhibit 10.1 of the Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2002.*
10.2	The Corporation's ERISA Excess Pension Plan, as amended as of January 1, 1999.	Incorporated herein by reference to Exhibit 10.2 of the Corporation's Annual Report on Form 10-K for the year ended December 31, 1999 ("1999 Form 10-K").*
10.3	The Corporation's Key Executive Equity Program, as amended.	Incorporated herein by reference to Exhibit 10.3 of the Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2002.*
10.4	The Corporation's Supplemental Incentive Savings Plan, as amended as of January 1, 1999.	Incorporated herein by reference to Exhibit 10.4 of the Corporation's 1999 Form 10-K.*

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Exhibit No.	Description	Method of Filing+
<S>	<C>	<C>
10.5	The Corporation's 1997 Long-Term Incentive Award Plan, as amended.	Filed herewith.*
10.6	The Corporation's 1996 Executive Incentive Award Plan, as amended.	Incorporated herein by reference to Exhibit 10.6 of the Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2001.*
10.7	PNC Bank Corp. and Affiliates Deferred Compensation Plan, as amended and restated.	Incorporated herein by reference to Exhibit 10.7 of the Corporation's Quarterly Report on Form 10-Q for the quarter ended March 31, 2002.*
10.8	Form of Change in Control Severance Agreement.	Incorporated herein by reference to Exhibit 10.17 of the Corporation's Annual Report on Form 10-K for the year ended December 31, 1996 ("1996 Form 10-K"). *
10.9	Forms of Amendment to Change in Control Severance Agreements.	Incorporated herein by reference to Exhibit 10.9 of the Corporation's Annual Report on Form 10-K for the year ended December 31, 2000.*
10.10	Forms of Second Amendment to Change in Control Severance Agreements.	Incorporated herein by reference to Exhibit 10.15 of the Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 2001.*
10.11	1992 Director Share Incentive Plan.	Incorporated herein by reference to Exhibit 10.13 of the Corporation's 1999 Form 10-K.*
10.12	The Corporation's Directors Deferred Compensation Plan.	Incorporated by reference to Exhibit 10.1 of the Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 1996.*
10.13	The Corporation's Outside Directors Deferred Stock Unit Plan.	Incorporated herein by reference to Exhibit 10.15 of the Corporation's 1999 Form 10-K.*
10.14	Trust Agreement between PNC Investment Corp., as settlor, and Hershey Trust Company, as trustee.	Filed herewith.*
10.15	Employment Agreement between the Corporation and Joseph J. Whiteside.	Filed herewith.*

10.16	The Corporation's Incentive Savings Plan, as amended as of January 1, 2001.	Filed herewith.
10.17	First Amendment to the Corporation's Incentive Savings Plan.	Filed herewith.
10.18	Second Amendment to the Corporation's Incentive Savings Plan.	Filed herewith.
10.19	The Corporation's Employee Stock Purchase Plan, as amended.	Incorporated herein by reference to Exhibit 99 of the Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 2001.
10.20	BlackRock, Inc. 2002 Long Term Retention and Incentive Plan.	Incorporated by reference to BlackRock, Inc.'s Quarterly Report on Form 10-Q (Commission File No. 001-15305) for the quarter ended September 30, 2002 ("BlackRock Third Quarter 2002 Form 10-Q").
10.21	Share Surrender Agreement, dated October 10, 2002, among BlackRock, Inc., PNC Asset Management, Inc., and The PNC Financial Services Group, Inc.	Incorporated by reference to the BlackRock Third Quarter 2002 Form 10-Q.
10.22	Initial Public Offering Agreement, dated September 30, 1999, among BlackRock, Inc., The PNC Financial Services Group, Inc., formerly PNC Bank Corp., and PNC Asset Management, Inc.	Incorporated by reference to BlackRock, Inc.'s Registration Statement on Form S-1 (Registration No. 333-78367), as amended, originally filed with the SEC on May 13, 1999.
10.23	Amendment No. 1 to the Initial Public Offering Agreement, dated October 10, 2002, among The PNC Financial Services Group, Inc., PNC Asset Management, Inc. and BlackRock, Inc.	Incorporated by reference to the BlackRock Third Quarter 2002 Form 10-Q.
10.24	Amended and Restated Stockholders Agreement, dated September 30, 1999, by and among BlackRock, Inc., PNC Asset Management, Inc. and certain employees of BlackRock, Inc. and its affiliates.	Incorporated by reference to BlackRock, Inc.'s Registration Statement on Form S-1 (Registration No. 333-78367), as amended, originally filed with the SEC on May 13, 1999.
10.25	Amendment No. 1 to the Amended and Restated Stockholders Agreement, dated October 10, 2002, by and among BlackRock, Inc., PNC Asset Management, Inc. and certain employees of BlackRock, Inc. and its affiliates.	Incorporated by reference to the BlackRock Third Quarter 2002 Form 10-Q.

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Exhibit No.	Description	Method of Filing +
<S>	<C>	<C>
12.1	Computation of Ratio of Earnings to Fixed Charges.	Filed herewith.
12.2	Computation of Ratio of Earnings to Fixed Charges and Preferred Dividends.	Filed herewith.
13	Excerpts from the Corporation's Annual Report to Shareholders for the year ended December 31, 2002. Such Annual Report, except for the portions thereof that are expressly incorporated by reference herein, is furnished for information of the SEC only and is not deemed to be "filed" as part of this Form 10-K.	Filed herewith.
21	Schedule of Certain Subsidiaries of the Corporation.	Filed herewith.
23.1	Consent of Deloitte & Touche LLP, independent auditors for the Corporation.	Filed herewith.
23.2	Consent of Ernst & Young LLP, former independent auditors for the Corporation.	Filed herewith.
24	Powers of Attorney.	Filed herewith.
99.1	Agreement between The PNC Financial Services Group, Inc. and Federal Reserve Bank of Cleveland.	Incorporated herein by reference to Exhibit 99.1 of the Corporation's Current Report on Form 8-K dated July 18, 2002.

99.2	Form of Agreement between PNC Bank, National Association and Office of the Comptroller of the Currency.	Incorporated herein by reference to Exhibit 99.2 of the Corporation's Current Report on Form 8-K dated July 18, 2002.
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.	Incorporated herein by reference to Exhibit 99.3 of the Corporation's Current Report on Form 8-K dated July 18, 2002.

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+ Incorporated document references to filings by the Corporation are to SEC File No. 1-9718.

* Denotes management contract or compensatory plan.

Copies of these Exhibits may be obtained electronically at the SEC's home page at www.sec.gov or from the public reference section of the SEC, at prescribed rates, at 450 Fifth Street NW, Washington, D.C. 20549. Copies may also be obtained by any shareholder, without charge, upon written request addressed to Computershare Investor Services, Post Office Box 3504, Chicago, Illinois 60690-3504, by calling (800) 982-7652 or via e-mail at web.queries@computershare.com.

EXHIBIT 3.2

BY-LAWS
OF
THE PNC FINANCIAL SERVICES GROUP, INC.

AMENDED AND RESTATED AS OF NOVEMBER 21, 2002

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ARTICLE I. PRINCIPAL OFFICE

The principal office of the Corporation shall be located at One PNC Plaza, Pittsburgh, Pennsylvania.

ARTICLE II. SHAREHOLDERS

1. ANNUAL MEETING

1.1 TIME AND PLACE.

An annual meeting of the shareholders for the election of directors and the transaction of such other business as may properly come before the meeting shall be held at 11 a.m. on the fourth Tuesday in April of each year, or on such other date or hour as may be fixed by the Board of Directors.

1.2 NOMINATIONS AND OTHER BUSINESS.

(a) Nominations for the election of directors and other proposals for action at an annual meeting of shareholders may be made only (i) pursuant to the Corporation's notice of such meeting, (ii) by the presiding officer, (iii) by or at the direction of a majority of the Board of Directors, or (iv) by one or more shareholders in accordance with applicable rules of the Securities and Exchange Commission and the provisions of this Section 1.2.

(b) A nomination for the election of a director or a proposal for action at an annual meeting may be made by a shareholder only if written notice of such nomination or proposal has been received by the Secretary of the Corporation at its principal office not later than (i) 90 days prior to such annual meeting (unless a different date for such notice has been stated in the Corporation's most recent proxy materials distributed to shareholders), or (ii) if the annual meeting is to be held on a date other than the fourth Tuesday in April, the close of business on the tenth day following the first public disclosure of the date of such meeting. The first public disclosure of the date of any annual meeting of shareholders shall be when public disclosure of such meeting date is first made in a filing by the Corporation with the Securities and Exchange Commission, in any notice given to the New York Stock Exchange, or in a news release reported by any national news service.

(c) Each such notice from a shareholder shall set forth: (i) as to the shareholder giving the notice and the beneficial owner, if any, on whose behalf the notice is given (A) the name and address of such shareholder and of such beneficial owner, and (B) the class and number of shares of the Corporation which are owned of record and beneficially by such shareholder and such beneficial owner; and (ii) a representation that the shareholder is a beneficial owner of stock of the Corporation entitled to vote at such meeting and intends to be present at the meeting in person or by proxy to make such nomination or proposal.

(d) Each notice of nomination for the election of a director from a shareholder also shall set forth: (i) the name and address of the person to be nominated; (ii) a description of all arrangements or understandings between the shareholder and the nominee and any other person or persons (naming such person or persons) pursuant to which the nomination is to be made by the shareholder; (iii) such other information regarding the nominee as would be required to be included in proxy materials filed under applicable rules of the Securities and Exchange Commission had the nominee been nominated by the Board of Directors; and (iv) the written consent of the nominee to serve as a director of the Corporation if so elected.

(e) Each notice of a proposal for action at an annual meeting from a shareholder also shall set forth a brief description of the proposal, the reasons for making such proposal, and any direct or indirect interest of the shareholder, or any person on whose behalf the shareholder is acting, in making such proposal.

(f) The presiding officer of the meeting may refuse to permit

any nomination for the election of a director or proposal to be made at an annual meeting by a shareholder who has not complied with all of the foregoing procedures.

2. SPECIAL MEETINGS

Special meetings of the shareholders may be called, at any time, only by the Board of Directors, the Chairman of the Board, the President, or a Vice Chairman of the Board. Only business brought before the meeting (a) pursuant to the Corporation's notice of such meeting, (b) by the presiding officer, or (c) by or at the direction of a majority of the Board of Directors, shall be conducted at a special meeting of the shareholders.

3. PLACE OF MEETINGS

Meetings of the shareholders shall be held at the principal office of the Corporation or at such other place as the Board of Directors may designate.

4. NOTICE OF MEETINGS

Written notice of every meeting of the shareholders shall be given to each shareholder of record entitled to vote at the meeting at least five days prior to the day named for the meeting, unless a greater period of notice is required by law. The notice shall state the day, time and place

of such meeting and the general nature of the business to be transacted. Notice of a meeting may be waived in writing and attendance at a meeting shall itself constitute a waiver of notice of the meeting.

5. QUORUM

The presence, in person or by proxy, of shareholders entitled to cast at least a majority of the votes which all shareholders are entitled to cast on the particular matter shall constitute a quorum for the purpose of considering such matter. At a duly organized meeting, except as may be otherwise specified in the Articles of Incorporation or provided by law, each matter shall be decided upon receiving the affirmative vote of a majority of the votes cast by all shareholders entitled to vote thereon and, if any shareholders are entitled to vote thereon as a class, upon receiving the affirmative vote of a majority of the votes cast by the shareholders entitled to vote as a class.

6. RECORD DATE

The Board of Directors may fix a record date not more than ninety days prior to the date of any meeting of shareholders, or the date fixed for the payment of any dividend or distribution, or the date for the allotment of rights or the date when any change or conversion or exchange of shares will be made or go into effect. Only such shareholders as shall be shareholders of record at the close of business on the record date shall be entitled to notice of, or to vote at such meeting or to receive such allotment of rights or to exercise such rights, as the case may be.

ARTICLE III. DIRECTORS

1. BOARD OF DIRECTORS

The business and offices of the Corporation shall be managed by the Board of Directors, which shall consist of not less than five nor more than thirty-six members as shall be established from time to time by the Board of Directors.

2. TERM OF OFFICE

After elected by the shareholders, directors shall hold office until the next succeeding annual meeting and until their successors shall have been elected and qualified.

3. VACANCY

Vacancies in the Board of Directors, including vacancies resulting from an increase in the number of directors, may be filled by a majority of the remaining directors though less than a quorum, and any director so elected shall serve until the next annual meeting of the shareholders and until a successor shall have been elected and qualified.

4. ORGANIZATION

As soon as practicable after the annual meeting of shareholders at which they were elected, the Board of Directors shall meet for the purpose of electing officers and the transaction of such other business as may be properly brought before the meeting.

5. REGULAR MEETINGS

Regular meetings of the Board of Directors may be held without notice at such times and at such places as the Board of Directors, by resolution, shall establish. When a regular meeting falls on a business holiday, it shall be held on the preceding or next following business day, as the Chief Executive Officer shall select.

6. SPECIAL MEETINGS

Special meetings of the Board of Directors may be called by the Chairman of the Board, the Chief Executive Officer, the President, any Vice Chairman, or at the written request of any three directors. Notice of special meetings shall be given to each director personally or in writing, or by telephone, not later than during the day immediately preceding the day of such meeting and shall include the general nature of the business to be transacted at the meeting.

7. QUORUM

A majority of the directors shall constitute a quorum for the transaction of business, and the acts of a majority of the directors present at a meeting at which a quorum is present shall be the acts of the Board of Directors. One or more directors may participate in a meeting of the Board of Directors, or in a meeting of a Committee of the Board of Directors by means of communication facilities enabling all persons participating in the meeting to hear each other.

8. ACTION WITHOUT A MEETING

Any action which may be taken at a meeting of the Board of Directors may be taken without a meeting if a written consent or consents setting forth the action so taken is signed by all the directors and filed with the Corporate Secretary.

9. COMPENSATION OF DIRECTORS

Directors shall be compensated for their services and reimbursed for their meeting attendance expenses, in such manner and at such time as the Board of Directors may determine.

ARTICLE IV. OFFICERS

1. DESIGNATION

The officers of the Corporation shall be a Chairman of the Board, a President, one or more Vice Chairmen, one or more Vice Presidents of whom one or more may be designated Senior Executive Vice President, Executive Vice President or Senior Vice President, a Corporate Secretary, a Treasurer, a Controller, a General Auditor and such other officers, as the Board of Directors, the Chairman, the President, or the Vice Chairman may from time to time designate. The Board of Directors shall designate from among the Chairman of the Board, President, and Vice Chairmen, one of those officers to be the Chief Executive Officer. All officers having the rank of Senior Vice President or higher shall be elected by the Board of Directors and shall hold office during the pleasure of the Board of Directors. All other officers shall be appointed by the Chief Executive Officer, or, in his absence, by such other officer or officers as may be designated by the Board of Directors, and such appointments shall be reported to the Board of Directors.

2. RESPONSIBILITIES OF THE SENIOR OFFICERS

2.1 CHIEF EXECUTIVE OFFICER

The Chief Executive Officer of the Corporation shall preside at all meetings of the shareholders and the Board of Directors, and shall be ex officio a member of all Committees except the Audit Committee, the Nominating and Governance Committee, and the Personnel and Compensation Committee. Subject to the direction of the Board of Directors, the Chief Executive Officer shall have the general supervision of the policies, business and operations of the Corporation, and of the other officers, agents and employees of the Corporation

and, except as otherwise provided in these By-Laws or by the Board of Directors, shall have all the other powers and duties as are usually incident to the Chief Executive Officer of a corporation. In the absence of the Chief Executive Officer, his or her rights shall be held and duties shall be performed by such other officer or officers as shall be designated by the Board of Directors.

2.2 CHAIRMAN, PRESIDENT AND VICE CHAIRMAN

The Chairman, the President and the Vice Chairman if not designated as the Chief Executive Officer shall have such duties and powers as may be assigned to them from time to time by the Board of Directors or the Chief Executive Officer.

2.3 VICE PRESIDENTS

The Executive Vice Presidents, Senior Vice Presidents and the Vice Presidents, if such are elected, shall have the duties and powers as may from time to time be assigned to them by the Board of Directors, or by the Chief Executive Officer in the absence of any assignment by the Board of Directors. Any reference in these By-Laws to a Vice President will apply equally to an Executive Vice President or a Senior Vice President unless the context requires otherwise.

2.4 TREASURER

The Treasurer shall be responsible for the funding of the Corporation and for all moneys, funds, securities, fidelity and indemnity bonds and other valuables belonging to the Corporation; and shall perform such other duties as may be assigned to him from time to time by the Board of Directors or the Chief Executive Officer.

2.5 CORPORATE SECRETARY

The Corporate Secretary shall: attend the meetings of the shareholders, of the Board of Directors, of the Executive Committee, and of such other Board Committees, if any, as have not appointed another person as secretary of that Committee; keep minutes thereof in suitable minute books; have charge of the corporate records and papers and the corporate seal; have charge of the stock and transfer records of the Corporation; keep a record of all shareholders and give notices of all meetings of shareholders, special meetings of the Board of Directors and of its Committees; and have such other duties as the Board of Directors or the Chief Executive Officer shall assign.

2.6 CONTROLLER

The Controller, if a Controller is elected, shall cause to be kept proper records of the transactions of the Corporation; shall be responsible for the preparation of financial and tax reports required of the Corporation; and shall perform such other duties as may be assigned to him or her from time to time by the Board of Directors or by the Chief Executive Officer.

2.7 GENERAL AUDITOR

The General Auditor shall have charge of auditing the books, records and accounts of the Corporation and shall report directly to the Audit Committee of the Board of Directors.

2.8 ASSISTANT OFFICERS

Each assistant officer as shall be elected shall assist in the performance of the duties of the officer to whom he is assistant and shall perform such duties in the absence of the officer. He shall perform such additional duties as the Board of Directors, the Chief Executive Officer, or the officer to whom he is assistant, may from time to time assign to him.

3. INCUMBENCY

Any officer elected by the Board of Directors may be removed by the Board of Directors whenever, in its best judgment, the best interest of the Corporation will be served thereby, without prejudice however to any contract rights the person so removed may have with the Corporation or any of its subsidiaries.

ARTICLE V. COMMITTEES

1. STANDING COMMITTEES

The Standing Committees which shall be appointed from time to time by the Board of Directors shall be the Executive Committee, the Audit Committee, the Nominating and Governance Committee, the Personnel and Compensation Committee, the Credit Committee and the Finance Committee. The Board of Directors may appoint such other Committees as the Board of Directors shall deem advisable.

1.1 EXECUTIVE COMMITTEE

The Executive Committee shall consist of its Chair, who shall be appointed by the Board of Directors on the recommendation of the Nominating and Governance Committee, the Corporation's Chief Executive Officer, and such other directors, not fewer than five, as shall from time to time be appointed by the Board of Directors on the recommendation of the Nominating and Governance Committee or by the Chief Executive Officer. The Committee shall meet at such time or times as may be fixed by the Board of Directors, or upon the call of its Chair or the Chief Executive Officer. In the absence of the Committee Chair, the Chief Executive Officer shall act as Committee Chair unless the Board of Directors shall appoint some other director. In all instances which the Committee shall deem necessary or appropriate, the Committee shall have and may exercise all of the powers and authority of the Board of Directors so far as may be permitted by law. All acts done and powers conferred by the Committee from time to time shall be deemed to be, and may be certified as being, done and conferred under authority of the Board of Directors. Five directors shall constitute a quorum.

1.2 AUDIT COMMITTEE

The Board of Directors shall appoint the members of the Audit Committee annually on the recommendation of the Nominating and Governance Committee. The Committee shall consist of not less than three directors nor more than eight. The Board of Directors shall, on the recommendation of the Nominating and Governance Committee, appoint one of the members of the Committee to serve as Committee Chair. The Committee Chair will have authority to act on behalf of the Committee between meetings. The Committee may appoint a secretary, who need not be a director. The Committee shall meet on the call of its Chair or as the Committee determines, but not less frequently than quarterly. The duties and responsibilities of the Committee shall be established by the Board of Directors.

1.3 NOMINATING AND GOVERNANCE COMMITTEE

The Board of Directors shall appoint annually the members of the Nominating and Governance Committee, consisting of not fewer than three directors, none of whom shall be an officer or former officer of the Corporation. The Board of Directors shall, on the recommendation of the Nominating and Governance Committee, appoint one of the members of the Committee to serve as Committee Chair. The Committee may appoint a secretary, who need not be a director. The duties and responsibilities of the Committee shall be established by the Board of Directors.

1.4 PERSONNEL AND COMPENSATION COMMITTEE

The Board of Directors shall appoint annually, on the recommendation of the Nominating and Governance Committee, the members of the Personnel and Compensation Committee consisting of not fewer than three directors, none of whom shall be an officer or former officer of the Corporation. Further, upon appointment and at all times during his or her tenure on the Committee, each Committee member must satisfy such standards of independence as may be prescribed for purposes of any federal securities, tax or other laws relating to the Committee's duties and responsibilities. The Committee Chair shall be appointed by the Board of Directors on the recommendation of the Nominating and Governance Committee. The Committee may also appoint a secretary, who need not be a director, and may delegate to the Committee Chair such power and authority as the Committee deems to be appropriate, except such powers and authorities as may be required by law to be exercised by the whole Committee or by a sub-committee of at least two members. The duties and responsibilities of the Committee shall be established by the Board of Directors.

1.5 CREDIT COMMITTEE

The Board of Directors shall appoint annually, on the recommendation of the Nominating and Governance Committee, the members of the Credit Committee consisting of not less than five directors, including no more than two officer-directors. The Committee Chair shall be appointed by the Board of Directors, on the recommendation of the Nominating and Governance Committee,

and shall not be an officer of the Corporation. The Committee may appoint a secretary, who need not be a director. The duties and responsibilities of the Committee shall be established by the Board of Directors.

1.6 FINANCE COMMITTEE

The Board of Directors shall appoint annually, on the recommendation of the Nominating and Governance Committee, the members of the Finance Committee consisting of not less than five directors, including no more than two officer-directors. The Committee Chair shall be appointed by the Board of Directors on the recommendation of the Nominating and Governance Committee, and shall not be an officer of the Corporation. The Committee may appoint a secretary, who need not be a director. The duties and responsibilities of the Committee shall be established by the Board of Directors.

2. OTHER COMMITTEES; SUBCOMMITTEES

The Board of Directors may authorize the appointment of such other Committees as it shall deem advisable. Unless otherwise stated in its Committee Charter, each Committee shall have the authority to form and delegate authority to subcommittees of one or more Committee members when appropriate.

3. MINUTES

The Executive Committee and the Audit Committee shall keep minutes of their meetings, and such minutes shall be submitted at a regular meeting of the Board of Directors, and any action taken by the Board of Directors with respect thereto shall be entered in the minutes of the Board of Directors. All other Committees shall keep minutes of their meetings which shall be accessible to inspection by the Board of Directors at all times.

4. PROCEDURE

Except as otherwise expressly provided for herein or in the Committee's charter, each Committee may appoint a secretary, who need not be a director, adopt its own rules of procedure and, unless the Board of Directors has acted with respect thereto, determine the date, place and hour for its meetings. In the absence of any other provision herein or in the Committee's charter to the contrary, a majority of the members of any Committee shall constitute a quorum, and the action of a majority of the members in attendance at a Committee meeting shall constitute the action of the body. Notice of meetings shall be given to each Committee member personally, or in writing addressed to the address of the director appearing on the books of the Corporation, on or before the day preceding the meeting.

5. ATTENDANCE

In the absence or disqualification of any member of a Committee, the members thereof present at any meeting and not disqualified from voting, whether or not they constitute a quorum, may unanimously appoint another director to act at the meeting in place of any absent or disqualified member, provided that said director meets all of the qualifications for a member of that Committee as set forth in these By-Laws and in the Committee's charter.

ARTICLE VI. STOCK CERTIFICATES

1. SIGNATURES

Certificates of stock of the Corporation shall be signed by the Chairman of the Board, the Chief Executive Officer, the President, any Vice Chairman, or any Vice President and shall be countersigned by the Corporate Secretary, the Treasurer, or any Assistant Corporate Secretary or Assistant Treasurer, and shall be sealed with the seal of the Corporation, which may be a facsimile. Where any such stock certificate is signed manually by a transfer agent or a registrar, the signatures of the officers may be facsimiles.

2. TRANSFERS

The shares of stock of the Corporation shall be transferable only on its books upon surrender of the stock certificate for such shares properly endorsed. The Board of Directors shall have power to appoint one or more Transfer Agents and Registrars for the transfer and registration of certificates of stock of any class, and may require that stock certificates shall be countersigned and registered by one or more such Transfer Agents and Registrars.

3. LOST OR DESTROYED CERTIFICATES

If a stock certificate shall be lost, stolen or destroyed, the shareholder may file with the Corporation an affidavit stating the circumstances of the loss, theft or destruction and may request the issuance of a new certificate. He shall give to the Corporation a bond which shall be in such sum, contain such terms and provisions and have such surety or sureties as the Board of Directors may direct. The Corporation may thereupon issue a new certificate replacing the certificate lost, stolen or destroyed.

ARTICLE VII. DIRECTOR LIABILITY LIMITATION AND INDEMNIFICATION

1. LIMITATION OF DIRECTOR LIABILITY

A director of the Corporation shall, to the maximum extent permitted by the laws of the Commonwealth of Pennsylvania, have no personal liability for monetary damages for any action taken, or any failure to take any action as a director, provided that this Section 1, Article VII shall not eliminate the liability of a director in any case where such elimination is not permitted by law.

2. INDEMNIFICATION

Each person who at any time is or shall have been a director or officer of the Corporation, or is serving or shall have served at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, and his heirs, executors and administrators, shall be indemnified by the Corporation in accordance with and to the full extent permitted by the laws of the Commonwealth of Pennsylvania as in effect at the time of such indemnification. The foregoing right of indemnification shall constitute a contract between the Corporation and each of its directors and officers and shall not be deemed exclusive of other rights to which any director, officer, employee, agent or other person may be entitled in any capacity as a matter of law or under any by-law, agreement, vote of shareholders or directors, or otherwise. If authorized by the Board of Directors, the Corporation may purchase and maintain insurance on behalf of any person to the full extent permitted by the laws of the Commonwealth of Pennsylvania.

The first (1st) paragraph of this Article VII, Section 2 provides indemnification only to persons who at any time are or shall have been (1) directors or officers of the Corporation or (2) directors or officers of the Corporation who are serving or shall have served at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise (any such person as described in (1) or (2) being a "Covered Person").

In connection with any threatened, pending or completed claim, action, suit or proceeding, whether civil, criminal, administrative, investigative, legislative or other, including without limitation an action by or in the right of the Corporation, in which a Covered Person was or is involved (as a party, a witness, by being threatened to be made a party, or otherwise) (each a "Proceeding") for which the Covered Person may be entitled to indemnification under this Article VII, Section 2, the Corporation shall pay the expenses (including without limitation attorneys' fees and expenses) incurred by such Covered Person in any such Proceeding in advance of final disposition of such Proceeding (an "advancement of expenses") upon receipt by the Corporation of an undertaking, by or on behalf of such Covered Person, to repay all amounts so advanced if it is ultimately determined by final judicial decision from which there is no further right to appeal that such Covered Person is not entitled to be indemnified for such expenses under this Article VII, Section 2 or otherwise.

The Corporation will not, in connection with a Proceeding (or part thereof) initiated by a Covered Person, advance expenses to such person or, except as provided in the fifth (5th) paragraph of this Article VII, Section 2, indemnify such person pursuant to this Article VII, Section 2 unless the Proceeding (or part thereof) was authorized by the Board of Directors of the Corporation.

If a written claim for indemnification or advancement of expenses pursuant to this Article VII, Section 2 is not paid in full by the Corporation within sixty (60) days after such claim has been received by the Corporation, the claimant may at any time thereafter bring suit against the Corporation to recover the unpaid amount of any such claim, and if successful in whole or in part in any such suit, the claimant shall also be entitled to be paid the expenses of prosecuting such suit. It shall be a defense to any such suit (other than a suit to enforce a claim for advancement of expenses where the required undertaking has been received by the Corporation) that indemnification of the claimant would not be permitted by applicable law, but the burden of proving such defense shall be on the Corporation. Neither the failure of the Corporation (including its Board of Directors, independent legal counsel or shareholders) to have made a determination prior to the commencement of any suit seeking indemnification or advancement of expenses pursuant to this Article VII, Section 2 that indemnification or advancement of expenses is proper in the

circumstances, nor a determination by the Corporation (including its Board of Directors, independent legal counsel or shareholders) that indemnification or advancement of expenses is not proper in the circumstances, shall, in itself, create a presumption that the claimant is not entitled to indemnification or advancement of expenses pursuant to this Article VII, Section 2 or be a defense to any such suit.

If any provision or provisions of this Article VII, Section 2 are held to be invalid, illegal or unenforceable for any reason whatsoever: (1) the validity, legality and enforceability of the remaining provisions of this Article VII, Section 2 (including without limitation each portion of

any paragraph of this Article VII, Section 2 containing any such provision held to be invalid, illegal or unenforceable that is not itself held to be invalid, illegal or unenforceable) will not in any way be affected or impaired thereby; and (2) to the full extent possible, the provisions of this Article VII, Section 2 (including without limitation each such portion of any paragraph of this Article VII, Section 2 containing any such provision held to be invalid, illegal or unenforceable) will be construed so as to give effect to the intent manifested by the provision or provisions held invalid, illegal or unenforceable.

If a claimant is entitled to indemnification pursuant to the provisions of this Article VII, Section 2 for some or a portion of the expense, liability and loss incurred or suffered by such person in connection with any Proceeding but not for the total amount thereof, the Corporation shall indemnify the claimant for the portion thereof to which the claimant is entitled.

The rights to indemnification and advancement of expenses set forth in this Article VII, Section 2: (1) shall be contract rights and such rights shall continue as to a person who has ceased to be a Covered Person and shall inure to the benefit of a Covered Person's heirs, executors, administrators and legal representatives; and (2) shall not be deemed exclusive of any other rights to which any director, officer, employee, agent or other person may be entitled in any capacity as a matter of law or under any charter provision, by-law, agreement, vote of shareholders or directors, or otherwise. Any repeal, amendment or modification of this Article VII, Section 2 or adoption of any other provision of the By-Laws or Articles of Incorporation of the Corporation which has the effect of limiting the rights set forth in this Article VII, Section 2 shall operate prospectively only and shall not affect any rights or obligations with respect to actions, omissions, circumstances or events occurring prior to the adoption of any such repeal, amendment or modification. Each Covered Person shall be deemed to be serving as such in reliance on the provisions of this Article VII, Section 2. Nothing in this Article VII, Section 2 shall require the Corporation to take any action that would be prohibited by applicable law.

3. INDEMNIFICATION OF EMPLOYEES AND AGENTS

The Corporation may provide indemnification and advancement of expenses to any employee or agent of the Corporation up to the full extent of the provisions of Article VII, Section 2 of these By-Laws with respect to the indemnification and advancement of expenses of directors and officers of the Corporation.

ARTICLE VIII. APPLICATION OF STATUTORY ANTI-TAKEOVER PROVISIONS

The following provisions of Title 15 of the Pennsylvania consolidated statutes shall not be applicable to the Corporation: (1) Subchapter G of Chapter 25; and (2) Subchapter H of Chapter 25.

ARTICLE IX. EXERCISE OF AUTHORITY DURING EMERGENCIES

The Board of Directors or the Executive Committee may from time to time adopt resolutions authorizing certain persons and entities to exercise authority on behalf of this Corporation in time of emergency, and in the time of emergency any such resolutions will be applicable, notwithstanding any provisions as to the contrary contained in these By-Laws.

ARTICLE X. CHARITABLE CONTRIBUTIONS

The Board of Directors may authorize contributions to community funds, or to charitable, philanthropic, or benevolent instrumentalities conducive to public welfare in such sums as the Board of Directors may deem expedient and in the interest of the Corporation.

ARTICLE XI. AMENDMENTS

These By-Laws may be altered, amended, added to or repealed by a vote of a majority of the Board of Directors at any regular meeting of the Board of Directors, or at any special meeting of the Board of Directors called for that purpose.

EXHIBIT 4.8

FIRST AMENDMENT TO RIGHTS AGREEMENT

This First Amendment (this "Amendment"), dated and effective as of January 1, 2003 and executed among The PNC Financial Services Group, Inc., a Pennsylvania corporation, (the "Company"), The Chase Manhattan Bank ("Chase") and Computershare Investor Services, LLC, ("Computershare"). hereby amends the Rights Agreement between the Company and Chase, as Rights Agent (the "Current Rights Agent") dated as of May 15, 2000 (the "Rights Agreement").

W I T N E S S E T H

WHEREAS, the Company and Chase previously entered into the Rights Agreement, pursuant to which Chase was appointed to serve as the Current Rights Agent; and

WHEREAS, Chase desires to resign as Current Rights Agent and the Company desires to accept such resignation and appoint Computershare as successor Rights Agent pursuant to Section 21 of the Rights Agreement; and

WHEREAS, in connection with the resignation of Chase as Current Rights Agent and the appointment of Computershare as successor Rights Agent, the Company, Chase and Computershare desire to amend the Rights Agreement in certain respects.

Now, THEREFORE, in consideration of the promises and the mutual agreements herein set forth, the parties hereby agree as follows:

Section 1. RESIGNATION OF RIGHTS AGENT. Chase hereby resigns as Current Rights Agent under the Rights Agreement and the Company hereby accepts Chase's resignation.

Section 2. APPOINTMENT OF THE SUCCESSOR RIGHTS AGENT. The Company hereby appoints Computershare as successor Rights Agent under the Rights Agreement and Computershare hereby accepts such appointment.

Section 3. WAIVER OF PRIOR WRITTEN NOTICE. The Company, Chase and Computershare each waive any requirements of prior written notice of a change of the Rights Agent under the Rights Agreement.

Section 4. AMENDMENT OF RIGHTS AGREEMENT. The Rights Agreement shall be amended as follows:

(a) "Computershare Investor Services, LLC" shall be substituted throughout the Rights Agreement, Exhibits and other attachments for "The Chase Manhattan Bank," including substituting all abbreviations therefor.

(b) Section 1(e) is hereby amended by deleting the definition of "Business Day" in its entirety and substituting the following definition:

> "Business Day" shall mean any day other than a Saturday, Sunday, or a day on which the New York Stock Exchange or banking institutions in the State of Illinois are generally authorized or obligated by law or executive order to close.

(c) The second sentence of Section 18 is hereby amended by adding the phrase "of any kind whatsoever" as follows: "The Company also agrees to indemnify the Rights Agent for, and to hold it harmless against, any loss, liability, damage, judgment, fine, penalty, claim, demand, settlement, cost or expense of any kind whatsoever incurred without gross negligence. .."

(d) Section 20(a) is hereby amended by adding the phrase "of its own choice," as follows: "The Rights Agent may consult with legal counsel of its own choice (who may be legal counsel for the Company)... "

(e) In Section 21 , the successor Rights Agent combined capital and surplus requirement of at least $50 million is hereby deleted and replaced with a combined capital and surplus requirement of at least $5 million.

(f) Section 26 is hereby amended by deleting the address for notice or demand to be given to the Rights Agent by the Company and substituting in lieu therefor the following:

Computershare Investor Services, LLC
Two North LaSalle Street
Chicago, Illinois 60602
Attention: Tod Shafer

with a copy to:

Computershare Investor Services, LLC
Two North LaSalle Street
Chicago, Illinois 60602
Attention: Cindy Nisley

(g) Section 31 is hereby amended to reflect that all provisions regarding the rights, duties, and obligations of the Rights Agent shall be governed by and construed in accordance with the laws of the State of Illinois applicable to contracts made and to be performed entirely within such state.

Section 5. Continued Effectiveness. The parties hereto hereby acknowledge and agree that, except as specifically supplemented and amended, changed or modified hereby, the Rights Agreement shall remain in full force and effect in accordance with its terms.

Section 6. Execution in Counterparts. This Amendment may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original, and all such counterparts shall together constitute one and the same instrument.

Section 7. Terms. Except as otherwise expressly provided herein, or unless the context otherwise requires, all terms used herein have the meanings assigned to them in the Rights Agreement.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed and effective as of the day and year above written.

THE PNC FINANCIAL SERVICES GROUP, INC.

By: /s/ THOMAS R. MOORE

Its: CORPORATE SECRETARY

THE CHASE MANHATTAN BANK

By: /s/ ERIC R. LEASON

Its: VICE PRESIDENT

COMPUTERSHARE INVESTOR SERVICES, LLC

By: /s/ TOD SHAFER

Its Relationship Manager

EXHIBIT 10.5

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

(AS AMENDED AND RESTATED EFFECTIVE JANUARY 3, 2003)

1. DEFINITIONS

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

1.1 "AGREEMENT" means a written agreement between the Corporation and the recipient evidencing a grant of an Option, Right or Performance Unit or an award of Incentive Shares under the Plan.

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

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

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

1.5 "COMMON STOCK" means the common stock of the Corporation.

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

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

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

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

1.10 "ELIGIBLE PERSON" means a Senior Executive or Director.

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

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

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

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

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

1.16 "NONSTATUTORY STOCK OPTION" means an Option granted under the Plan that is not an Incentive Stock Option.

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

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

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

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

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

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

1.23 "PERFORMANCE UNIT EXERCISE PERIOD" means the period during which a Performance Unit may be exercised.

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

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

1.26 "RELATED PERFORMANCE UNIT" means a Performance Unit granted in connection with a specified Option.

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

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

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

1.30 "SENIOR EXECUTIVE" means any officer or key employee of the Corporation or a Subsidiary who is designated as a "Senior Executive" pursuant to Section 3.1.

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

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

2. PURPOSE

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

3. ADMINISTRATION

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

3.1 to determine in its discretion, or to delegate to the Chairman of the Board of the Corporation, with respect to officers or key employees of the Corporation or a Subsidiary who are not executive officers for purposes of Section 16 of the Exchange Act, the power to determine in his or her discretion, the Eligible Persons to whom

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

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

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

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

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

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

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

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

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

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

3.4 to construe and interpret the Agreements and the Plan;

3.5 to require, whether or not provided for in the pertinent Agreement, of any person exercising an Option, Right or Performance Unit or acquiring Incentive Shares, at the time of such exercise or acquisition, the making of any representations or agreements which the Committee may deem necessary or advisable in order to comply with applicable securities, tax, or other laws;

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

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

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

3.9 to delegate to officers or managers of the Corporation or any

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

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

4. ELIGIBILITY

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

5. STOCK SUBJECT TO THE PLAN

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

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

Limitation) again become available for the grant of other Options, Rights and Performance Units or for the award of additional Incentive Shares.

5.3 The Shares issued upon the exercise of a Right or Performance Unit (or if cash is payable in connection with such exercise, that number of Shares having a Fair Market Value equal to the cash payable upon such exercise), shall be charged against the number of Shares issuable under the Plan and shall not become available for the grant of other Options, Rights and Performance Units or for the award of Incentive Shares. If the Right referred to in the preceding sentence is a Related Right, or if the Performance Unit referred to in the preceding sentence is a Related Performance Unit, the Shares subject to the Related Option, to the extent not charged against the number of Shares subject to the Plan in accordance with this Section 5.3, shall for purposes of the Cumulative Limitation (and if granted in the same calendar year, then also for purposes of the Annual Limitation) again become available for the grant of other Options, Rights or Performance Units or for the award of additional Incentive Shares.

6. OPTIONS

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

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

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

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

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

7. RIGHTS

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

7.2 A Right may be granted under the Plan:

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

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

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

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

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

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

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

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

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

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

8. PERFORMANCE UNITS

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

8.2 Performance Units may be granted under the Plan:

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

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

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

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

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

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

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

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

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

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

9. EXERCISE; PAYMENT OF WITHHOLDING TAXES

An Option, Right or Performance Unit may, subject to the provisions of the Agreement under which it was granted, be exercised in whole or in part by the delivery to the Corporation of written notice of the exercise, in such form as the Committee may prescribe, accompanied, in the case of an Option, by full payment for the Shares with respect to which the Option is exercised, and in the

case of an Option, Right or Performance Unit, full payment for related withholding taxes, if any. The receipt of Incentive Shares shall be subject to full payment by the Grantee of any withholding taxes then required to be paid.

10. NONTRANSFERABILITY

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

11. DEFERRAL OF AWARDS

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

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

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

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

12. INCENTIVE SHARE AWARDS

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

13. CAPITAL ADJUSTMENTS

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

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

14. TERMINATION OR AMENDMENT

The Board or the Committee may amend, alter or terminate this Plan in any respect, at any time; provided, however, that, after this Plan has been approved by the Shareholders of the Corporation, no amendment, alteration or

termination of this Plan shall be made by the Board or the Committee without approval of (i) the Corporation's shareholders to the extent shareholder approval of the amendment is required by applicable law or regulations or the requirements of the principal exchange or interdealer quotation system on which the Common Stock is listed or quoted, and (ii) each affected Optionee if such amendment, alteration or termination would adversely affect his or her rights or obligations under any grant or award made prior to the date of such amendment, alteration or termination.

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

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

16. EFFECTIVENESS OF THE PLAN AND AMENDMENTS

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

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

17. TERM OF THE PLAN

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

18. INDEMNIFICATION OF COMMITTEE

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

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

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

20. GENERAL PROVISIONS

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

20.2 All grants and awards under the Plan are subject to the precondition of an appropriate Agreement signed by the parties.

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

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

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

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

EXHIBIT 10.14

TRUST AGREEMENT

Between

PNC INVESTMENT CORP.,
as Settlor

and

HERSHEY TRUST COMPANY,
as Trustee

TRUST AGREEMENT

This Agreement is made as of the 20th day of December, 1999, by and between PNC INVESTMENT CORP., a corporation duly established and existing under the laws of the State of Delaware (the "Company") and HERSHEY TRUST COMPANY, a national bank organized under the laws of the United States, with an office in Hershey, Pennsylvania (the "Trustee").

W I T N E S S E T H:

WHEREAS, the Company, its parent corporation, PNC Bank Corp. (the "Parent Corporation"), and certain of its subsidiaries and affiliates (the Parent Corporation and the Company's certain subsidiaries and affiliates collectively referred to as the "Employers") are or may become obligated under the employee benefit plans and agreements listed on Attachment A hereto (the "Plans") to make payments to certain former, present and future employees and directors (collectively, the "Participants"); and

WHEREAS, for purposes of ensuring that such payments will not be improperly withheld in the event of a Change in Control of the Parent Corporation, the Company has been directed to establish a grantor trust (the "Trust") to provide for the funding of benefit obligations under the Plans;

NOW, THEREFORE, in consideration of the promises and of the mutual covenants contained herein and intending to be legally bound hereby, the Company and the Trustee hereby covenant and agree as follows:

SECTION I

TRUST FUND

1.1 NAME OF TRUST

The trust fund referred to herein shall be known as the PNC INVESTMENT CORP. BENEFIT FUNDING TRUST.

1.2 ESTABLISHMENT OF TRUST FUND

A trust fund (the "Trust Fund") is hereby established with the Trustee consisting of such sums of money and such other property (including insurance policies) as may be acceptable to the Trustee as from time to time shall be paid or delivered to the Trustee in accordance with the terms hereof and for the purposes hereof. All cash or other property so received, together with the income therefrom, shall be held, managed and administered by the Trustee pursuant to the terms of this Agreement without distinction between principal and income.

The Trust is intended to be a "grantor trust," within the meaning of Section 671 of the Internal Revenue Code of 1986, as amended (the "Code").

The Trustee will record a separate account within the Trust for the Company and each Employer, and the Trustee will value not only the assets of the Trust as a whole, but also the assets of each account attributable to the Company and each Employer. For federal income tax purposes, the Company and each Employer will be deemed to be the grantor of its separate account; provided, however, that because the Company and each Employer are members of the same consolidated return group, a single Form 1041 may be issued to the Parent Corporation. Payments are to be made from the account in the Trust of the Company or the Employer employing the employee to whom payments are made.

The insolvency of the Company and each Employer is considered separately so that, in the event that one Employer, but not the Company or the other Employers becomes insolvent, the assets in the account of the insolvent

Employer will be identified and held for the benefit of that Employer's creditors.

For accounting purposes only, separate accounts may be established for individual Participants in the Plans. Monies allocated to any such individual accounts shall be distributable only to the Participants for whom the accounts are established (or to the beneficiaries of such Participants) pursuant to the provisions of the applicable Plan.

The Trust Fund shall be held separate and apart from other funds of the Company and shall be used exclusively for the purpose of assuring payment by the Company and the Employers of future obligations of the Company and the Employers arising under the Plans, except to the extent otherwise set forth herein.

1.3 DESCRIPTION OF TRUST

The Company represents and agrees that the Trust established under this Agreement is intended to fund only the Plans. The Trust is, and is intended to be, a depository arrangement with the Trustee for the setting aside of cash and other assets of the Company as and when it so determines in its sole discretion and as required by the terms of Section 3.1 hereof, for the purpose of satisfying future obligations under the Plans. The Company represents that each Plan is an excess benefit plan (within the meaning of Section 3(36) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA")), a benefit arrangement for a select group of management or highly compensated active and/or former employees (within the meaning of Sections 201(2), 301(a)(3) and 401(a)(1) of ERISA) or is not covered by ERISA. The Company further represents that the Plans are not qualified under Section 401 of the Code and, therefore, are not subject to the Code's requirements applicable to tax-qualified plans.

1.4 REVOCABILITY

The Trust shall be revocable by the Company, and Participants shall have no right to any part of the Trust Fund; provided, however, that the Trust may not be revoked during a "Change

in Control Period" (as defined in Section XVII of this Agreement) or after a "Change in Control" (as defined in Section XVII of this Agreement).

1.5 ACCEPTANCE BY THE TRUSTEE

The Trustee accepts the Trust established under this Trust Agreement on the terms and subject to the provisions set forth herein, and agrees to discharge and perform fully and faithfully all of the duties and obligations imposed upon it under this Trust Agreement.

SECTION II

AUTHORITY

A designated "Representative" appointed by the Company shall have the authority to act on behalf of the Company, subject to the terms hereof. In its sole discretion, the Representative may designate one or more individuals to act on its behalf. The Trustee shall be entitled to deal with the Representative until notified otherwise by the Company. The Company shall provide the Trustee with a certified list of the names and specimen signatures of its Representative, or any individuals designated by the Representative to act on its behalf, and shall also notify the Trustee in writing, from time to time, of any changes to the names so provided.

2.1 DISTRIBUTIONS FROM TRUST FUND

The Trustee shall make payments (including the payment of Trust expenses) and other disbursements from the Trust Fund only upon the express written instructions of the Representative or as expressly authorized by the terms of this Agreement. Such payments may be made either directly to the person or persons specified in such written instructions, or deposited in a checking account maintained on behalf of the Trust Fund for the purpose of making payments or disbursements in accordance with the provisions of the Plans.

2.2 INDEMNIFICATION

To the extent permitted by law, the Company shall fully indemnify and hold the Trustee harmless from any liability and expense incident to any act or omission by reason of the Trustee's reliance upon, and compliance with, written instructions issued by the Representative not in contravention of the terms of the Plans.

2.3 TRUSTEE RESPONSIBILITY FOR PAYMENTS WHEN COMPANY OR EMPLOYER IS (OR IS DEEMED TO BE) INSOLVENT

(a) If at any time the Trustee has actual knowledge, or has determined in accordance with Section 2.3(c) below, that the Company or an Employer is

insolvent under the standards set forth in Section 2.3(b) below, the Trustee shall hold for the benefit of, or deliver upon the order of a court of competent jurisdiction, any undistributed portion of the Company's or the

Employer's Trust Fund account to satisfy the claims of the Company's or the Employer's general creditors.

(b) The Company or an Employer shall be considered insolvent for purposes of this Agreement if (i) it is unable to pay its debts as they become due or (ii) it is subject to a pending proceeding as a debtor under the United States Bankruptcy Code.

(c) The Company agrees that its Chief Executive Officer or General Counsel, as from time to time acting, shall have the duty to inform the Trustee of the Company's or an Employer's insolvency. The Chief Executive Officer or General Counsel may discharge such obligation through a Representative. If the Company or a person claiming to be a creditor of the Company or an Employer alleges in writing to the Trustee that the Company or an Employer has become insolvent, the Trustee shall independently determine, within 30 days after receipt of such notice, whether the Company or the Employer is insolvent in accordance with the standards therefor established in this Agreement, and pending such determination, shall discontinue all payments from the Trust Fund. The Company shall cooperate with the Trustee in its investigation. The Trustee may refuse any request for an analysis of insolvency if such request is received within 90 days of its concluding a prior analysis. The Trustee shall resume payments in accordance with the terms of this Agreement only after the Trustee has determined that the Company or the Employer is not insolvent (or is no longer insolvent, if the Trustee initially determined the Company or the Employer to be insolvent). Nothing in this Agreement shall in any way diminish any rights of any Participant to pursue his or her rights as a general creditor of the Company or an Employer with respect to benefits under the terms of the Plans.

(d) Unless the Trustee has received notice or otherwise has actual knowledge of the Company's or an Employer's insolvency or alleged insolvency, the Trustee shall have no duty to inquire as to whether the Company or an Employer is insolvent.

(e) If the Trustee discontinues payments to a person from the Trust Fund pursuant to Section 2.3(b) above and subsequently resumes such payments, the first payment to such person following the discontinuance shall include the aggregate amount of all payments which would have been made to such person in accordance with the terms of the Plan during such period, less the aggregate amount of such payments to each person made by or on behalf of the Company or an Employer during such period, as certified in writing to the Trustee by the Representative.

SECTION III

EFFECT OF A CIC TRIGGER EVENT OR A CHANGE IN CONTROL

3.1 CONTRIBUTIONS TO THE TRUST

(a) Upon the occurrence of a "CIC Trigger Event" (as defined in Section XVII of this Agreement) or a Change in Control (if no CIC Trigger Event precedes the Change in Control), the Parent Corporation shall deliver to the Trustee to be held in trust hereunder an amount of

cash, marketable securities (valued at fair market value), insurance policies or a combination thereof (the "Required Contribution") equal to the amount that, together with any amounts already held by the Trust Fund, will be sufficient to provide for the obligations of the Company and the Employers under the Plans. Such amount shall be determined by the Parent Corporation in its discretion, but shall not be less than such amount as would be determined (i) using an annual interest rate assumption of 6%, (ii) using the UP-84 mortality table for benefits payable under the Plans three or more years after the date of the Required Contribution and no mortality assumption for benefits payable less than three years from the date of the Required Contribution, (iii) assuming that, for purposes of determining the amount to be transferred to the Trust with respect to those Plans that are agreements (the "CIC Agreements") providing for the payment of benefits in the event of certain terminations of employment following a Change in Control, that all Participants who are covered by such agreements are terminated without "Cause" (as defined in such agreements) by the Company as of the first day of the applicable "Coverage Period" (as defined in the agreements) and (iv) assuming that, for purposes of determining the amount to be transferred to the Trust with respect to each Plan that is not a CIC Agreement, that each Participant terminates employment with the Company and the Employers as of the earliest date as of which the Participant is entitled to begin receiving benefits under each such Plan (assuming the Participant terminated employment as of such date). If such Required Contribution is made as the result of a CIC Trigger Event, such Required Contribution, as adjusted for income and

losses, shall be returned to the Parent Corporation upon the written request of the Parent Corporation; provided, however, that the Required Contribution may not be returned to the Parent Corporation during the existence of a Change in Control Period or after a Change in Control.

(b) At twelve-month intervals commencing twelve months after the date a Required Contribution is made pursuant to Section 3.1(a) hereof, unless a Change in Control Period has ceased to exist and no Change in Control has occurred, the Parent Corporation shall recalculate the Required Contribution that would be required to be delivered pursuant to Section 3.1(a) hereof assuming a CIC Trigger Event occurred as of the end of the month immediately preceding such twelve-month interval date. If the amount so calculated exceeds the fair market value of the Trust Fund's assets, the Parent Corporation shall promptly (and in no event later than seven days from the date of such twelve-month interval date) pay to the Trustee an amount in cash (or marketable securities or any combination thereof) equal to such excess.

(c) The Chief Executive Officer or the General Counsel of the Parent Corporation (or one of their designated representatives) shall promptly notify the Trustee in writing of the occurrence of any of the following: a CIC Trigger Event, a Change in Control, or the cessation of a Change in Control Period. After a Change in Control and during the existence of a Change in Control Period: (i) this Trust shall be irrevocable, as provided in Section 3.2; (ii) all payments due in accordance with the provisions of the Plans, as determined by the Trustee in its reasonable judgment, shall be made directly by the Trustee to Participants; and (iii) the Trustee shall not act upon any direction from the Company, any Employer (including the Parent Corporation) or the Representative that is contrary to the foregoing provisions.

(d) The Trustee shall be fully protected in making such payments from time to time in accordance with the provisions of this Section 3.1 and shall be charged with no responsibility

whatsoever respecting the application of such monies, except as otherwise required by law.

(e) The Company shall provide the Trustee with copies of all of the Plan documents, including any amendments thereto.

3.2 PAYMENTS TO THE COMPANY

(a) Prior to a Change in Control and other than during the existence of a Change in Control Period, the Company or the Representative may direct the Trustee to pay all or a portion of the Trust Fund to the Company. After a Change in Control and during the existence of a Change in Control Period, neither the Company, any Employer (including the Parent Corporation) nor the Representative shall have any power to direct the Trustee to return to the Company or to pay to others (other than Participants, their beneficiaries or the general creditors of the Company or any Employer) any portion of the Trust Fund prior to the complete satisfaction of the Company's or the Employers' obligations to Participants and their beneficiaries under the terms of the Plans.

(b) Notwithstanding the provisions of Section 3.2(a), if after a Change in Control or during a Change in Control Period, the Parent Corporation determines that a portion of the Trust Fund will never be required to satisfy such obligations assuming that the Trust Fund earns a zero rate of return, such portion may be returned to the Parent Corporation if (i) the Trustee is directed to make such payment by the Company or the Representative and (ii) the Trustee has satisfied itself that the amount remaining in the Trust Fund will be sufficient to pay or provide for all future benefits under the Plans using such assumptions as it deems appropriate in its sole discretion; provided, however, that no amounts may be returned to the Parent Corporation pursuant to this Section 3.2 prior to the third anniversary of the date of a Change in Control.

(c) Notwithstanding the foregoing provisions of Section 3.2, the Representative may, at any time within 60 days of the date of any payment made by the Company to Participants in satisfaction of the Company's or the Employers' obligations under the Plans, direct the Trustee to reimburse the Company for such payments; provided, however, that such reimbursement shall be made to the Company only to the extent that (i) all amounts due and payable under the Plans have been paid in full and (ii) the Trustee determines that the reimbursement of such amounts will not impair the ability of the Trust to fully fund future benefit payments under the Plans using such assumptions as it deems appropriate in its sole discretion.

3.3 DISPUTES BETWEEN PARTICIPANT AND TRUSTEE

It is recognized that a Participant may dispute the amount of benefit paid by the Trustee under one or more Plans, or may assert a right to receive a benefit payment when the Trustee determines that no payment is due to the Participant under one or more Plans. In either such event, the Trustee shall gather information from all sources it may deem appropriate (including the

Company) and shall permit the Participant to make a written submission. After consideration of all such materials, the Trustee shall provide the Participant with its decision as rendered in its reasonable judgment. If such decision is adverse to the Participant's claim, the decision shall be accompanied by a written explanation of the basis for the Trustee's decision. The Trustee's

decision shall be final and binding. During the period that the Trustee is considering the claim, the Trustee shall make payment of only the amount of benefits (if any) as to which there is no dispute. If the Trustee then reaches a decision that the Participant's benefits should have been increased, it shall make a single sum payment equal to the excess of the revised benefit amount over the amount actually paid together with simple interest at a rate of 9% per annum from each benefit payment date to the date of the lump sum payment.

3.4 INSUFFICIENCY OF TRUST FUND

If, as of the date of any payment of Plan benefits from the Trust Fund, the Trustee determines that the Trust Fund is insufficient to provide for the payment to Participants of the full amount of their Plan benefits to be paid as of such date, the amount of Plan benefits paid to each Participant from the Trust Fund as of such date shall be reduced in proportion to the ratio which the aggregate fair market value of the Trust Fund bears to the aggregate amount otherwise payable at that time to each such Participant. At all times the Company and the Employers shall continue to be fully liable for the payment of all Plan benefits notwithstanding any insufficiency of the Trust Fund.

SECTION IV

INVESTMENT OF THE TRUST FUND

4.1 GENERAL

Except as otherwise provided herein, the Trustee shall invest and reinvest the assets of the Trust Fund in accordance with the written directions of the Representative or its designate.

4.2 APPOINTMENT OF INVESTMENT MANAGERS BY THE COMPANY

Before a Change in Control and other than during a Change in Control Period, the Company or the Representative, in their sole discretion, may appoint one or more investment managers (including the Trustee) to manage and control the assets of the Trust Fund (the "Investment Managers"). Any Investment Manager so appointed shall be either: (a) an investment adviser registered as such under the Investment Advisers Act of 1940, as amended; (b) a bank, as defined in that Act; (c) an insurance company qualified to perform investment management services under the laws of more than one state; or (d) a subsidiary or affiliate of the Company authorized to perform investment management services. Any Investment Manager shall certify in writing that it is qualified to act in such capacity, and acknowledge that it assumes the fiduciary duties established by this Agreement.

4.3 ALLOCATION OF ASSETS BY THE COMPANY FOR INVESTMENT

Before a Change in Control and other than during a Change in Control Period, the Company or the Representative shall direct the manner of allocation among Investment

Managers of assets of the Trust Fund, and may direct the transfer of assets between Investment Managers on reasonable notice to the Trustee and any affected Investment Manager. An Investment Manager designated to manage assets allocated to it shall have exclusive authority to manage, acquire and dispose of such assets subject to any investment policy that may, from time to time, be established by the Representative or the Company.

Unless the Trustee participates knowingly in, or knowingly undertakes to conceal, an act or omission of an Investment Manager, where such act or omission would be a breach of the fiduciary responsibility of such Investment Manager, the Trustee shall be under no liability for any loss of any kind which may result by reason of any action taken by it in accordance with any direction of such Investment Manager or by reason of its failure to exercise any power or authority with respect to allocated assets because of the failure of the Investment Manager to issue proper and timely directions to the Trustee.

4.4 INVESTMENT RESPONSIBILITY OF THE TRUSTEE

After a Change in Control and during any Change in Control Period, the Trustee shall have responsibility for the management and control of the assets of the Trust Fund, subject to any investment policy (a "Pre-CIC Investment Policy") established by the Company or the Representative prior to the commencement of the Change in Control Period or the Change in Control (if no

Change in Control Period precedes the Change in Control). After a Change in Control and during any Change in Control Period, the Trustee may continue to retain or terminate the services of any Investment Manager previously appointed by the Company or the Representative, and in its sole discretion, exercise the powers described in Sections 4.2 and 4.3 hereof (without regard to the limitation on the exercise all of such powers by the Company or the Representative to periods prior to a Change in Control and other than during a Change in Control Period) subject to the terms of any Pre-CIC Investment Policy.

4.5 INVESTMENT POWERS OF TRUSTEE

In addition to any power granted under any statute or laws pertaining to the investment of trust assets, the Trustee's investment powers shall include, but shall not be limited to, the investment of trust assets in the following:

(a) bonds or other obligations of the United States of America, and any agencies thereof, or any bonds or other obligations which are directly or indirectly guaranteed by the United States, or any agency thereof;

(b) open-end or closed-end investment companies that offer investment funds, the assets of which correspond to those described under (a) above with at least $10 billion under management;

(c) savings accounts, certificates of deposit and other types of time deposits with any financial institution or quasi-financial institution whose combined capital and surplus is not less than $1 billion, including the Trustee's banking department; and

(d) to the extent permitted by applicable law, any collective, common or pooled trust

fund operated by the Trustee, the assets of which primarily correspond to those described under (a) above, but which also may include bonds or obligations of non-governmental issuers which are rated among the top three ratings categories of any nationally recognized rating agency. The provisions of any such collective, common or pooled investment trust shall be incorporated herein by reference during, but only during the period that any portion of this Trust Fund is a part of such trust.

Prior to a Change in Control and other than during any Change in Control Period, the Trustee shall exercise the powers set forth in this Section 4.5 only in accordance with the directions of the Representative or its designee. After a Change in Control and during any Change in Control Period the Trustee shall have full discretion to exercise the powers set forth in this Section 5, subject to the terms of any Pre-CIC Investment Policy.

4.6 ADMINISTRATIVE POWERS OF THE TRUSTEE

The Trustee is authorized and empowered to:

(a) sell, exchange, convey, transfer or otherwise dispose of, any property, real or personal, held in the Trust Fund and to make any sale by private contract or public auction, and for cash or credit, or partly for cash and partly for credit, and no person dealing therewith shall be bound to see the application of the purchase money or to inquire into the validity, expediency or propriety of any such sale or disposition;

(b) vote in person or by proxy any stocks, bonds or other securities held in the Trust Fund, without any obligation to inquire as to or follow the wishes of the Company or the Representative with respect to such voting;

(c) exercise any rights appurtenant to any such stocks, bonds or other securities for the conversion thereof into other stocks, bonds or securities, or to exercise rights or options to subscribe for or purchase additional stocks, bonds or other securities, and to make any and all necessary payments with respect to such conversion or exercise;

(d) join in, dissent from or oppose the reorganization, recapitalization, consolidation, sale or merger of corporations or properties of which the Trust Fund may hold stocks, bonds or other securities or in which it may be interested, upon such terms and conditions as may be deemed advisable, to pay any expenses, assessments or subscriptions in connection therewith, and to accept any securities or property, whether or not trustees would be authorized to invest in such securities or property, which may be issued upon any such reorganization, recapitalization, consolidation, sale or merger and thereafter to hold the same without any duty to sell;

(e) borrow or raise monies from any lender, excluding the Trustee in its corporate capacity, if permitted by law, for the benefit of the Trust Fund and in conjunction with its duties under this Agreement, in such amount and upon such terms and conditions as may be deemed advisable; and for any sums so

borrowed to issue promissory notes and to secure the repayments thereof by mortgaging or pledging all or any part of the Trust Fund except any common,

collective or pooled trust units which may be held in the Trust Fund; and no person lending money to the Trust Fund shall be bound to see to the application of the money loaned or to inquire into the validity, expediency or propriety of any such borrowing;

(f) cause any investment of the Trust Fund to be registered in, or transferred into, the Trustee's name or the names of a nominee or nominees, or to retain such investment unregistered or in a form permitting transfer by delivery, provided that the books and records of the Trustee shall at all times show that all such investments are part of the Trust Fund;

(g) purchase or otherwise acquire and make payment therefor from the Trust Fund any bond or other form of guarantee or surety required by any authority having jurisdiction over this Trust Fund and its operation, or believed to be in the best interests of the Trust Fund, except the Trustee or Investment Manager may not obtain any insurance whose premium obligation extends to the Trust Fund which would protect the Trustee or Investment Manager against their liability for breach of fiduciary duty;

(h) defend against or participate in any legal actions involving the Trust Fund in the manner and to the extent it deems advisable, the costs of any such defense or participation to be borne by the Trust Fund unless paid by the Company; provided, however, that the Trustee or Investment Manager shall not be entitled to costs if either shall have committed a breach of fiduciary duty;

(i) compromise, compound and settle any debt or obligation due to the Trust Fund and to reduce the rate of interest on, to extend or otherwise modify, or to foreclose upon default or otherwise enforce any such obligation; or

(j) enforce any right, obligation or claim in its absolute discretion and in general to protect in any way the interest of the Trust Fund, either before or after default with respect to any such right, obligation or claim, and in case it shall consider such action in the best interest of the Trust Fund, in its absolute discretion to abstain from the enforcement of any right, obligation or claim and to abandon any property, whether real or personal, which at any time may be held by it.

The Trustee shall at all times be authorized and empowered to exercise all of the powers listed in this Section 4.6; provided that, prior to a Change in Control and other than during the existence of a Change in Control Period the Trustee shall exercise the powers described in clauses (b), (d), (e), (h), (i) and (j) of this Section 4.6 only if it has not received direction from the Representative, otherwise it shall be obligated to follow the direction of the Representative.

SECTION V

DIVERSIFICATION

Prior to a Change in Control and other than during the existence of a Change in Control

Period, the Company or its Representative shall be solely responsible for the manner in which investments of the Trust Fund are prudently diversified. After a Change in Control and during the existence of a Change in Control Period, the Trustee shall be responsible for the manner in which Trust Fund investments are prudently diversified, subject to any Pre-CIC Investment Policy.

The Trustee shall have no liability or responsibility for the diversification of the investments of the Trust Fund: (a) held in any account under the direction of an Investment Manager or (b) when the Trust Fund is managed in accordance with the written directions of the Representative or its designee.

SECTION VI

FIDUCIARY RESPONSIBILITY

The Representative, the Trustee, and any designated Investment Manager shall, under those circumstances where each or any of them are charged with the responsibility for the investment management of assets of the Trust Fund, discharge their duties as provided in this Agreement with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character with the like aims and by diversifying the investments held hereunder so as to minimize the risk of large losses, unless under the circumstances, it would clearly not be prudent to do so; provided, however, that the Representative, the Trustee, or any designated

Investment Manager does not guarantee (a) the Trust Fund in any manner against investment loss or depreciation in asset value or (b) the adequacy of the Trust Fund to meet and discharge all or any liabilities of the Plans.

The Representative, the Trustee, or any designated Investment Manager may, in its discretion, keep such portion of the Trust Fund in cash or cash balances as it may deem reasonably necessary from time to time, and shall keep such portion of the Trust Fund in cash or cash balances as may be required to meet contemplated payments from the Trust Fund. No liability shall accrue for any interest on any cash balances so maintained.

The Representative, or the Trustee is specifically authorized to appoint ministerial agents as to part or all of the Trust Fund and functions incident thereto where, in its sole discretion, such delegation is necessary, appropriate or desirable to facilitate the operations of the Trust Fund and consistent with the purposes of the Trust Fund.

SECTION VII

TAXES AND TRUSTEE'S COMPENSATION

7.1 TRUSTEE'S COMPENSATION

The Trustee shall be entitled to such reasonable compensation for services rendered as mutually agreed upon in writing with the Company, and shall be reimbursed for all reasonable expenses (except those arising from a breach of fiduciary duty) incurred by the Trustee as a result of the performance of its duties hereunder, including, but not limited to, legal and accounting expenses incurred as a result of disbursements and payments made by the Trustee, and reasonable compensation for agents, counsel or other services rendered to the Trustee by third parties, and expenses incident thereto. Any such compensation, and reimbursement for any such expenses shall be paid by the Trust Fund to the Trustee, unless paid by the Company.

7.2 TAXES

The Trustee shall notify the Representative of any tax assessments that it receives on any property held in the Trust Fund, and, unless notified to the contrary by the Representative within 90 days, shall either pay or pay over to the Company funds sufficient to cover such assessments if so directed by the Representative. If the Representative notifies the Trustee within said period that such assessments are invalid or that they should be contested, the Trustee shall take whatever action is indicated in the notice received from the Representative, including contesting the assessment or litigating any claims.

Notwithstanding anything herein to the contrary, the Company shall at all times be responsible for the payment and reporting of taxes due on the income and gains of the Trust Fund, and for the withholding, payment, and reporting of any and all taxes withheld from payments from the Trust Fund to Participants under the Plans (or to their designated beneficiaries). The Trustee shall notify the Company or its Representative of the income and gains of the Trust Fund in order to facilitate the Company's responsibilities in regard to such payment and reporting of taxable income of the Trust Fund. The Trustee shall pay over to the Company such sums as may be required for payment of withholding tax obligations with respect to benefit payments under the Plans made by the Trustee from the Trust Fund; provided, however, that no amounts shall be paid from the Trust Fund with respect to withholding tax obligations other than those that arise as of the date of actual payment of benefits from the Trust Fund to a Participant. The Company shall notify the Trustee of any and all amounts to be withheld from any payments to be made to individual Participants (or to their designated beneficiaries) and issue directions to the Trustee regarding payment over to the Company of such sums so withheld. The Trustee shall have no duty or obligation to determine the actual taxable income to be paid by the Company on the income and gains of the Trust Fund, or of any amount of federal, state, or local income taxes to be withheld, reported, or paid by, or on behalf, of any Participant or their designated beneficiaries. However, it shall be the duty of the Trustee to file, or cause to be filed, any fiduciary tax return that may be required under Section 671 of the Code.

SECTION VIII

BOOKS, RECORDS AND ACCOUNTS

The Trustee shall keep accurate and detailed accounts of all investments, receipts and disbursements and other transactions hereunder (including those transactions related to accounts under the management of a designated Investment Manager) and all such accounts, books and records relating

thereto shall be open at all reasonable times to inspection and audit by any person designated by the Representative within a reasonable time period following the close of each fiscal year of the Trust Fund, and within 120 days, or such other agreed upon time, following the removal or resignation of the Trustee or the termination of the Trust, the Trustee shall file with the Representative a certified written report setting forth all investments, receipts and disbursements, and other transactions effected during the fiscal year, or other period from the close of the preceding report to the date of such removal, resignation or termination, including a description of all securities and investments then held in the Trust Fund, and such other information customarily provided by the Trustee.

Upon the expiration of 180 days following the close of a fiscal year of the Trust Fund for which an annual accounting is filed, or 90 days from the date of filing of any interim accounting, the Trustee shall, to the extent permitted by law, be forever released and discharged from any liability or accountability to anyone for clerical errors apparent on the face of such accounting.

No Participant or beneficiary under the Plans, shall have the right to demand or be entitled to any accounting by the Trustee, other than those to which they may be entitled under the law.

Notwithstanding any other provision hereof or of the Plans, the Trustee shall not be subject to any liability for any act or omission, regardless of its nature, after three years following the date on which a plaintiff had actual knowledge of such act or omission; provided, however, that in the case of fraud or concealment the Trustee may be held liable at any time within six years after the date of discovery of such error or omission.

The Trustee shall determine the fair market value of the Trust Fund in its customary manner at such times as may be required by the Representative, or in order to carry out the provisions of the Plans.

All records and accounts maintained by the Trustee with respect to the Trust Fund shall be preserved for such period as may be required under any applicable law. Upon the expiration of any such retention period, the Trustee shall have the right to destroy such records and accounts after first notifying the Company or the Representative in writing of its intention, and transferring to the Company or to the Representative any such books, records, and accounts as requested. The Trustee shall have the right to preserve all books, records, or accounts in original form, or on microfilm, magnetic tape, or any other similar process.

SECTION IX

RESIGNATION AND REMOVAL OF TRUSTEE

The Trustee may be removed by the Company at any time upon written notice to the Trustee to that effect; provided, however, that after a Change in Control or during the existence of a Change in Control Period the Trustee may not be removed by the Company without the written consent of at least 75% of the Participants as of the date of removal who were Participants as of the day preceding the Change in Control or the commencement of the Change in Control Period (if removal or the Trustee is to occur during a Change in Control Period). The Trustee may resign as Trustee of the Trust Fund upon written notice to that effect delivered to the Company.

Such removal or resignation shall become effective as of the last day of the month which coincides with or next follows the expiration of 90 days from the date of the delivery of such written notice, unless an earlier or later date is agreed upon by the Company and the Trustee.

In the event of removal or resignation, a successor trustee shall be appointed by the Company to become Trustee as of the time such removal or resignation becomes effective; provided, however, that after a Change in Control and during the existence of a Change in Control Period any appointment of a successor trustee must be approved in writing by at least 75% of the Participants as of the date of appointment who were Participants as of the day preceding the Change in Control or the commencement of the Change in Control Period (if the appointment is to occur during the Change in Control Period). No successor trustee appointed hereunder shall be held responsible or liable for the acts or omissions of its predecessor trustee.

Upon the appointment of a successor trustee, the retiring Trustee shall endorse, transfer, assign, convey and deliver to the successor trustee all of the funds, securities and other property then held by it in the Trust Fund, except such amounts as it may consider necessary to cover its compensation and its expenses in connection with the settlement of its accounts and the delivery of the Trust Fund to the successor trustee. The balance remaining of any amount so reserved shall be transferred and paid over to the successor trustee promptly upon settlement of its accounts, subject to the right of the retiring Trustee to retain any property deemed unsuitable by it for transfer until such time as

transfer can be made.

Nothing herein shall be construed to deny the Trustee the right to a settlement of its accounts either by: (a) a receipt and release executed by the Company or (b) settlement by order of a court of competent jurisdiction.

SECTION X

AMENDMENT AND TERMINATION

10.1 PRIOR TO A CHANGE IN CONTROL AND OTHER THAN DURING A CHANGE IN CONTROL PERIOD

Prior to a Change in Control and other than during a Change in Control Period, the Company may from time to time amend, in whole or in part, any or all of the provisions of this Trust Agreement without the consent of any Participant; provided, however, that (a) no amendment shall be made to this Trust Agreement or the Plans that will cause this Trust Agreement, the Plans or the assets of the Trust Fund to be governed by or subject to Part 2, 3 or 4 of Title I of ERISA, (b) no amendment will be made that will cause the assets of the Trust Fund to be taxable to Participants prior to the distribution of benefits therefrom and (c) no amendment shall increase the duties or responsibilities of the Trustee, unless the Trustee consents thereto in writing.

10.2 FOLLOWING A CHANGE IN CONTROL OR DURING A CHANGE IN CONTROL PERIOD

Following a Change in Control and during the existence of a Change in Control Period, this Trust Agreement may be amended (subject to the restrictions set forth in Section 10.1) only with the prior written consent of 75% of the Participants as of the date of the amendment who were Participants immediately preceding the Change in Control or the Change in Control Period (if the amendment occurs during a Change in Control Period). Upon receipt of a request from the Company for an amendment, the Trustee shall be responsible for attempting to secure such consents in a timely fashion, and unless ordered by a court of competent jurisdiction, shall not reveal to the Company or to any other person any information concerning such consents, except whether the required majority has been achieved.

10.3 COMPLIANCE WITH ERISA AND THE CODE

Notwithstanding anything in this Section X to the contrary, this Trust Agreement and the Plans shall be amended from time to time (without the consent of any Participant) to (a) maintain the "unfunded" status of the Plans for purposes of ERISA and the Code, (b) maintain the Trust as a "grantor trust" for purposes of the Code, (c) ensure that contributions to the Trust by the Company will not result in the recognition of income by Participants and that income and gains of the Trust Fund will not constitute taxable income to the Trust or Participants and (d) ensure that benefits paid to Participants from the Trust Fund will be deductible by the Company in the year of payment (but only to the extent that any such amendment does not result in a material detriment to Participants).

10.4 EXECUTION OF AMENDMENTS

The Company and the Trustee shall execute such amendments to this Trust Agreement as shall be necessary to give effect to any amendment made pursuant to this Article X.

10.5 WINDING UP

To the extent not revoked in accordance with the provisions of this Trust Agreement, the Trust Fund shall remain in existence until the Plans are terminated and all benefits payable thereunder are paid to Participants or their designated beneficiaries. Upon payment of or provision for all such benefits pursuant to the terms of the Plans, this Trust Fund shall be terminated and any assets remaining in the Trust Fund shall be distributed to the Company, pursuant to the directions of the Representative.

In making such distribution, the Trustee shall presume that such distribution is in full compliance with, and is not in violation of, any applicable law regulating the termination of the Plans, and the Trustee may require the Company or the Representative to furnish it with evidence that such distribution does not violate any applicable law. The Company shall assume all liability of any kind whatsoever arising from any such distribution made by the Trustee to the Company or at the direction of the Representative as a result of the termination of the Plans, and shall indemnify and save harmless from any attempt to impose any liability on the Trustee with respect to such distributions.

In no event shall this Trust continue for a period longer than 21 years following the date of death of the last surviving individual who is a Participant in any of the Plans on the date of execution of this Trust Agreement.

SECTION XI

CONSOLIDATION OR MERGER

Any corporation into which the Trustee may be merged or with which it may be consolidated, or any corporation resulting from any merger or consolidation to which the Trustee is a party, or any corporation succeeding to the trust business of the Trustee, shall become the successor of the Trustee hereunder, without the execution or filing of any instrument or the performance of any further act on the part of the parties thereto.

SECTION XII

SPENDTHRIFT TRUST

The rights, benefits, and payments of any Participant or designated beneficiary payable under the Plans and the assets of the Trust Fund shall not be subject in any manner to anticipation, sale, assignment, alienation, transfer, pledge, encumbrance, or charge, voluntary or involuntary, by any Participant or beneficiary. Any attempt by a Participant or beneficiary to anticipate, alienate, sell, transfer, assign, pledge, encumber, or charge the same shall be void. The assets of the Trust Fund shall not in any manner be liable for or subject to the debts,

contracts, liabilities, engagements, or torts of any Participant or beneficiary entitled to benefits under the Plans and such benefits shall not be considered an asset of a Participant or a beneficiary in the event of his or her insolvency or bankruptcy.

SECTION XIII

PARTICIPATING EMPLOYERS

13.1 ADOPTION OF TRUST BY AFFILIATED EMPLOYERS

The Company may from time to time consent to the participation in this Trust by any of its subsidiaries or affiliates (referred to above as the "Employers"). The Company may require, as a condition of the joining of the Trust by any such entity, that such entity take such action as is necessary to establish that any plan arrangement or agreement which such entity maintains (or is a party to) meets the criteria described in Section 1.3, and may adopt a supplement or supplements to this Trust setting forth the identity of the plan, arrangement or agreement involved and special rules, if any, as to the interests of persons covered by such other plan.

13.2 ACTIONS BY AFFILIATES

Any subsidiary or affiliate participating hereunder shall become a party to the Trust and become an "Employer" hereunder when its Board of Directors delivers a resolution to the Company approving such action along with an adoption agreement, in the form prescribed by the Representative, executed by its officers. A copy thereof shall be filed with the Trustee. Any such Employer shall contribute its allocable share to the cost of maintaining and administering the Trust so long as it remains a party to the Trust.

13.3 COMPANY AMENDS ON BEHALF OF ALL EMPLOYERS

The Company shall have the right to amend the Trust Agreement on behalf of all Employers. However, all of the other provisions of this Trust Agreement (specifically including, but not limited to, Sections 1.3, 2.3 and 3.3) shall apply to the separate share of the Trust Fund attributable to an Employer, mutatis mutandis.

13.4 ANY EMPLOYER MAY TERMINATE

The right is reserved by each Employer to terminate the Trust with respect to its separate account within the Trust; provided, however, that after a Change in Control and during the existence of a Change in Control Period, an Employer may not terminate the Trust with respect to Participants who were Participants immediately prior to the CIC Trigger Event or the Change in Control (if no CIC Trigger Event precedes the Change in Control). In the event that any Employer shall withdraw or shall be deemed to have withdrawn from participation in all of the Plans, the Representative shall instruct the Trustee in writing as to the disposition to be made pursuant to the Plans of that portion of the Trust Fund held for employees of such Employer.

Any corporation into which an Employer may merge, or with which it may be consolidated, or any corporation resulting from such merger or consolidation or which otherwise succeeds to substantially all of the assets of such entity shall be and shall continue as that entity for all purposes of this Trust Agreement without the execution or filing of any additional instrument or the performance of any further act; provided, that it continues to meet the definition of "Employer" as set forth in this Trust Agreement.

SECTION XIV

CHOICE OF LAW

This Trust Agreement shall be construed and enforced, to the extent possible, according to the laws of the Commonwealth of Pennsylvania, and all provisions hereof shall be administered according to the laws of said state and any federal laws, regulations or rules which may from time to time be applicable.

SECTION XV

NECESSARY PARTIES; THIRD-PARTY BENEFICIARIES

(a) To the extent permitted by law, prior to a Change in Control and other than during the existence of a Change in Control Period, only the Trustee and the Company shall be necessary parties in any application to the courts for an interpretation of this Trust Agreement or for an accounting by the Trustee, and no Participant or designated beneficiary under the Plans, or other person having an interest in the Trust Fund, shall be entitled to any notice or service of process. Any final judgment entered in such an action or proceedings shall, to the extent permitted by law, be conclusive upon all persons claiming under this Trust Agreement or the Plans.

(b) To the extent permitted by law, upon the occurrence of a Change in Control and during the existence of a Change in Control Period, only the Trustee, the Company and the Parent Corporation shall be necessary parties in any application to the courts for an interpretation of this Trust Agreement or for an accounting by the Trustee, and no Participant or designated beneficiary under the Plans, or other person having an interest in the Trust Fund, shall be entitled to any notice or service of process. Any final judgment entered in such an action or proceedings shall, to the extent permitted by law, be conclusive upon all persons claiming under this Trust Agreement or the Plans.

(b) Participants in the Plans are intended to be third-party beneficiaries of this Agreement and shall be entitled to enforce the terms of this Agreement to the same extent as a party hereto.

SECTION XVI

SUCCESSORS TO THE COMPANY AND THE EMPLOYERS

In addition to any obligations imposed by law upon any successor(s) to the Company and the Employers, the Company 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 Company and the Employers to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company 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 "Company" and "Employers" herein shall thereafter be deemed to include such successor(s).

SECTION XVII

DEFINITIONS

17.1 A "CHANGE IN CONTROL" means a change of control of the Parent 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, as amended (the "Exchange Act"), whether or not the Parent 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 Parent Corporation, is or becomes the "beneficial owner" (as defined in Rules 13d-3 and 13d-5 under the Exchange Act or any successor provisions thereto), directly or indirectly, of securities of the Parent Corporation representing 20% or more of the combined voting power of the Parent 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 of Directors of the Parent Corporation (the "Board") approves such acquisition either prior to or immediately after its occurrence;

(b) the Parent Corporation consummates a merger, consolidation, share exchange, division or other reorganization or transaction of the Parent Corporation (a "Fundamental Transaction") with any other corporation, other than a Fundamental Transaction that results in the voting securities of the Parent 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 Parent 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 Parent Corporation approve a plan of complete liquidation or winding-up of the Parent Corporation or an agreement for the sale or disposition (in one transaction or a series of transactions) of all or substantially all of the Parent 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 Parent 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 Parent 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.

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

17.2 "CIC FAILURE" means the following:

(a) with respect to a CIC Trigger Event described in Section 17.4(a), the Parent Corporation's shareholders vote against the transaction approved by the Board or the agreement to consummate the transaction is terminated; or

(b) with respect to a CIC Trigger Event described in Section 17.4(b), the proxy contest fails to replace or remove a majority of the members of the Board.

17.3 "CHANGE IN CONTROL PERIOD" means the period beginning on the date of a CIC Trigger Event and ending on the earlier of the date of a CIC Failure or the occurrence of a Change in Control; provided, however, that a Change in Control Period shall not terminate if subsequent to the commencement of the Change in Control Period another CIC Trigger Event occurs and a CIC Failure has not occurred with respect to that CIC Trigger Event.

17.4 "CIC TRIGGER EVENT" means the occurrence of either of the following:

(a) the Board or the Parent Corporation's shareholders approve a transaction described in Section 17,1(b) hereof; or

(b) the commencement of a proxy contest in which any Person seeks to replace or

remove a majority of the members of the Board.

17.5 "PERSON" shall have the meaning given in Section 3(a)(9) of the Exchange Act and shall also include any syndicate or group deemed to be a "person" under Section 13(d)(3) of the Exchange Act.

IN WITNESS WHEREOF, and intending to be legally bound hereby, the parties hereto have caused their duly authorized officers to execute and deliver this Trust Agreement as of the day and year first above noted.

PNC INVESTMENT CORP.

/s/ Robert L. Haunschild

Robert L. Haunschild
Chair, President & Treasurer

HERSHEY TRUST COMPANY

By: /s/ Lise M. Shelren

Accepted and agreed to, intending to be legally bound, by PNC Bank Corp. with respect to its obligations hereunder.

PNC BANK CORP.

By: /s/ William E. Rosner

ATTACHMENT "A"

PLANS

PNC Bank Corp. Supplemental Incentive Savings Plan

PNC Bank Corp. Supplemental Retirement Savings Plan

PNC Bank Corp. Supplemental Executive Retirement Plan

PNC Bank Corp. ERISA Excess Pension Plan

PNC Bank Corp. Key Executive Equity Program

PNC Bank Corp. and Affiliates Deferred Compensation Plan

PNC Bank Corp. Director's Deferred Compensation Plan

PNC Bank Corp. Directors Retirement Plan

PNC Bank Corp. Outside Directors Deferred Stock Unit Plan

Pittsburgh National Bank Deferred Director's Fees

All Change in Control Severance Agreements entered into between PNC Bank Corp. and executives of PNC Bank. Corp. and its subsidiaries and affiliates

EXHIBIT 10.15

EMPLOYMENT AGREEMENT

This Employment Agreement (the "Agreement") is entered into this 10th day of January, 2003, (the "Effective Date"), between The PNC Financial Services Group, Inc. and PNC Bank, National Association (together referred to herein as "PNC") and Joseph Whiteside ("Executive").

In consideration of the representations and promises made herein, the parties hereto agree as follows:

1. Agreement to Employ. PNC agrees to employ Executive, and Executive hereby accepts employment with PNC, upon the terms and conditions set forth in this Agreement. Executive understands that PNC is subject to the requirements of the Federal Deposit Insurance Corporation ("FDIC"), which prohibit employment of any person who has been convicted of, plead guilty to, or entered into a pretrial disposition with regard to a crime involving dishonesty (including the sale, manufacture or distribution of controlled substances, or the intent to do so), breach of trust, or money laundering, absent a waiver from the FDIC. Executive further understands and agrees that this offer of employment is contingent upon no such waiver being necessary with respect to Executive. If a waiver from the FDIC is necessary before Executive's employment with PNC could continue, this Agreement shall be voidable at the sole discretion of PNC.

2. Duties. Executive will hold the title of Vice Chairman of PNC, and will serve as Special Advisor to the Chairman and CEO of PNC ("CEO"). In such capacity, he will provide counsel and advice to the CEO. He will also work on projects assigned to him and shall perform such other duties consistent with the duties for which he is hired that may be reasonably designated or assigned to him from time to time by the CEO. Executive represents that he is not aware of any current restriction upon his ability to perform such duties on behalf of PNC, and shall immediately notify the Company in writing of any such restriction that is threatened or imposed during his employment hereunder.

3. Other Business Interests. Executive shall devote his full working time, energy and attention to the business of PNC. Other than as expressly approved in advance by PNC and any appropriate regulatory agencies, Executive will not, during the term of this Agreement, engage in any other business activity. However, Executive may invest or supervise the investment of his personal assets (including, without limitation, financial investments and rental property) in such form or manner as will not conflict with his duties under this Agreement.

4. Compensation. For all services to be rendered by Executive hereunder, PNC shall compensate Executive as follows:

a. Base Salary. PNC will pay Executive base salary at the annualized rate of $425,000 ("Base Salary"). Base Salary will be paid in accordance with PNC's customary payroll policy.

b. Bonuses. Executive is 'eligible to receive the following bonus:

(i) Executive will receive, upon employment, a bonus of $205,000; and,

(ii) Executive will be eligible to receive, a performance bonus payable in March of 2004, based upon performance in 2003 ("Performance Bonus"). The Performance Bonus target will be 125% of Executive's annualized Base Salary, with the actual amount paid based upon Executive's accomplishments during the preceding calendar year, as determined at the sole discretion of PNC: Provided, however, that the minimum bonus paid to Executive in March of 2004 will be $200,000. Subject to the Acceleration of Payments section set forth below, the Performance Bonus Will not be earned by Executive unless he remains employed by PNC on the date similar bonuses are paid in March of 2004. The opportunity to receive the Performance Bonus will be in lieu of any and all other bonus participation by Executive.

c. Restricted Shares. Upon employment Executive will receive 20,000 shares of restricted stock, subject to signing a restricted stock agreement prepared by PNC ("Restricted Stock Agreement"). With the exceptions that (i) it will contain a provision allowing Executive to fully vest in the restricted stock in two years, and (ii) it is subject to accelerated vesting under the Acceleration of Payments section set forth below, the Restricted Stock Agreement will contain PNC's standard terms and conditions for such agreements, including non-solicitation and no hire provisions. This grant will be made under and pursuant to the terms and

condItions of PNC's 1997 Long Term Incentive Plan ("LTIP").

d. Stock Options. Executive will be granted an option, upon employment, to purchase 20,000 shares of PNC's stock subject to signing a stock option agreement prepared by PNC. Thereafter, Executive is eligible to participate in the next normal annual grant of options, which is anticipated to occur in January of 2003, at which time he will receive the option to purchase 65,000 shares of PNC stock. Both the 20,000 share grant and the 65,000 share grant will vest one year after the date of grant. Stock option grants are subject to the terms and conditions of the LTIP, as well as the relevant Stock Option Agreements that include non~ solicitation and no hire provisions. The opportunity to receive the restricted shares and stock options referred to in subsections 4(c) and (d) of this Agreement is in lieu of any and all other participation by Executive in offerings under PNC's LTIP.

e. Perquisite Allowance. Upon employment, and again twelve months thereafter if he is still employed by PNC at that time, Executive will receive a lump sum perquisite payment of $13,000.

f. Vacation. Executive will be entitled to accrue vacation beginning with his date of hire, and to use such vacation, in accordance with PNC's vacation policy. Because this is an Agreement for a specific term, Executive understands and agrees that be will not receive any payment for unused vacation if his employment ends at the end of the term of this Agreement. In addition, if payment is made to Executive under the Acceleration of Payments provision set forth below, such payment is presumed to incorporate all vacation entitlement, and no additional vacation payment will be made to Executive upon such termination of his employment from PNC.

g. Standard Benefit Plans. Executive will also be eligible to participate in PNC's standard welfare benefits plans, 401(k) plan, life and other insurance plans, and Employee Stock Purchase Plan, in accordance with the terms and conditions of the respective plans and programs. Given the specific term of this Agreement and the Acceleration of Payments section set forth below, this Agreement is deemed to be in lieu of, and not in addition to, any payments Executive might otherwise be eligible to receive under PNC's Displaced Employee Assistance Plans, the PNC Severance Plan, and/or PNC's short-term and long-term disability programs.

h. Acceleration of Payments. If the employment relationship with Executive is terminated sooner than two years after his date of hire, for reasons other than resignation by Executive or termination for Cause by PNC, Executive will receive the following lump sum payments Within 30 days of his termination date: (i) the remainder of(A) minus (B), where (A) is $850,000 and (B) is the sum of all salary payments made to Executive under subsection 4(a) above for work performed through his last day of PNC employment (ii) $200,000, if the Performance Bonus has not already been paid to Executive as of his termination date; and, (iii) the difference on Executive's last day of employment with PNC, if any, between the closing price and the grant price of any outstanding unvested shares of PNC stock previously granted to Executive under and pursuant to the terms and conditions of the LTIP and the respective Stock Option Agreements signed by him and PNC (provided, however, that in the event Executive's employment is terminated during a change in control coverage period, this subsection (iii) will be superceded by the provisions of the Stock Option Agreements). In addition, vesting of the 20,000 restricted shares referred to in subsection 4(c), above, shall be accelerated to Executive's date of termination from PNC employment. All Accelerated payments provided for in this subsection "h" are contingent upon Executive timely signing and not revoking the valid waiver and release agreement described in Section 13, below.

i. Change in Control. If a "Change in Control" occurs while Executive is still employed by PNC under this Agreement and his employment with PNC is terminated sooner than two years after his date of hire, in lieu of any payments otherwise owed to Executive pursuant to subsections (h)(i) and (ii) of this section 4 he will receive a payment within 30 days of his separation from PNC employment. Such payment will be the greater of x or y, where x is $ 1,250,000 and y is the sum of $850,000 plus two times the bonus Executive received in Mach of 2004: Provided, however, that if such termination occurs within 24 months of his 65th birthday, this payment will be reduced by the monthly prorata portion (x or y, as applicable, divided by 24) of such payment times the number of months less than 24 that remain between the date of termination and Executive's 65th birthday. For the purposes of this subsection "i," the

definition of a Change in Control will be the same as that used in Annex "A" to PNC's standard Stock Option Agreement during 2002.

If any portion of this payment becomes subject to the Excise Tax, PNC will pay to Executive an additional amount (the "Gross-Up Payment") such that the net amount retained from the Gross-Up Payment after deduction of all payroll taxes and the Excise Tax shall be equal to the Excise Tax. Provided, however, that the total of the payments provided by this section 4(i) are subject to limitation by the excess parachute payment provisions of the Internal Revenue Code (as such term is defined in Section 280G(b)(1) thereof).

j. Deductions. Compensation paid to Executive by PNC shall be subject to all legally required withholdings, and to such additional withholdings as are designated by Executive and permitted under PNC's policies and procedures applicable to him.

5. Term of Agreement and Employment. This Agreement, and Executive's employment with PNC, shall be for a period of two years commencing on his date of hire; Provided, however, that Executive's employment may be terminated by either party prior thereto, at any time and for any reason. In such event, termination of this Agreement will be co-terminus with termination of Executive's employment.

a. Resignation. If Executive resigns from PNC employment at any time prior to completion of two years after his date of hire, he will receive payment of all salary earned and vacation accrued through his last day of employment with PNC. No further compensation will be owed to Executive under the terms of this Agreement or otherwise, the Acceleration of Payments provision will be null and void, and the restricted shares referred to in subsection 4(c) above will be forfeited.

b. Termination for Cause. If Executive's employment with PNC is terminated by PNC for Cause at any time prior to completion of two years after his date of hire, he will receive payment of all salary earned and vacation accrued through his last day of employment with PNC. No further compensation will be owed to Executive under the terms of this Agreement or otherwise, the Acceleration of Payments provision will be null and void, and the restricted shares referred to in subsection 4(c), above, will be forfeited. For the purposes of this Agreement, "Cause" is defined as any act or omission which constitutes: (i) gross negligence or willful misconduct in connection with the business of PNC or PNC's affiliates or subsidiaries, or their successors or assigns; (ii) fraud, misappropriation, breach of fiduciary duty, felony, theft, dishonesty, or moral turpitude; (iii) material violation of PNC's Code of Ethics; (iv) gross neglect of duties and responsibilities; (v) material breach of Executive's obligations contained in this Agreement; (vi) falsification of any representation made herein; (vii) entry of any order against Executive by any government body having regulatory authority with respect to the business of PNC or any PNC subsidiary or affiliate; or, (viii) any other actions adverse to the interest of PNC or PNC's affiliates or subsidiaries, or their successors and assigns, which are similar in nature and severity to any of the actions described in items (i) through (vi), above; Provided, however, that prior to being given written notice of employment termination with Cause under (iv) or (v) hereof, or (viii) hereof if cureable, Executive shall be given thirty days

advance notice that PNC believes he is in violation of such provision(s), during which time Executive may seek to cure his acts and/or omissions and, if successful, obviate the written notice of employment termination with cause; and Provided further that the standards used to determine Cause under items (i) through (iv), and (vii), above, shall be the same as the standards applicable generally to conduct of similarly situated employees of PNC.

c. Termination of Employment for Reasons Other than Resignation or Cause. If Executive's employment with PNC is terminated for reasons other than Resignation by Executive or by PNC with Cause, at any time prior to completion of two years after his date of hire, any additional compensation to be paid to Executive will be governed by the Acceleration of Payment provisions set forth above.

6. Property. Upon termination of this Agreement for any reason whatsoever, Executive shall immediately return to PNC any and all confidential, proprietary or other property of PNC and PNC's affiliates and subsidiaries, and their successors or assigns, which is in his/her possession and/or subject to his/her control.

7. Intellectual Property. Executive shall promptly and fully disclose to PNC any and all inventions, discoveries, improvements, ideas or other works of inventorship or authorship, whether or not patentable, that are conceived and/or reduced to practice by Executive during the term of his employment by PNC, whether alone or with others, and that are (a) related directly or indirectly to the business or activities of PNC or PNC subsidiary or affiliate, or (b) developed with the use of any time, material, facilities or

other resources of PNC or PNC subsidiary or affiliate ("Developments"). Executive agrees to assign and hereby does assign to PNC or its designee all of his right, title and interest, including copyrights and patent rights, in and to all Developments. Executive shall perform all actions and execute all instruments that PNC or any PNC subsidiary or affiliate shall deem necessary to protect or record PNC's or its designee's interests in the Developments. The obligations of this Section 7 shall be performed by Executive without further compensation and shall continue beyond the termination of his employment.

8. Confidentiality. During Executive's employment with PNC and thereafter, Executive will not disclose or use in any way any confidential business or technical information or trade secret acquired in the course of such employment, all of which is the exclusive and valuable property of PNC whether or not conceived of or prepared by Executive, other than (a) information generally known in the PNC's industry or acquired from public sources, (b) as required in the course of PNC employment, (c) as required by any court, supervisory authority, administrative agency or applicable law, or (d) with the prior written consent of PNC.

9. Expense Reimbursement. Executive shall be reimbursed by PNC for the reasonable and necessary business expenses incurred by Executive in the discharge of his duties, subject to PNC's standard policies and procedures related to expense reimbursement and approval thereof.

10. Non-Solicitation and No Hire. Executive agrees to comply with the provisions of this Section 10, beginning on his date of hire and continuing for a period of three years thereafter.

Executive further agrees that he has received adequate consideration with respect to enforcement of Sections 10 and 11 of this Agreement, that such provisions are reasonable and properly required for the adequate protection of the business of PNC, and that enforcement of such provisions will not prevent him from earning a living.

a. Non-Solicitation. Executive shall not, directly or indirectly, either for Executive's own benefit or purpose or for the benefit or purpose of any person or entity other than PNC or PNC's subsidiaries or affiliates, solicit, call on, do business with, or actively interfere with PNC's or any PNC subsidiary's or affiliate's relationship with, or attempt to divert or entice away, any person or entity that Executive should reasonably know (i) is a customer for which PNC or any PNC subsidiary or affiliate provides services as of the termination of his employment, or (ii) was a customer for which PNC or any PNC subsidiary or affiliate provided services at any time during the twelve (12) months preceding termination of his employment from PNC, or (iii) was, as of the termination of his employment from PNC, considering retention of PNC or any PNC subsidiary or affiliate to provide services.

(b) No-Hire. Executive shall not, directly or indirectly, either for Executive's own benefit or purpose or for the benefit or purpose of any person or entity other than PNC or any PNC subsidiary or affiliate, employ or offer to employ, call on, or actively interfere with PNC's or any PNC subsidiary's or affiliate's relationship with, or attempt to divert or entice away, any employee of PNC or PNC subsidiary or affiliate, nor shall Executive assist any other person or entity in such activities.

11. Enforcement Provisions. Executive understands and agrees to the following provisions regarding enforcement of this Agreement.

a. Governing Law and Jurisdiction. The Agreement is governed by and is to be construed under the laws of the Commonwealth of Pennsylvania, without regard to conflict of laws rules. Any dispute or claim arising out of or relating to the Agreement or claim of breach hereof shall be brought exclusively in the federal court for the Western District of Pennsylvania or in the Court of Common Pleas of Allegheny County, Pennsylvania. By execution of the Agreement, Executive and PNC consent to the exclusive jurisdiction of such courts, and waive any right to challenge jurisdiction or venue in such courts with regard to any suit, action, or proceeding under or in connection with the Agreement.

b. Equitable Remedies. A breach of Sections 6, 7, 8 or 10 will cause PNC irreparable harm, and PNC will therefore be entitled to issuance of immediate, as well as permanent, injunctive relief restraining Executive, and each and every person and entity acting in concert or participating with Executive, from initiation and/or continuation of such breach.

c. Tolling Period. If it becomes necessary or desirable for PNC to seek compliance with any provision of Section 10 by legal proceedings, the period during which Executive shall comply with each such provision shall extend for a period of twelve (12) months from the date of the legal order requiring such compliance.

d. No Waiver. Failure of PNC to demand strict compliance with any of the terms, covenants or conditions of the Agreement shall not be deemed a waiver of such term, covenant or condition, nor shall any waiver or relinquishment of any such term, covenant or condition on any occasion or on multiple occasions be deemed a waiver or relinquishment of such term, covenant or condition.

e. Severability. The restrictions and obligations imposed by Section 10 are separate and severable, and it is the intent of Executive and PNC that if any restriction or obligation imposed by any of the provisions of Section 10 is deemed by a court of competent jurisdiction to be void for any reason whatsoever, the remaining provisions, restrictions and obligations of Section 10 shall remain valid and binding upon Executive. Executive and PNC further agree that the invalidity or unenforceability of any provision or provisions of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.

f. Reform. In the event any part of Section 10 is determined by a court of competent jurisdiction to be unenforceable, it is the intent of Executive and PNC that said court reduce and reform the provisions thereof so as to apply the greatest limitations considered enforceable by the court.

g. Waiver. Executive and PNC hereby waive any right to trial by jury with regard to any suit, action or proceeding under or in connection with Section 10 of this Agreement

12. Personnel Policies. Except as specifically modified by this Agreement, the general personnel policies and practices of PNC (as said policies may exist from time to time) will apply to Executive with the same force and effect as to any other similarly situated Executive of PNC.

13. Waiver and Release. Executive acknowledges and agrees that this Agreement is for a specific term, and that any termination of his employment and this Agreement prior to completion of two years from his date of hire will be due solely to the operation of the terms of this Agreement, and not for any other reason. As to such termination of this Agreement and his employment, Executive will therefore sign and return an agreement prepared by PNC within four days after his last day of employment that:

(a) Fully releases and forever discharges PNC and PNC's subsidiaries and affiliates, and each of their officers, directors, employees and shareholders, from all liability upon claims of any nature whatsoever based upon (i) any event that occurred during his employment with PNC, (ii) termination of this Agreement, and/or (iii) termination of Executive's employment by PNC, including claims of negligence, breach of contract (except for breach of this Agreement or the waiver and release agreement), violation of federal, state or local laws which prohibit discrimination on the basis of race, color, national origin, religion, sex, age, veteran status, disability or retaliation, the Age Discrimination in Employment Act of 1967, as amended, and the laws enforced by any other federal, state or local agencies, including claims under the

Pennsylvania Human Relations Act, as amended. Executive further waives any claim or right to payment of attorneys' fees or expenses;

(b) Provides that he will not file, or permit to be filed in his name or on his behalf, any lawsuit in court against any of the persons or entities released in this section 13, (other than for breach of this Agreement or to challenge this waiver and release under the Age Discrimination in Employment Act), based upon (i) any event that occurred during his employment with PNC, (ii) termination of this Agreement, and/or (iii) termination of Executive's employment by PNC; and,

(c) Provides that, while the waiver and release does not prevent Executive from filing a Charge with the Equal Employment Opportunity Commission ("EEOC"), if any charge, complaint, lawsuit or administrative claim is filed in Executive's name or on his behalf with the EEOC or any other administrative agency or organization, or in any other forum, against any of the persons or entities released in this paragraph, based upon (i) any event which occurred during his employment with PNC, (ii) the termination of this

Agreement, and/or (iii) termination of his employment by PNC, Executive will not seek or accept any personal relief, including but not limited to any award of monetary damages or reinstatement to his employment with PNC; Provided, however, that this provision shall not apply to a claim for damages under the Age Discrimination in Employment Act. If successful on such claim any monetary damages obtained by Executive would be offset by the monies paid under this Agreement.

14. Entire and Final Agreement. This Agreement Shall supersede any and all oral or written representations, understandings and agreements of the parties with respect to their employment relationship (including, but not limited to all correspondence, memoranda and term sheets), and it contains the entire agreement of the parties with respect to those matters (with the exception of any other agreements duly executed by the parties after this Agreement is effective). Once signed by the parties hereto, this Agreement may only be modified in writing, signed by the Executive and a duly authorized officer of PNC.

15. Assignment. Neither this Agreement nor any of the rights, obligations or interests arising hereunder may be assigned by Executive. Neither this Agreement nor any of the rights, obligations or interests arising hereunder may be assigned by PNC without the prior written consent of Executive, to a person or entity other than an affiliate or subsidiary of PNC, or their successors; Provided, however, that any successor must expressly assume all of PNC's obligations and liabilities to Executive under this Agreement for it to remain in effect.

16. Section Headings. The section headings contained in this Agreement are inserted for purposes of convenience only, and shall not affect the meaning or interpretation of this Agreement.

17. Execution in Counterparts. Two copies of this Agreement shall be executed by the parties hereto, with one executed copy to be retained by each party. Each such copy shall be

considered an original for all purposes.

IN WITNESS WHEREOF, PNC and Executive have signed this Agreement below, intending to be legally bound hereby.

BY THE PNC FINANCIAL SERVICES
GROUP, INC.

/s/ WILLIAM E. ROSNER Dated: 1-9-03

/s/ J.J. WHITESIDE Dated: 1/10/03
Executive

EXHIBIT 10.16

THE PNC FINANCIAL SERVICES GROUP, INC.
INCENTIVE SAVINGS PLAN

(AMENDED AND RESTATED EFFECTIVE AS OF JANUARY 1, 2001)

THE PNC FINANCIAL SERVICES GROUP, INC.
INCENTIVE SAVINGS PLAN

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THE PNC FINANCIAL SERVICES GROUP, INC.
INCENTIVE SAVINGS PLAN

INTRODUCTORY STATEMENT

The PNC Financial Services Group, Inc. (formerly known as PNC Bank Corp.), a Pennsylvania corporation (the "Corporation"), sponsors The PNC Financial Services Group, Inc. Incentive Savings Plan (formerly known as the PNC Bank Corp. Incentive Savings Plan) (the "Plan").

Effective as of January 1, 2001 (and other effective dates set forth herein), the Corporation desires to amend and restate the Plan in its entirety to (i) incorporate previously adopted amendments, (ii) comply with and reflect certain changes made by applicable legislation and (iii) make certain clarifying and other changes.

ARTICLE I
DEFINITIONS

The following words and phrases as used herein shall have the following meanings, unless a different meaning clearly is required by the context.

1.1 "Account" means the sum of a Participant's Deposit Account, Elective Contribution Account, Employer Contribution Account, Matching Contribution Account and Rollover Account.

1.2 "Account Balance" means the entire amount allocated to the Participant's Account in the Trust Fund.

1.3 "Administrative Committee" means the committee appointed by the Board or its delegate to administer the Plan.

1.4 "Beneficiary" means the person or persons or trust or estate designated by a Participant under Section 2.3 of the Plan.

1.5 "BlackRock Stock" means the Class A common stock of BlackRock, Inc.

1.6 "Board" means the board of directors of the Corporation as from time to time designated, any committee of the Board to which the Board duly delegates its duties and authority hereunder, or any other authorized delegate of the Board or any committee thereof.

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

1.8 "Compensation" means the total compensation received by a Participant from the Employer, including wages, salaries, commissions and fees for professional services actually rendered in the course of employment with the Employer. Compensation shall include any salary reductions provided for under Code Sections 125, 132, 402(a)(8) and 402(h), including,

but not limited to, Elective Contributions. Compensation shall not include severance pay, Employer Contributions or Matching Contributions to this Plan (but shall include Elective Contributions) and employer contributions to any pension plan or welfare plan sponsored by the Employer.

Compensation shall not include variable pay such as annual bonus amounts in excess of the greater of (i) $25,000 or (ii) 50 percent of such variable pay, provided that for a Participant who is not a member of the corporate executive group, variable pay shall not exceed $250,000. For this purpose, Annex I contains a list of all pay codes that are treated as Compensation for purposes of the Plan, including those that are treated as variable pay. For this purpose, the corporate executive group means the group designated as such by the Corporation.

Compensation does not include any amounts imputed into a Participant's gross income for federal income tax purposes by a provision of the Code, including, but not limited to, (i) any amounts required to be reported as wages on a Participant's Form W-2 as a result of Employee expense reimbursements (such as moving expenses), (ii) director's fees, (iii) amounts realized under Code Section 83 from the transfer of property, except to the extent includible in income pursuant to the election described in Code Section 83(b), (iv) amounts realized from the exercise of a nonqualified stock option or when restricted stock (or property) held by the Participant either becomes freely transferable or is no longer subject to a substantial risk of forfeiture, (v) payments from a plan of deferred compensation not qualified under Code Section 401(a), (vi) amounts realized from the sale, exchange or other disposition of stock acquired under a qualified stock option and (vii) payments made by an Employer for group-term life insurance, hospitalization and like benefits, but only to the extent that the amount are not paid by the Employer on behalf of a Participant pursuant to the Participant's salary deferral election under a cafeteria plan described in Code Section 125.

A Participant's Compensation shall not exceed the Code Section 401(a)(17) limit, as adjusted by the Secretary of the Treasury.

The family aggregation rules of Code Section 401(a)(17) are deleted from

this Plan effective January 1, 1997.

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

1.10 "Corporation Stock" means the common stock of The PNC Financial Services Group, Inc.

1.11 "Deposit Account" means the account used to record a Participant's interest in the Plan attributable to certain interests under Prior Plans.

1.12 "Effective Date" means January 1, 2001.

1.13 "Elective Contribution" means the amount contributed by the Employer under Section 3.1 of the Plan in accordance with an Elective Contribution Agreement between an Employer and a Participant.

1.14 "Elective Contribution Account" means the account used to record a Participant's interest in the Plan attributable to Elective Contributions and certain interests under Prior Plans.

1.15 "Elective Contribution Agreement" means the agreement whereby an Eligible Employee elects to defer a portion of Compensation under the procedures set forth in Article III. Such form shall set forth the amount of Compensation that the Eligible Employee elects to defer and such other information as the Employer or Administrative Committee may require.

1.16 "Elective Deferrals" means for a taxable year all of a Participant's (i) elective contributions under a 401(k) plan (including Elective Contributions under this Plan), (ii) employer contributions to a simplified employee pension under Code Section 402(h)(1)(B), (iii) employer contributions to a Code section 403(b) annuity contract under a salary reduction agreement and (iv) employee deductible contributions to a Code section 501(c)(18) trust.

1.17 "Eligible Employee" means any Employee who has satisfied all of the requirements to become a Participant under Article II, other than execution of an Elective Contribution

Agreement. Eligible Employee does not include any Employee who is a leased employee (as defined in Code Section 414(n)) or a student intern.

1.18 "Employee" means any person who is paid on an hourly basis or salary basis by an Employer for services rendered for such Employer. Employee does not include (i) any individual who is covered by a collective bargaining agreement where retirement benefits were the subject of good faith bargaining shall, unless the collective bargaining agreement provides for the individual's inclusion in this Plan, (ii) any person who is receiving only a pension or severance pay from an Employer, (iii) any individual hired and classified by the Employer as an independent contractor, or who receives compensation by way of fee under contract, written or otherwise, even if misclassified by the Employer as subsequently determined in a judicial or administrative proceeding; and (iv) a director of an Employer who is not an officer or otherwise an employee of an Employer without regard to such individual's status for tax or any other purpose.

1.19 "Employer" means the Corporation, any successors in interest thereto and any Participating Employer.

1.20 "Employer Contribution" means the amount contributed by the Employer under Section 3.2 of the Plan.

1.21 "Employer Contribution Account" means the account used to record a Participant's interest in the Plan attributable to Employer Contributions and certain interests under Prior Plans.

1.22 "Entry Date" means the first day of each calendar month.

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

1.24 "Highly Compensated Employee" means, effective January 1, 1997, any Employee who (i) performs service for the Employer during the Plan Year or the immediately preceding Plan Year (the "determination year") and who was, or is, a five percent owner (as defined in Code

Section 416(i)(1)) or (ii) for the preceding Plan Year received compensation from the Employer in excess of $80,000 (as adjusted by the Secretary of the Treasury) and for such year was a member of the top 20 percent of Employees of the Employer when ranked on the basis of compensation in accordance with Code Section 414(q)(4) (the "top-paid group").

A Highly Compensated Employee includes any Employee who separated from service (or was deemed to have separated) prior to the determination year,

performed no service for the employer during the determination year, and was a highly compensated active Employee for either the separation year or any determination year ending on or after the Employee's 55th birthday.

The determination of who is a Highly Compensated Employee, including the determinations of the number and identity of Employees in the top-paid group and the compensation that is considered, will be made in accordance with Section 414(q) of the Code and the Treasury Regulations thereunder.

1.25 "Hourly Employee" means an Employee who is paid on an hourly basis.

1.26 "Hour of Service" means, in accordance with Department of Labor Regulation Section 2530.200b-2, each hour for which an Employee is directly or indirectly paid, or entitled to be paid by an Employer, regardless of whether employment duties are performed, and each hour for which back pay, irrespective of mitigation of damages, has been either awarded or agreed to by an Employer. These hours shall be credited to an Employee for the computation period during which the Employee's employment duties were performed, but in the event a payment is made or due for a reason other than the performance of duties, hours shall be credited for the computation period during which the absence from work occurred.

1.27 "Investment Fund" means any of the funds in which a Participant may direct the investment of the Participant's Account under the Trust Fund. The Administrative Committee shall have complete and exclusive discretion (i) to designate the type and number of funds

among which a Participant may choose to invest the Participant's Account and (ii) to change the type and number of funds available.

1.28 "Matching Contribution" means the amount contributed by the Employer under Section 3.3 of the Plan.

1.29 "Matching Contribution Account" means the account used to record the Participant's interest in the Plan attributable to Matching Contributions and certain interests under Prior Plans.

1.30 "Non-highly Compensated Employee" means an Employee who is not a Highly Compensated Employee.

1.31 "Participant" means an Eligible Employee who has satisfied the eligibility requirements set forth in Article II herein and has executed an Elective Contribution Agreement that has been accepted by the Administrative Committee.

1.32 "Participating Employer" means a Related Entity approved by the Board or its delegate to have its employees participate in the Plan. Participating Employers are listed on Annex II.

1.33 "Plan" means The PNC Financial Services Group, Inc. Incentive Savings Plan.

1.34 "Plan Administrator" means the Corporation.

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

1.36 "Plan Year" means the calendar year.

1.37 "Prior Plan" means each of the plans listed on Annex III.

1.38 "Related Entity" shall mean any entity which, with the Corporation or any Employer, forms (i) a controlled group of corporations within the meaning of Code Section 414(b), (ii) a group of trades or businesses under common control within the meaning of Code Section 414(c) or (iii) an affiliated service group within the meaning of Code Section 414(m). For purposes of Article VII, however, the adjustments required by Code Section 415(h) shall be made to such subsections.

1.39 "Rollover Account" means the account used to record a Participant's interest in the Plan attributable to a Rollover Amount, if any, and certain interests under Prior Plans.

1.40 "Rollover Amount" means any rollover amount or rollover contribution defined in Code Sections 402(c)(4), 403(a)(4) or 408(d)(3) or direct trustee-to-trustee transfer of an amount that, if distributed, would satisfy such Code Sections.

1.41 "Salaried Employee" means an Employee who is paid on the basis of annual salary.

1.42 "Spouse" means the person to whom a Participant is legally married as determined by the Administrative Committee or its designee.

1.43 "Total Disability" means a medically determinable physical or mental condition of such severity and probable prolonged duration as to entitle a Participant to receive disability payments under a long-term disability income plan maintained by an Employer with respect to that Employee. For Employees not covered by such a plan, Total Disability shall be determined by the Administrative Committee using the criteria established by the Corporation's long-term disability insurance carrier or administrator to determine eligibility of Employees covered thereby to receive long-term disability income payments.

1.44 "Trust" means the trust established as part of this Plan to hold the assets of the Plan pursuant to the Trust Agreement.

1.45 "Trust Agreement" means the agreement or agreements of trust and/or custodial agreements established as part of this Plan between the Trustee and the Corporation.

1.46 "Trust Fund" means, collectively, all funds received by the Trustee, together with all income thereon and increments and profits therefrom, as the same may be held or invested from time to time as provided for in the Trust Agreement.

1.47 "Trustee" means PNC Bank, N.A., acting through its trust division, or its successors in trust, or any additional or successor Trustee as named by the Corporation.

1.48 "Valuation Date" means each day on which the New York Stock Exchange (or any other national securities exchange) is open to execute purchases or sales of securities and on which the Trust Fund is valued.

1.49 "Year of Eligibility Service" means an eligibility computation period during which an Employee is credited with 1,000 or more Hours of Service. The eligibility computation period shall be an initial period of 12 consecutive months beginning on the Employee's date of employment. Subsequent to the initial 12-month period, the eligibility computation period shall be the Plan Year, beginning with the Plan Year in which the first anniversary of the Employee's date of employment occurs.

ARTICLE II
PARTICIPATION IN THE PLAN

2.1 Eligibility to Participate

(a) General Rule

Except as provided below, an Eligible Employee shall become a Participant on the Entry Date coincident with or next following the date the Participant has (i) attained the age of 21, (ii) in the case of a Salaried Employee, completed six consecutive months of service on an elapsed time basis, or, in the case of an Hourly Employee, completed one Year of Eligibility Service and (iii) executed an Elective Contribution Agreement.

(b) Transfer to Participating Employer from Nonparticipating Related Entity or Nonparticipating Collective Bargaining Unit

Each Eligible Employee who transfers to a Participating Employer from a Related Entity that is not a Participating Employer shall become a Participant on the Entry Date coincident with or next following the date the Participant first performs an Hour of Service with the Participating Employer, provided the Participant has (i) attained the age of 21, (ii) in the case of a Salaried Employee, completed six consecutive months of service with the Related Entity on an elapsed time basis, or, in the case of an Hourly Employee, completed one Year of Eligibility Service with the Related Entity and (iii) executed an Elective Contribution Agreement.

If an Employee either ceases to be a member of a nonparticipating collective bargaining unit or is re-employed by a Participating Employer, the Participant shall be eligible to participate in the Plan on the Entry Date coincident with or next following the later of (i) the date upon which the Participant satisfies the eligibility requirements of Section 2.1(a) or (ii) the date upon which the change in status occurs.

(c) Becoming Employed By Participating Employer Because Related Entity Elects to Participate or Because of Corporate Transaction

If an Eligible Employee becomes employed by a Participating Employer in connection with either a Related Entity electing to be a Participating Employer or a Participating Employer's merger with another company, acquisition of another company, or acquisition of any portion of another company as a result of either an asset or stock purchase or similar transaction then the Eligible Employee shall become a Participant after executing an Elective Contribution Agreement on the Entry Date (or other date) coincident with or next following

the earlier of (i) the date set forth in Section 2.1(a) or (ii) the date, if any, set forth in the Board resolution or in the agreement of merger, sale or acquisition upon which acquired employees shall commence participation in the Plan.

(d) Transfer of Participant to Nonparticipating Related Entity or Nonparticipating Collective Bargaining Unit

If an individual who is a Participant does not terminate employment but is transferred to a Related Entity that is not a Participating Employer or becomes a member of a collective bargaining unit that does not participate in the Plan, then unless the applicable collective bargaining agreement provides otherwise, during the period that such individual is employed by such Related Entity or is a member of such collective bargaining unit, the Administrative Committee shall limit such individual's sharing in the allocation of Employer Contributions, if any, under the Plan to the extent of the individual's Compensation paid by the Employer for services rendered while such individual was not employed by such nonparticipating Related Entity or a member of a collective bargaining unit. However, during such period, the individual's Account shall continue to share fully in Trust Fund allocations under Section 6.8.

(e) Certain Hourly Employees

Certain Hourly Employees hired prior to January 1, 1994 and not otherwise eligible under subsections (a) through (d) above became Participants because they were deemed to have accumulated more than 1,000 Hours of Service with a Participating Employer during the period from January 1, 1993 to December 31, 1995 because of changes to administrative and

recordkeeping processes. No other Hourly Employees are eligible to participate in the Plan under this subsection (e).

2.2 Participation upon Reemployment

A former Employee who participated in the Plan prior to the Employee's termination of employment with the Employer shall resume participation in the Plan effective as of the Employee's date of reemployment; provided that the Employee's Elective Contributions shall not be resumed, or begin, as the case may be, until the Entry Date next following the Employee's date of reemployment.

2.3 Designation of Beneficiaries

(a) Procedures for Designating

Each Participant shall have the right to designate a Beneficiary (including contingent Beneficiaries if the Participant so desires) to receive the interest of such Participant in the Trust Fund upon the death of such Participant. A Beneficiary designation must be made in accordance with procedures established by the Administrative Committee and is not effective unless received by the Administrative Committee or its designee. A Participant who wishes to designate, or who previous to marriage has designated, a primary Beneficiary other than the Participant's Spouse shall furnish to the Administrative Committee the written consent of the Participant's Spouse, witnessed by a notary public, to such Beneficiary designation. Unless otherwise specified by law or regulation, the designation of a nonspousal Beneficiary shall be ineffective absent such notarized spousal consent.

(b) Change of Beneficiary

Subject to the required spousal consent, a Participant shall have the right to change or revoke any Beneficiary designation, at any time and from time to time, by filing a new designation or notice of revocation with the Administrative Committee. A Spouse's consent

applies only to the signatory Spouse and does not bind any future Spouse. In the event the Participant remarries, the new Spouse will be deemed to be the Beneficiary, unless the procedures set forth above to designate another Beneficiary are followed with respect to the new Spouse.

(c) Death of Participant with No Beneficiary

If a person designated as a Beneficiary by a Participant fails to survive the Participant, such designation of that person as Beneficiary shall not be effective. If a Participant dies without having an effective designation of a Beneficiary in effect, any payments becoming payable under this Plan by reason of the Participant's death shall be made, on direction of the Administrative Committee, in equal shares to and among the person or persons who shall be shown, to the reasonable satisfaction of the Administrative Committee, to be within the first of the following five classes of potential Beneficiaries which shall contain one or more members surviving at the death of the Participant: (i) the Participant's Spouse, (ii) the Participant's issue, per stirpes, (iii) the Participant's parents, (iv) the Participant's brothers and sisters or (v) the Participant's executors or administrators.

(d) Death of Beneficiary while Receiving Payments

If a Beneficiary dies at any time when any amount remains to be paid to the Beneficiary under this Plan, and if the Participant has not named a successor or contingent Beneficiary, the remaining benefits shall be paid, on direction of the Administrative Committee, in equal shares to and among the person or persons who shall be shown, to the reasonable satisfaction of the Administrative Committee, to be within the first of the following five classes of potential Beneficiaries which shall contain one or more members surviving at the death of the Beneficiary: (i) the Participant's Spouse, (ii) the Participant's issue, per stirpes, (iii) the Participant's parents, (iv) the Participant's brothers and sisters or (v) the Participant's executors or administrators.

ARTICLE III
CONTRIBUTIONS

3.1 Elective Contributions

(a) Amount of Elective Contributions

During the month preceding a Participant's Entry Date into the Plan, an Eligible Employee may elect, in accordance with the procedures established by the Administrative Committee or Plan Manager, by entering into an Elective Contribution Agreement, to cause an Elective Contribution to be made to the Plan on the Participant's behalf with respect to the Participant's Compensation in an amount equal to any whole number percentage between one percent and 15 percent, and effective January 1, 2002, between one percent and 20 percent, of the Eligible Employee's Compensation.

(b) Payroll Deductions

Elective Contributions made on behalf of Participants shall be collected by the Employer through deductions from the Participant's Compensation in accordance with the uniform rules that may be adopted by the Administrative Committee from time to time. All such contributions shall be paid to the Trustee by the Employer and shall be credited to the Participant's Elective Contribution Account.

(c) Change in or Discontinuance of Elective Contributions

Any Participant who has filed an Elective Contribution Agreement may elect to change the percentage of future Compensation to be contributed to the Plan for any future payroll period or to discontinue future Elective Contributions. The Participant must make such election to the designated agent for the Administrative Committee at such time and in the manner designated in accordance with guidelines established by the Administrative Committee. Elections shall be effective on the next pay date, provided the election is made at least nine days before the pay

date. A Participant who discontinues Elective Contributions may resume Elective Contributions by completing and filing a new Elective Contribution Agreement.

3.2 Employer Contributions

(a) Amount of Employer Contributions

Each Employer shall contribute with respect to Participants who are its Employees such amount as the Board, in its sole discretion, may determine prior to the end of the Plan Year for which such contribution is made.

(b) Time of Payment of Employer Contributions

Each Employer shall make its Employer Contributions, if any, prior to the last date for filing (including extensions) such Employer's federal income tax return for the fiscal year with respect to which such contributions are made.

(c) Profits Not Required under Plan

Employer Contributions may be made to the Plan without regard to its current or accumulated earnings and profits for the taxable year or years ending with or within such Plan Year. Notwithstanding the foregoing, the Plan is hereby designated as a profit sharing plan for purposes of Sections 401(a), 402, 412 and 417 of the Code.

(d) Allocation of Employer Contributions

Employer Contributions shall be allocated to a Participant's Employer Contribution Account according to the ratio that each such Participant's Compensation for such Plan Year bears to the aggregate Compensation of all Participants for the Plan Year.

3.3 Matching Contributions

(a) Amount of Matching Contributions

Each Employer with respect to each Participant that is its Employee shall contribute an amount equal to 100 percent of the Participant's Elective Contributions up to six percent of the Participant's Compensation on each pay date.

(b) Time of Payment of Matching Contributions

Each Employer shall contribute Matching Contributions with respect to a Participant to the Plan in accordance with applicable law.

3.4 Rollover Contributions

(a) Written Request

The Plan Manager, pursuant to a written request, may permit either a Participant or an Employee who has not met the age and service requirements in Article II of the Plan to contribute a Rollover Amount to the Trust. The written request shall set forth the amount of such Rollover Amount and contain a statement, satisfactory to the Plan Manager, that such contribution constitutes a Rollover Amount.

(b) Status of Rollover Amount Contributed by Non-Participant

In the case of a Rollover Amount contributed by an Employee who is not yet a Participant, such Employee will not become a Participant until the requirements of Article II are satisfied. Until such Employee becomes a Participant, the Employee is not entitled to make or receive contributions under the Plan or to take loans or withdrawals from the Rollover Account.

(c) Expenses Incurred in Connection with Rollover

Unless the Plan Manager, in its sole discretion, determines otherwise, any expenses incurred incident to the transfer or rollover of such property to the Plan shall be paid by the Participant.

ARTICLE IV
PARTICIPANT ACCOUNTS

4.1 Maintenance of Accounts for Each Participant

Separate accounts shall be maintained by the Employer in the name of each Participant for Employer Contributions, Elective Contributions, Matching Contributions, Rollover Amounts and Deposit Accounts. The maintenance of the individual accounts is for accounting purposes only, and a segregation of assets and liabilities of the Trust Fund is not intended.

ARTICLE V
VESTING

5.1 Vesting

A Participant's interest in the Participant's Account shall be fully vested at all times, except as provided in Annex III for amounts transferred from certain Prior Plans. If a Participant's account in a plan maintained by a Related Entity that has not adopted this Plan is transferred to this Plan on or after January 1, 1991, the Participant shall become fully vested in any unvested portion of the amounts transferred from the plan maintained by the Related Entity.

ARTICLE VI
INVESTMENT OPTIONS

6.1 Participant Investment Elections

(a) Investment of Deposit Account, Elective Contributions, Employer Contributions and Rollover Account

Deposit Accounts, Elective Contributions, Employer Contributions and Rollover Accounts shall be invested at the direction of the Participant in any or all of the Investment Funds. Each Participant shall designate in accordance with procedures or mechanisms implemented by the Plan Manager from time to time, the percentage, in multiples of one percent of Employer Contributions, Elective Contributions, Rollover Amounts or Deposit Accounts that are to be invested in each of the available Investment Funds. In the event that a Participant does not make such designation, the Participant shall be deemed to have elected such Investment Fund as the Administrative Committee or the Plan Manager may designate from time to time. Such elections shall remain in effect and apply to

all subsequent Elective Contributions, Employer Contributions and Rollover Amounts made with respect to such Participant until the election is changed as provided herein.

(b) Investment of Matching Contributions

All Matching Contributions shall be invested in Corporation Stock, except that effective January 1, 2001, in the case of a Participant employed at the time the Matching Contribution is made by any Participating Employer that is a subsidiary of BlackRock, Inc., the Matching Contribution shall be invested in BlackRock Stock. Notwithstanding any other provision of this Plan, a Participant who has attained the age of 50 may make an election in accordance with procedures established by the Plan Manager to transfer all or part of the Matching Contributions made on the Participant's behalf from Corporation Stock or BlackRock Stock to any other Investment Funds and/or to have future Matching Contributions invested in the other Investment Funds.

(c) Restrictions on Investment Elections

Investment elections relating to the Corporation Stock and BlackRock Stock are subject to Corporation's and BlackRock, Inc.'s policies regarding trading of employer securities, including insider trading policies.

6.2 Other Restrictions on Availability of Investment Funds

In connection with a merger of another plan into this Plan, the transfer of assets from another plan to this Plan or the transfer of assets from this Plan to another plan, the Administrative Committee may impose such restrictions on such elections or the availability of Investment Funds as may be necessary, appropriate or convenient in order to facilitate such merger or transfer.

6.3 Transfer of Assets

The Administrative Committee shall direct the Trustee to transfer moneys or other property from the appropriate Investment Fund to another Investment Fund as may be necessary to carry out the aggregate transfer transactions after the Administrative Committee has caused

the necessary entries to be made in the Participants' Accounts in the Investment Funds and has reconciled offsetting transfer elections, in accordance with uniform rules established by the Administrative Committee.

6.4 Records

The records of the Plan shall be maintained by the Administrative Committee and shall accurately disclose the status of each Account. Each Participant shall be advised generally as of each calendar quarter, but at least once during each Plan Year, as to the value of the Participant's Account.

6.5 Participant Interest in Trust Fund

Each Participant shall have an undivided proportionate interest in the Trust Fund. Such interest shall be measured by the proportion that the market value of the Participant's Account in each Investment Fund bears to the total market value of all Accounts invested in such Trust Fund as of the date that interest is being determined.

6.6 Valuation of Investment Funds

The current value of the assets held in each of the Investment Funds and any other assets held in the Trust shall be determined by the Trustee as of each Valuation Date. Interests in each Investment Fund shall be valued at their last public sale price upon the New York Stock Exchange on the Valuation Date, or upon any other recognized exchange or exchanges, or if no such sale shall have been reported, and in the case of "over-the-counter" quotations, the last bid price at the close of business on the Valuation Date. The value of any security which is not listed or dealt in on any exchange shall be determined as nearly as may be in the same manner, except that there may be used for the purpose of obtaining the sale price or the bid price any published quotations in common use which may be available, or, in the discretion of the Trustee, quotations by a reputable broker dealing in such securities. Investments that are not currently quoted shall be appraised at their fair market value in the opinion of the Trustee.

6.7 Allocation of Expenses

As of each Valuation Date, the Trustee shall determine the fair market value of the Trust Fund after first deducting any expenses that have not been paid by the Employer. Unless paid by the Employer, and subject to such limitations as may be imposed by ERISA or other applicable law, all costs and expenses incurred in connection with the general administration of the Plan and the Trust shall be chargeable to the Trust Fund.

6.8 Allocation of Earnings and Losses

As of each Valuation Date, the Administrative Committee, with the assistance of the Trustee, shall allocate the net earnings and gains or losses of each Investment Fund of the Trust Fund in accordance with procedures adopted by the Administrative Committee.

ARTICLE VII
LIMITATIONS ON CONTRIBUTIONS

7.1 Maximum Amount of Elective Contributions

(a) Elective Deferral Limit

A Participant's Elective Deferrals for a calendar year under the Plan and all other plans, contracts or arrangements of the Employer and any Related Entity may not in the aggregate exceed the limitation in effect for such calendar year under Code Section 402(g)(1).

(b) Mandatory Distribution of Excess Deferrals

If, for a calendar year, a Participant's Elective Deferrals exceed the limit above, excess deferrals (and income allocable thereto) will be distributed to the Participant on or before April 15 of the following calendar year. The income allocable to the excess deferrals will be determined in accordance with Section 7.1(d).

(c) Elective Distribution of Excess Deferrals

If, for a calendar year, a Participant's Elective Deferrals do not exceed the limit above, but would exceed such limit if elective deferrals under plans, contracts or arrangements or unrelated entities were considered, then the Participant may request that a portion of the Participant's Elective Contributions under this Plan be treated as excess deferrals and distributed pursuant to Section 7.1(b) above. In no event may such amount exceed the lesser of (i) the amount by which the Participant's total Elective Deferrals exceed the Code Section 401(g) limit for the calendar year or (ii) the Participant's Elective Contributions under the Plan for the calendar year.

A Participant's request for distribution of excess deferrals under this Section must be made in accordance with the procedures established by the Administrative Committee or Plan

Manager and filed with the Administrative Committee on or before March 1 of the calendar year following the calendar year for which the excess deferrals were made. The request must specify the amount of the Participant's excess deferrals and be accompanied by a statement that if such amounts are not distributed, the Participant's Elective Deferrals for the calendar year will exceed the Code Section 402(g) limit.

(d) Income Allocable to Excess Deferrals

The income allocable to excess deferrals for a calendar year is equal to allocable gain or loss for the calendar year which is determined by multiplying the net income (or loss) for the calendar year allocable to Elective Contributions by a fraction, the numerator of which is the excess deferrals by the Employee for the taxable year and the denominator of which is the sum of (i) the Account Balance of the Employee attributable to Elective Contributions as of the beginning of the calendar year, and (ii) the Employee's Elective Contributions for the calendar year.

7.2 Deductibility

Elective Contributions, Employer Contributions and Matching Contributions collectively shall not be in excess of the maximum amount allowable as a deduction for federal income tax purposes under Section 404 of the Code. For purposes of determining the maximum deductible contribution, Employer Contributions shall not include any amount that may be credited to the Plan and allocated to Participants' Accounts in respect of fees received by the Employer from any mutual fund it services.

7.3 Limitation on Annual Additions

(a) Amount of Limitation

Notwithstanding any other provision of this Plan, the total annual additions (as defined in Code Section 415) to the Account of any Participant under this Plan and any other defined

contribution plan or plans maintained by the Employer or any Related Entity for any Plan Year shall not exceed the lesser of (i) 25 percent of the Participant's compensation (as defined in Code Section 415, which for Plan Years beginning on or after January 1, 1998, shall include (A) any elective deferral (as defined in Code Section 402(g)(3)) and (B) any amount that is contributed or deferred by the Employer at the election of the Employee and that is not includible in the Employee's gross income by reason of Code Sections 125, 132(f)(4) or 457) or (ii) $35,000, as adjusted by the Secretary of the Treasury (or, effective for Plan Years ending on or before December 31, 1994, if greater, one-quarter of the defined benefit dollar limit in effect for such year under Section 415(b)(1)(A) of the Code).

(b) Return of Excess Contributions

In the event that Elective Contributions, with respect to any Participant, exceed the limitations imposed by this Section 7.3, then the excess shall be paid to such Participant in cash. In the event Employer Contributions and Matching Contributions exceed the limitations imposed by this Section 7.3 with respect to any Participant, then the excess first shall be used to reduce Matching Contributions and the balance shall be carried over to subsequent years and used to reduce Matching Contributions for such subsequent year or years. Amounts carried over shall be held in a suspense account (as described in Article XVII), and shall be invested in any manner the Trustee deems appropriate.

(c) Combined Defined Benefit and Defined Contribution Plan Limit

For Plan Years ending before December 31, 1999, if an Employee was a Participant in one or more defined benefit plans and one or more defined contributions plans maintained by the Employer, the sum of the "defined benefit plan fraction" and the "defined contribution plan fraction" for any year may not exceed 1.0.

The defined benefit plan fraction for any year is a fraction (i) the numerator of which is the Participant's projected annual benefit under all defined benefit plans maintained by the Employer (determined as of the close of the Plan Year) and (ii) the denominator of which is the

lesser of (A) the product of 1.25 multiplied by the dollar limitation in effect under Code Sections 415(b) and 415(d) for such year or (B) 140 percent of the Participant's highest average compensation, including any adjustments under Code Section 415(b) for such year.

The defined contribution plan fraction for any year is a fraction (i) the numerator of which is the sum of the annual additions to the Participant's Account as of the close of the Plan Year and (ii) the denominator of which is the sum of the lesser of the following amounts determined for such year and each prior year of service with the Employer: (A) the product of 1.25 multiplied by the dollar limitation determined under Code Sections 415(d) and (b) in effect for such year (determined without regard to Code Section 415(c)(6)) or (B) 35 percent of the Participant's compensation for such year.

7.4 Actual Deferral Percentage Test

Effective for Plan Years beginning on and after January 1, 2000, the Plan is intended to satisfy the actual deferral percentage test of Code Section 401(k)(3)(A)(ii) by utilizing the Code's design-based safe harbor. However, for any Plan Year in which the Plan is not a safe harbor plan, the provisions below will apply.

(a) Definition of Actual Deferral Percentage

"Actual Deferral Percentage" means the average of the percentages (calculated separately for each Participant who is eligible to make Elective Contributions to the Plan) determined by dividing (i) by (ii) where (i) is the total of the Elective Contributions made for the Plan Year on behalf of each such Participant and (ii) is such Participant's total W-2 compensation paid by the Employer for such Plan Year.

If the Plan and any other plan that includes a cash or deferred arrangement are considered as one plan for purposes of Code Sections 401(a)(4) or 410(b), the cash or deferred arrangements in such plans shall be treated as one plan for purposes of calculating the Actual Deferral Percentage.

If any Highly Compensated Employee who is a Participant in this Plan also participates in any other cash or deferred arrangement of the Employer, for purposes of determining the Actual Deferral Percentage for such Employee, all such cash or deferred arrangements shall be treated as one cash or deferred arrangement.

(b) Maximum Deferral Percentage

For any Plan Year, the Actual Deferral Percentage for the group of Highly Compensated Employees for the Plan Year may not exceed the greater of (i) 125 percent of the Actual Deferral Percentage of the group of Non-highly Compensated Employees for the Plan Year or (ii) 200 percent of the Actual Deferral Percentage for the group of Non-highly Compensated Employees for the Plan Year, provided that the Actual Deferral Percentage for the group of Highly Compensated Employees for the Plan Year may not exceed the Actual Deferral Percentage for the group of Non-highly Compensated Employees by more than two percentage points.

This Actual Deferral Percentage test will be performed in accordance with Code Section 401(k)(3) and Treasury Regulation Section 1.401(k)-l(b).

(c) Correction of Actual Deferral Percentage Test

If the Actual Deferral Percentage test is projected or determined to be failed for any Plan Year, the Plan Administrator shall correct such failure no later than 12 months after the end of the Plan Year. The Plan Administrator may correct any such failure by using any one or combination of correction procedures described in (1) and (2) below. The decision to use one or more correction procedures shall be made in the sole discretion of the Plan Administrator.

(1) Distribution of Excess Contributions

The Plan Administrator may correct a failure of the Actual Deferral Percentage test for a Plan Year by distributing excess contributions and income allocated thereto to Highly

Compensated Employee. Effective January 1, 1997, in the event that there exists an excess deferral percentage, then the amount of such excess shall be eliminated by a leveling process under which the Actual Deferral Percentage of the Highly Compensated Employee with the highest actual deferral ratio is reduced to the extent required to cause such Highly Compensated Employee's Actual Deferral Percentage to equal the Actual Deferral Percentage of the Highly Compensated Employee with the next highest Actual Deferral Percentage. This process shall be repeated until the excess deferral percentage is completely eliminated. Once the dollar amount of the excess contributions has been determined, it must be allocated to the appropriate highly compensated employees. In order to make this allocation, the following steps are to be taken:

(A) The elective contributions of the Highly Compensated Employee with the highest dollar amount of elective contributions are reduced by the amount required to cause that Highly Compensated Employee's elective contributions to equal the dollar amount of the elective contributions of the Highly Compensated Employee with the next highest dollar amount of elective contributions. This amount is then distributed to the Highly Compensated Employee with the highest dollar amount. However, if a lesser reduction would equal the total excess contributions, the lesser reduction amount is distributed.

(B) If the total amount distributed is less than the total excess contributions, step (A) is repeated.

(2) Qualified Matching Contributions and Qualified Nonelective Contributions

The Plan Administrator may correct a failure of the Actual Deferral Percentage test for a Plan Year by (i) designating some or all of the Matching Contributions for the Plan Year, if any, as qualified matching contributions and/or (ii) designating some or all of the Employer Contributions for the Plan Year, if any, as qualified nonelective contributions.

7.5 Actual Contribution Percentage Test

Effective for Plan Years beginning on and after January 1, 2000, the Plan is intended to satisfy the actual contribution percentage test of Code Section 401(m)(2)(A) by utilizing the Code's design-based safe harbor. However, for any Plan Year in which the Plan is not a safe harbor plan, the provisions below will apply.

(a) Definition of Actual Contribution Percentage

"Actual Contribution Percentage" means the average of the percentages (calculated separately for each Participant who is eligible to make Elective Contributions to the Plan determined by dividing (i) by (ii) where (i) is the total of the Matching Contributions made for the Plan Year on behalf of each such Participant and (ii) is such Participant's total W-2 compensation paid by the Employer for such Plan Year.

At the election of the Company, the Actual Contribution Percentage shall be calculated after taking into account any Elective Contributions made on behalf of a Participant for the Plan Year, provided that (i) Elective Contributions,

including those treated as Matching Contributions pursuant to this paragraph, do not exceed the maximum deferral percentage (ii) Elective Contributions, excluding those treated as Matching Contributions pursuant to this paragraph, do not exceed the maximum deferral percentage and (iii) except as provided in (i) above, the Elective Contributions treated as Matching Contributions pursuant to this subparagraph are not taken into account in determining whether Elective Contributions exceed the maximum deferral percentage for the Plan Year.

(b) Maximum Contribution Percentage

For any Plan Year, the Actual Contribution Percentage for the group of Highly Compensated Employees for the Plan Year may not exceed the greater of (i) 1.25 percent of the Actual Contribution Percentage for the group of Non-highly Compensated Employees for the Plan Year or (ii) 200 percent of the Actual Contribution Percentage for the group of Non-highly Compensated Employees for the Plan Year, provided that the Actual Contribution Percentage for the group of Highly Compensated Employees for the Plan Year may not exceed the Actual

Contribution Percentage for the group of Non-highly Compensated Employees for the Plan Year by more than two percentage points.

(c) Elimination of the Excess Aggregate Contributions

Effective for Plan Years beginning on and after January 1, 1997, if the Actual Contribution Percentage for the group of Highly Compensated Employees exceeds the maximum contribution percentage described above for a particular Plan Year, the amount of such excess aggregate contributions shall be eliminated in the same manner as described in Section 7.4(c) above.

The income allocable to excess aggregate contributions for a calendar year is equal to allocable gain or loss for the calendar year which is determined by multiplying the net income (of loss) for the calendar year allocable to Matching Contributions by a fraction, the numerator of which is the excess aggregate contributions for the taxable year, and the denominator of which is the Account Balance of the Employee attributable to Matching Contributions as of the end of the Plan Year, without regard to any income or loss during such Plan Year.

7.6 Multiple Use Test

To the extent applicable, Code Section 401(m)(9) and Treasury Regulations thereunder will apply to determine whether a multiple use of the alternative limitation has occurred.

ARTICLE VIII
DISTRIBUTION OF BENEFITS

8.1 Time of Distribution

(a) General Rule

Upon a Participant's termination of employment, including because of death or Total Disability, the Participant will be entitled to a distribution of the Participant's Account Balance as soon as may be administratively practicable after receipt by the Administrative Committee of a valid benefit election form in accordance with the procedures established by the Plan Manager or the Administrative Committee.

The Administrative Committee shall determine, in accordance with Code Section 401(k)(10), whether a Participant has terminated employment. A Participant will not be treated as having terminated employment merely because the Participant is transferred from a Participating Employer to a nonparticipating Related Entity or to an entity that is not a Related Entity but which is ten percent or more owned (directly or indirectly) by the Employer.

Any Employer Contributions and Matching Contributions to which a terminated Participant is entitled as of the last Valuation Date of the year of termination, shall be added to the Participant's existing Account, or if the Participant's Account has already been distributed to the Participant, shall be distributed as soon as practicable after the date such contributions are made to the Trust.

(b) Involuntary Cashout

Notwithstanding the above, if a Participant's Account Balance is $3,500 or less, and effective January 1, 1998, $5,000 or less, the Participant's Account Balance will be paid to the Participant as soon as administratively practicable after the Participant's termination of employment.

Effective for distributions occurring prior to March 22, 1999, a lump sum cashout could not be made if the Participant's Account Balance exceeded the cashout limit as of the time of any prior distribution. Effective for

distributions occurring on or after March 22, 1999, notwithstanding the above, if Participant has begun to receive distributions pursuant to an optional form of benefit under which at least one scheduled distribution has not yet been made, and if the Participant's Account Balance at the time of the first distribution under that optional form of benefit exceeded the cashout limit currently in effect, then the Participant's Account Balance is deemed to continue to exceed the cashout limit.

8.2 Minimum Distributions

Notwithstanding the foregoing, effective January 1, 1997, a Participant who is not a five percent owner (as defined in Code Section 416(i)(1)) and whose account balance exceeds, effective January 1, 1998, $5,000 as of the Participant's termination date may elect to defer payment until later than April 1 of the calendar year following the calendar year in which the Participant attains age 70 1/2. A Participant who is a five percent owner must commence distributions no later than April 1 of the calendar year following the calendar year in which the Participant attains age 70 1/2 in accordance with the minimum distribution rules of Code Section 401(a)(9).

With respect to distributions under the Plan made in calendar years beginning on or after January 1, 2001, the Plan shall apply the minimum distribution requirements of Section 401(a)(9) of the Code in accordance with the regulations under Section 401(a)(9) that were proposed in January 2001, notwithstanding any provision of the Plan to the contrary. This provision shall continue in effect until the end of the last calendar year beginning before the effective date of final regulations under Section 401(a)(9) or such other date specified in guidance published by the Internal Revenue Service.

8.3 Latest Commencement of Benefits

Notwithstanding any other provision in this Plan to the contrary, unless a Participant elects otherwise, distribution of a Participant's Account must commence no later than 60 days after the close of the Plan Year in which occurs the later of (i) the date the Participant attains age 65, (ii) the tenth anniversary of the year in which the Participant commenced participating in the Plan or (iii) the date on which the Participant terminates employment.

8.4 Method of Payment

(a) Lump Sum or Installments

If a Participant's employment terminates for any reason other than death and the Participant's Account Balance exceeds the involuntary cashout limit described in Section 8.1(b), the Participant's Account Balance shall be paid, at the Participant's election, either in a single lump sum or in periodic installments over a period not to exceed the lesser of 15 years or the life expectancy of the Participant (or the joint life expectancy of the Participant and the Participant's Spouse, if married).

If a Participant's employment terminates by reason of death or if the Participant's Account Balance does not exceed the involuntary cashout limit described in Section 8.1(b), the Participant's Account Balance will be paid in a single lump sum.

(b) Additional Rules Applicable to Installments

In the case of installments, the amount of each payment shall be determined by dividing the Participant's then Account Balance by the number of installments remaining unpaid. The Participant shall be permitted to invest the remaining Account Balance pursuant to the terms of the Plan.

In the case of a Participant who receives a distribution of the Participant's Account Balance because of Total Disability, who elected to have the Participant's benefits paid in installments and who then recovers from the Total Disability and returns to service with an

Employer, any remaining installment payments will cease and the remainder of the Participant's Account Balance will be distributed in accordance with this Article VIII.

(c) Elimination of Optional Forms of Distribution Preserved from Prior Plans

Participants who formerly were covered by certain Prior Plans were permitted to receive the portion of the Participant's Account transferred from the Prior Plan in certain optional forms preserved from the Prior Plans. These optional forms are eliminated in accordance with Internal Revenue Service guidance. However, the amendment eliminating the optional forms shall not apply to a Participant with respect to any distribution with an annuity starting date that is earlier than 90 days from the date a summary of material modification

describing the amendment is furnished to affected Participants.

8.5 Medium of Distribution

Any amount invested in Corporation Stock or BlackRock Stock on the date of distribution may be distributed in cash or, at a Participant's election, in kind. If a Participant does not have an election form on file with the Administrative Committee regarding the medium of distribution, the portion of the Participant's Account invested in Corporation Stock or BlackRock Stock will be distributed in cash.

8.6 Payment to Minors and Incompetents

In the event any payment due under the terms of the Plan is to be made to a minor or incompetent person, such payment may be made for the person's benefit or in any of the following ways as the Administrative Committee shall determine in its sole discretion: (i) directly to such minor or incompetent person, (ii) to the legally appointed guardian of such minor or incompetent person or (iii) to any person or institution maintaining such minor or incompetent person.

8.7 Direct Rollover Provisions

(a) Definition of Terms Used in This Section 8.7

The following words or phrases as used herein shall have the following meanings, unless a different meaning clearly is required by the context. Otherwise, capitalized terms used in this Section 8.7 have the meanings assigned to them in Article I.

(1) "Distributee" means (i) an Employee, (ii) former Employee, (iii) an Employee's or former Employee's surviving Spouse and (iv) an Employee's or former Employees' Spouse or former Spouse who is the alternate payee under a "qualified domestic relations order," as defined in Code Section 414(p) and ERISA Section 206(d)(3)(B), are Distributees with regard to the interest of the Spouse or former Spouse.

(2) "Eligible Retirement Plan" means any of the following that accepts the Distributee's Eligible Rollover Distribution: (i) an individual retirement account described in Section 408(a) of the Code, (ii) an individual retirement annuity described in Section 408(b) of the Code, (iii) an annuity plan described in Section 403(a) of the Code or (iv) a qualified trust described in Section 401(a) of the Code. However, in the case of an Eligible Rollover Distribution to the surviving Spouse, an Eligible Retirement Plan is an individual retirement account or individual retirement annuity.

(3) "Eligible Rollover Distribution" means any distribution of all or any portion of the balance to the credit of the Distributee, except that an Eligible Rollover Distribution does not include (i) any distribution that is one of a series of substantially equal periodic payments (not less frequently than annually) made for the life (or life expectancy) of the Distributee or the joint lives (or joint life expectancies) of the Distributee and the Distributee's designated Beneficiary, or for a specified period of ten years or more, (ii) any distribution to the extent such distribution is required under Section 401(a)(9) of the Code or (iii) the portion of any distribution that is not includible in gross income (determined without regard to the exclusion for net unrealized appreciation with respect to Employer securities).

(b) Distributee's Election

Notwithstanding any other provision of the Plan, a Distributee may elect to have, at the time and in the manner prescribed by the Administrative Committee, any portion of an Eligible Rollover Distribution paid directly to an Eligible Retirement Plan specified by the Distributee in a direct rollover. The Administrative Committee may, however, in its discretion, limit a Distributee to a single direct rollover for each Eligible Rollover Distribution. Furthermore, the Administrative Committee may prescribe additional procedures for a Distributee to elect a direct rollover of an Eligible Rollover Distribution.

(c) Timing of Direct Rollover

If a distribution is one to which Code Sections 401(a)(11) and 417 do not apply, such distribution may commence less than 30 days after the notice required under Treasury Regulation Section 1.411(a)-11(c), provided that (i) the Administrative Committee clearly informs the Participant that the Participant has a right to a period of at least 30 days after receiving the notice to consider the decision of whether or not to elect a distribution and a particular distribution option and (ii) the Participant after receiving the notice, affirmatively elects a distribution.

ARTICLE IX

IN-SERVICE WITHDRAWALS DURING EMPLOYMENT

9.1 Regular Withdrawals

A Participant may request a withdrawal from the Participant's Deposit Account and/or Employer Contribution Account. To be eligible for such a withdrawal, the funds must have been in the Plan for two complete Plan Years, unless such funds are attributable to Employee after-tax contributions to a Prior Plan that were not matched by an Employer. Requests for withdrawal must be made in accordance with procedures established by the Plan Manager. Such withdrawals may be made only once in any 12-month period. Any amount so withdrawn may not be repaid or recontributed.

9.2 Hardship Withdrawals

(a) Procedures and Funds Available

Upon the application of a Participant in accordance with the procedures established by the Plan Manager, the Plan Manager may authorize the Trustee to make a hardship withdrawal to a Participant if the Participant has an immediate and heavy financial need that cannot be reasonably satisfied from other resources of the Participant. To ensure that the Plan operates in a uniform and nondiscriminatory manner, a hardship withdrawal will only be granted if described in Sections 9.2(b) and (c). Withdrawals under this Section 9.2 shall be limited to the amount credited to the Participant's Elective Contribution Account, Matching Contribution Account or Rollover Account and to the amount credited to a Participant's Deposit Account and Employer Contribution Account that could not be withdrawn under Section 9.2(a) above.

(b) Events That Are Deemed To Constitute Immediate and Heavy Financial Need

For purposes of this Section, the following events will be deemed to constitute an immediate and heavy financial need:

(1) expenses for medical care (as that term is defined in Code Section 213(d)) previously incurred by the Participant, Participant's Spouse or dependent of the Participant or necessary for these persons to obtain medical care as described in Section 213(d) of the Code;

(2) payment of tuition, related educational fees, and room and board expenses for the next 12 months of post-secondary education of a Participant, Participant's Spouse or dependent;

(3) costs directly related to the purchase of a Participant's principal residence (excluding mortgage payments); or

(4) payments necessary to prevent the Participant from being either evicted from the Participant's principal residence or having the mortgage on it foreclosed.

(c) Circumstances That Are Deemed To Illustrate a Lack of Alternative Resources

For purposes of this section, a Participant will be deemed to lack alternative resources if the Participant represents, on a form to be supplied by the Plan Manager, that:

(1) the hardship withdrawal does not exceed the amount reasonably required to meet the financial need created by the hardship (including any amounts necessary to pay any federal, state or local income taxes or penalties reasonably anticipated to result from the distribution);

(2) the Participant has exhausted all other in-service distributions from the Plan, and is precluded from receiving any further loans from the Plan because of the limits set forth in Code Section 72(p); and

(3) the need cannot be reasonably satisfied (i) through reimbursement or compensation by insurance or otherwise, (ii) by liquidation of the employee's assets, (iii) by

cessation of Elective Contributions or employee's contributions under the Plan or (iv) by other distributions or nontaxable loans from plans maintained by the Employer or by any other Employer or by borrowing from commercial sources on reasonable terms.

(d) Cessation of Contributions

Any Participant who receives a hardship withdrawal shall be suspended from making and receiving contributions in the Plan and any other deferred compensation plan of the Corporation (whether qualified or nonqualified and whether sponsored by the Corporation or a Related Entity) and in any stock

option, stock purchase or similar plan sponsored by the Employer (or a Related Entity) for a period of 12 months from the effective date of the hardship distribution, and effective January 1, 2002, for a period of six months from the effective date of the hardship distribution. Such suspension shall prohibit the Participant from making Elective Contributions to the Plan and from receiving Employer Contributions and Matching Contributions. In addition, the Participant may not make Elective Contributions for the taxable year immediately following the taxable year of the hardship withdrawal in excess of the limit under Code Section 402(g) for such next taxable year less the amount of such Participant's Elective Contributions for the taxable year of the hardship withdrawal.

9.3 Funding of Withdrawals

In the event a withdrawal is less than the total amount credited to a Participant's Account, and if such Account is invested under more than one Investment Fund, then the amount withdrawn from such Account shall be charged to each Investment Fund in the same proportion that the net credit balance in the Account then the subject of withdrawal bears to the combined credit balance in all Investment Funds in which such Account is invested.

9.4 Withdrawals Permitted under Certain Prior Plans

Annex III describes additional withdrawal provisions applicable to amounts transferred from certain Prior Plans.

ARTICLE X
LOANS TO PARTICIPANTS

10.1 Authorization of Loans

Upon the application of a Participant who is currently employed by the Employer in accordance with the procedures established by the Plan Manager, the Plan Manager may authorize the Trustee to make a loan to the Participant. The Administrative Committee shall establish uniform and nondiscriminatory rules, which it shall apply in a consistent manner, to determine whether a loan shall be approved. Loan applications must be on a form authorized and furnished by the Plan Manager and will be approved only if the loan (i) meets the requirements contained in Section 10.2 of this Plan, (ii) is a loan that is available on a reasonably equivalent basis to all Participants who are "parties in interest" as defined under ERISA Section 3(14), (iii) bears a reasonable rate of interest and (iv) is adequately secured.

10.2 Minimum Requirements for Loans

To the extent the Plan Manager authorizes loans to Participants, all such loans shall meet the following requirements and such other terms as the Administrative Committee may establish from time to time.

(a) Principal Amount

The principal amount of a loan to a Participant shall not exceed the lesser of (i) $50,000, reduced by the excess, if any, of the highest outstanding loan balance owed by the Participant during the one-year period ending on the date before the date the loan was made, over the outstanding balance of any loan from the Plan to the Participant on the date on which such loan was made or (ii) 50 percent of such Participant's Account.

(b) Minimum Amount

No loan shall be for less than $500.

(c) Maximum Term

The term of repayment of any loan shall be determined by the Administrative Committee, but in no event may it exceed five years unless such loan principal is used to acquire any dwelling unit which is used or within a reasonable period of time is to be used (determined at the time the loan is made) as the principal residence of the Participant, in which case the term of repayment of the loan may be extended for as much as 15 years.

(d) Number of Loans

A Participant may not have more than two outstanding loans at any time. All loans shall be made effective as of the last day of any quarter or such other date as may be determined by the Plan Manager to be administratively practicable.

(e) Funding of Loans

Unless otherwise specified by a borrowing Participant, loans shall be

funded by a pro rata liquidation of the borrowing Participant's interest in each of the Investment Funds.

(f) Interest Rate

The rate of interest charged on a loan will be the prime rate of interest as announced by PNC Bank, N.A., on the last business date of the month preceding the date the Participant submits the loan application.

(g) Repayment

The loan shall be repaid by payroll withholding over its term in level installment payments in each payroll period. As a condition precedent to approval of the loan, the Participant shall be required to authorize irrevocably payroll withholding in the amount of each installment. Notwithstanding anything herein to the contrary, no loan amount shall be permitted if the Plan Manager determines pursuant to uniform standards adopted from time to time that the borrowing Participant does not have the financial capability to repay such loan (through payroll withholding or otherwise).

(h) Repayment Allocations

Loan repayments shall be deposited in accordance with the borrowing Participant's current investment election with respect to current contributions, including any investment election required by this Plan with respect to Matching Contributions.

(i) Default

If a Participant shall fail to make any installment payment on the loan under this Section within 60 days after the due date, the Plan Manager shall have the discretion to accelerate repayment of said loan and demand immediate repayment of the principal and interest on said loan then due. If the Participant fails to comply with such demand within 30 days of receipt thereof, the Plan Manager shall have the discretion to reduce the vested amounts in the Participant's Account by the amount of the unpaid principal and interest to the extent permitted by law. The Plan Manager may also execute on any additional security posted by such Participant, to the extent permitted by law.

(j) Collateral

The loan shall be secured by 50 percent of a Participant's nonforfeitable Account Balance. To the extent that any additional security is required, the security posted must be

something in addition to and supporting the Participant's promise to pay, which is pledged to the Plan in such a manner that it may be sold, foreclosed upon or otherwise disposed of upon default as defined in Section 10.2(i), the value and liquidity of which additional security is such that it may reasonably be anticipated that loss of principal and interest will not result from the loan. The adequacy of such additional security will be determined in light of the type and amount of security which would be required in the case of an otherwise identical transaction in a normal commercial setting between unrelated parties on arm's length terms.

(k) Termination of Employment

The outstanding balance of any loan granted to a Participant who terminates employment with the Employer for any reason shall be immediately repayable to the Plan together with interest then due. If not repaid, the outstanding balance of the loan plus interest will be deducted from the payment of a Participant's Account prior to distribution.

10.3 Disclosure of Terms of Loan Program to Participants

The Administrative Committee or its designee shall communicate to Participants, as soon as may be reasonably practicable through the summary plan description or such other written medium as the Administrative Committee shall, in its sole discretion, deem advisable, the following information: (i) the identity of the person and positions authorized to administer the Participant loan program, (ii) the procedure for applying for loans, (iii) the basis on which loans will be provided or denied, (iv) the limitations contained in Section 10.2 on the types and amount of loans offered, (v) the procedure under the program for determining a reasonable rate of interest, (vii) the types of collateral which may secure a Participant's loan and (vii) the events constituting default and the steps that will be taken to preserve Plan assets in the event of such default.

ARTICLE XI
ALLOCATION OF FIDUCIARY RESPONSIBILITIES AND DUTIES

11.1 Corporation

The Corporation shall be the Plan Administrator with the sole responsibility for administration of the Plan. With respect to administrative matters, the Corporation shall act through the Administrative Committee.

11.2 Administrative Committee

The Administrative Committee is designated as the agent of the Employer and shall have the exclusive authority to control and manage the operations and administration of the Plan and to direct the Trustee to make disbursements from the Trust Fund as more fully set forth in Articles VIII and IX. The Administrative Committee shall provide the Trustee with such information as is necessary for the Trustee to carry out its fiduciary responsibilities under ERISA with respect to the investment and administration of the Trust Fund. The Trustee shall have no responsibility or duties for the administration of the Plan, other than as provided herein or delegated to it by the Administrative Committee and accepted by it in writing.

11.3 Trustee

The Trustee shall have the authority and discretion to manage and control the Trust Fund to the extent provided in the Trust Agreement, but does not guarantee the Trust Fund in any manner against investment loss or depreciation in asset value, or guarantee the adequacy of the Trust Fund to meet and discharge all or any liabilities of the Plan. The Trustee shall have no right or duty to require payment of any contribution, or to inquire into the amount or method of determining the amount of any contribution, and shall be accountable only for funds and property actually received by it. The Trustee shall not be liable for the making, retention or sale of any investment or reinvestment made by it, as herein provided, or for any loss to, or diminution of the Trust Fund or for any other loss or damage which may result from the

discharge of its duties hereunder except to the extent it is judicially determined that the Trustee has failed to exercise the care, skill, prudence and diligence under the circumstances then prevailing that a prudent man acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and like aims.

The duties and obligations of the Trustee with respect to the Trust Fund shall be limited to those expressly imposed upon it in this Plan and the Trust Agreement.

11.4 Investment Managers

The Administrative Committee, by means of a written direction executed by any member acting on behalf of a majority of the members and delivered to the Trustee, shall have the authority to direct the Trustee that a specified amount or portion of the Trust shall not be subject to the investment management of the Trustee, but shall instead be administered by an investment manager in accordance with the written investment directions of such designated investment manager or the Administrative Committee. The Administrative Committee may appoint as an investment manager any entity described in ERISA Section 3(38).

To the extent that investments are so directed, the entity giving such directions shall be a named fiduciary acting in the capacity of an investment manager within the meaning of Sections 402(c)(3) and 403(a) of ERISA, and the Trustee shall have no greater liability or responsibility with respect to such investments than it would have if the entity giving such directions were an investment manager. Upon receipt of a written direction from an entity authorized to give such a direction, the Trustee shall follow the instruction for the acquisition or disposition of the investment assets specified therein, or the segregation and management or investment delegation of the portion of the Trust specified therein, but such instructions shall not have the effect of requiring the Trustee to violate any law or regulation governing the acquisition or disposition of such investment assets or the segregation and management or investment delegation relating to such portion of the Trust. Securities or other investment assets may be purchased or sold by orders placed directly with brokers by any entity designated by the Administrative Committee as

having such authority, and all such purchases or sales shall be executed as though made by the Trustee pursuant to instructions from such entity.

With regard to any investments which are so directed, the Trustee shall have no right or duty to: (i) question any instructions received from any entity authorized to give such directions, (ii) review any investments held in the Trust at the direction of such an entity, nor (iii) make any recommendations whatsoever to the Administrative Committee or any such other entity regarding retention or sale or any other matter relating to such investments. The Trustee shall not be liable to any person for any action resulting from compliance with the instructions of the Administrative Committee or of any entity designated by the Administrative Committee to give such instructions, and the Trustee shall be indemnified and saved harmless by the Employers from and against any and all

liability to which the Trustee may be subjected by reason of any such act or failure of the Administrative Committee or any such other entity to act, including all expenses reasonably incurred in its defense.

11.5 No Joint Fiduciary Responsibilities

The Plan and the Trust Agreement are intended to allocate to each named fiduciary the individual responsibility for the prudent execution of the functions assigned to the fiduciary, and none of such responsibilities or any other responsibility shall be shared by two or more of such named fiduciaries unless such sharing shall be provided by a specific provision of the Plan or Trust Agreement. Whenever one named fiduciary is required by the Plan or Trust Agreement to follow the directions of another named fiduciary, the two named fiduciaries shall not be deemed to have been assigned a shared responsibility, but the responsibility of the named fiduciary giving the directions shall be deemed that fiduciary's sole responsibility, and the responsibility of the named fiduciary receiving those directions shall be to follow them insofar as such instructions are on their face proper under applicable law.

ARTICLE XII
ADMINISTRATION OF PLAN

12.1 Administrative Committee

The general administration of the Plan and the responsibility for carrying out the provisions of the Plan shall be placed with the Administrative Committee. The Administrative Committee shall consist of no less than three persons appointed by the Board or its delegate. Vacancies thereon shall be filled in the same manner as appointments. Each person appointed as a member of the Administrative Committee shall signify the person's acceptance by filing a written acceptance with the secretary of the Administrative Committee. The Administrative Committee as a whole or any of its members may serve in more than one fiduciary capacity with respect to the Plan.

12.2 Duties and Powers

The Administrative Committee, or its delegate, shall keep such records as are necessary for the efficient operation of the Plan or as may be required by law and shall provide for the preparation and filing of such forms or reports as may be required to be filed with any governmental agency or department and with the Participants or Beneficiaries. The Administrative Committee shall have all powers necessary to carry out the provisions of the Plan and to satisfy the requirements of any applicable law. The powers shall include, by way of illustration and not limitation, discretionary authority to (i) construe and interpret the Plan in accordance with uniform rules and regulations, (ii) determine questions of fact, law and mixed questions of fact and law, (iii) determine the eligibility of any person to participate in the Plan, the right of any person to benefits and the amount, manner and time of payment of any benefit, in accordance with the provisions of the Plan, (iv) prescribe procedures to be followed by Participants in filing applications for benefits, making elections and designating Beneficiaries, (v) issue directions to the Trustee in connection with all matters within its discretion and in accordance with the terms of the Plan, (vi) prepare and furnish to Employees, Participants, Beneficiaries and governmental agencies, all descriptions, reports, forms or other documents

required to be furnished or filed under ERISA, the Code or regulations promulgated thereunder, (vii) appoint and retain individuals to assist in the administration of the Plan, including such legal, clerical, accounting and actuarial service as it may require or as may be required by any applicable law or laws and (viii) require from Employees, Employers, Participants and Beneficiaries such information as shall be necessary for the proper administration of the Plan.

12.3 Plan Manager

The Administrative Committee may designate a person or persons, who may or may not be members of the Administrative Committee, to be the Plan Manager. The Plan Manager shall be responsible for the day-to-day administration of the Plan and for such other duties and responsibilities as are delegated by the Administrative Committee. In addition to the duties specified elsewhere in this document, the Plan Manager shall (i) be responsible for establishing and communicating to the Participants and Beneficiaries the procedures for filing claims for benefits, (ii) maintain and update from time to time the annexes to the Plan and (iii) determine and record, in the case of plans merged into this Plan, the Accounts in which a Participant's prior plan accounts are merged.

12.4 Standard of Conduct

The Administrative Committee and its delegates shall discharge their duties with respect to the Plan solely in the interest of the Participants and Beneficiaries and shall do so with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent man acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of like character and with like aims. The Administrative Committee shall at all times act in accordance with the Plan documents and any applicable law.

12.5 Delegation

The Administrative Committee shall elect a chair from among its members and a secretary who may, but need not, be a member. Among their other duties, the chair shall cause

to be kept and the secretary shall keep a written record of all meetings and actions taken by the Administrative Committee. The Administrative Committee may appoint such subcommittees with such powers as it shall determine and may authorize one or more of its members or any agent to execute and/or deliver any instrument or make any payment on its behalf.

12.6 Meetings

The Administrative Committee shall hold meetings upon such notice, at such place and at such times as it may decide, provided that a meeting shall be held at least once each Plan Year. A meeting may be held in any manner as may be determined by the Administrative Committee, but in any event, where not all members are physically present, the actions of the Administrative Committee shall be reduced to writing and sent to all members within ten days of the date of the meeting. A majority of the Administrative Committee shall constitute at least one-half of the appointed members of the Administrative Committee, and any action that the Plan authorizes or requires the Administrative Committee to take shall require the written approval or affirmative vote of a majority of its then members, but not less than two, unless authority to take such action has been delegated or allocated as provided herein. A dissenting member must register dissent with the member's reasons for dissenting in writing delivered to the other members and the Employer within seven days after the member has knowledge of any action or failure to act by the majority or a delegate shall not be responsible for any such action or failure to act.

12.7 Rules and Decisions

The Administrative Committee shall endeavor to act by general rules so as not to discriminate in favor of any person and may from time to time adopt such rules and regulations for the administration of the Plan and the transaction of its business as the Administrative Committee shall determine to be necessary to fulfill its duties and obligations or as may be required by law. Subject to the provisions of this Plan relating to appeal procedure, the decisions and records of the Administrative Committee shall be conclusive and binding upon the Employer, Participants and Beneficiaries.

12.8 Compensation and Payment of Expenses

Unless otherwise determined by the Corporation, the members of the Administrative Committee shall serve without compensation for services as such but all administrative costs and expenses of the Plan, including the expenses of the Administrative Committee, shall be paid by the Trust to the extent not paid by the Corporation or may be reimbursed to the Corporation to the extent so paid by the Corporation. Such expenses shall include any expenses incident to the functioning of the Administrative Committee, including, but not limited to, fees of accountants, counsel and other specialists, and other costs of administering the Plan.

12.9 Insurance

The Employer shall indemnify or provide and maintain appropriate insurance coverage for the Employer and the Administrative Committee, its members, and its delegates and appointees (other than persons who are independent of the Employer and are rendering services to the Plan for a fee) from any claim, loss, damage, liability and expense (including reasonable attorneys' fees) arising by reason of their acts or failure to act concerning this Plan, except where such acts or failure to act involves any willful misconduct or gross negligence.

12.10 Resignation and Removal

Any member of the Administrative Committee may resign by giving 30 days written notice to the Chief Executive Officer of the Corporation and secretary of the Administrative Committee. Any member of the Administrative Committee may be removed by the Chief Executive Officer and such removal shall be effective at

such time as is provided in the written notice from the Chief Executive Officer. Vacancies in the Administrative Committee arising by resignation, removal, death or otherwise will be filled by the Chief Executive Officer. The Administrative Committee shall remain fully operative pending the filling of any vacancy, and the remaining members of the Administrative Committee shall retain the authority necessary to carry out their duties under the Plan.

12.11 Disqualification

Neither the Plan Manager nor any member of the Administrative Committee shall participate in the consideration of any matter or question under the Plan that specifically relates to the Plan Manager or Administrative Committee member or to any other persons entitled to benefit payments because of such Plan Manager's or Administrative Committee member's participation under the Plan.

12.12 Claims Procedure

(a) Claim for Benefits

Any claim for benefits under the Plan shall be filed with the chair of the Administrative Committee. If a claim is wholly or partially denied by the chair, written notice of such denial shall be sent to the claimant within 90 days (or 180 days if unusual circumstances exist) after the receipt of the claim. Such notice shall contain (i) the specific reason or reasons for the denial, (ii) specific reference to pertinent Plan provisions on which the denial was based, (iii) a description of any additional material or information needed for the claimant to perfect the claim and an explanation of why such material or information is necessary and (iv) an explanation of the Plan's claim review procedure.

(b) Review Procedures

Within 60 days after receipt of a written notice of denial, the claimant may file with the chairman of the Administrative Committee a written request for review of the chair's decision. At the time a review is filed, the claimant or the claimant's duly authorized representative may submit issues and comments in writing and may review any pertinent documents. Within 60 days (or 120 days if unusual circumstances exist) after receipt of a request for review, the entire Administrative Committee shall render a written decision to the claimant, in language calculated to be understood by the claimant, containing the reasons for the decision and specific references to the pertinent Plan provision on which the decision was based.

(c) Exhaustion of Remedies

No legal action with respect to a claim for benefits under the Plan shall be instituted unless the claimant shall have first exhausted the claims procedure set forth in this Section 12.12. Notwithstanding the preceding, if a Participant or Beneficiary fails to file a claim or request for review in the manner specified herein, such claim or request shall be waived, and the Participant or Beneficiary will be barred from reasserting such claim.

ARTICLE XIII
PARTICIPATING EMPLOYERS

13.1 Adoption of Plan by Participating Employers

The Corporation may from time to time consent to the participation in this Plan and in the Trust by any of its subsidiaries or affiliates. The Corporation may require, as a condition of the joining of the Plan by any such entity, that such entity take such action as is necessary to consolidate with the Trust Fund the funds applicable to any tax-qualified defined contribution plan which such entity maintains, and to that end may adopt a supplement or supplements to this Plan setting forth special rules as to the interests of persons covered by such other plan.

13.2 Actions by Subsidiaries or Affiliates

Any such subsidiary or affiliate so participating hereunder shall become a party to the Plan and to the Trust and become a Participating Employer hereunder when the Board approves such participation. Any such Participating Employer shall contribute its allocable share to the cost of maintaining and administering the Plan so long as it remains a party to the Plan and Trust.

13.3 Corporation Amends on Behalf of All Employers

The Corporation shall have the right to amend the Plan and Trust on behalf of all Employers.

13.4 Any Employer May Terminate

The right is reserved by each Employer to terminate the Plan with respect to Participants who are employed by it. In the event the Plan should terminate with respect to one Employer hereunder, the Administrative Committee shall cause an accounting to be made as to the portion of the Trust Fund applicable to Participants who are employed by the Employer terminating its participation. The portion so determined shall be allocated to such Participants of the terminating Employer and those deriving benefits through such Participants.

ARTICLE XIV
AMENDMENT, MERGER AND TERMINATION

14.1 Amendment

The Corporation, acting through its Board or a delegate of the Board, reserves the right at any time and from time to time, to modify or amend in whole or in part, any or all of the provisions of the Plan, and to give such amendment retroactive or prospective effect, including amendments adjusting Participants' Accounts to comply with subsequent changes in the applicable law and regulations in order to retain the approval of this Plan by the Internal Revenue Service as a qualified profit sharing plan. Such amendments or modifications may and shall be retroactive to such date as may be necessary to accomplish their intended purpose. Also, no modification or amendment shall make it possible for any part of the corpus or income of the Trust Fund (other than such part as is required to pay taxes and administration expenses) to be used for, or diverted to, purposes other than for the exclusive benefit of Participants or their Beneficiaries. No amendment which affects the rights, duties, or responsibilities of the Trustee may be made without the Trustee's written consent. No amendment to the Plan shall decrease a Participant's accrued benefit.

14.2 Merger and Consolidation of Plan, Transfer of Plan Assets

In the event of any merger or consolidation with or transfer of assets and liabilities to any other Plan, provision shall be made so that the benefit payable to each Participant in the Plan as if the Plan were terminated immediately after such action, would be equal to, or greater than, the benefit that the Participant would have been entitled to receive if the Plan had been terminated immediately prior to such action. In the event of a corporate transaction which results in the merger of all or a portion of the Plan assets, the Administrative Committee may, in its sole discretion, establish such rules and procedures it deems necessary to effectuate such merger or transfer. This may include but is not limited to giving the Participant the option of liquidating into cash all or a portion of the Corporation Stock or BlackRock Stock in the Participant's Account prior to such merger or transfer.

14.3 Discontinuance of Contributions and Termination of Plan

Any Employer shall have the right at any time to discontinue its contributions hereunder, and withdraw from further participation in the Plan. The Corporation acting through the Board shall have the right at any time to completely discontinue further contributions hereunder and to terminate the Plan by delivering to the Trustee and the Administrative Committee written notice of such discontinuance or termination. Any such suspension of contributions shall not constitute a discontinuance of the Plan. If, however, the Internal Revenue Service determines that any prolonged suspension has ripened into a discontinuance of contributions, the discontinuance shall be effective no later than the closing day of the fiscal year following the last year a substantial contribution was made.

ARTICLE XV
MISCELLANEOUS

15.1 Exclusive Benefit of Participants and Beneficiaries

(a) General Rule

All assets of the Trust shall be retained for the exclusive benefit of Participants, former Participants, and their Beneficiaries, and shall be used only to pay benefits to such persons or to pay the fees and expenses of the Trust. The assets of the Trust shall not revert to the benefit of the Employer, except as otherwise specifically provided in Section 15.1(b).

(b) Conditions on Contributions

To the extent permitted or required by ERISA and the Code, contributions to the Trust under this Plan are subject to the following conditions:

(1) If a contribution or any part thereof is made to the Trust by the

Employer under a mistake of fact, such contribution or part thereof may be returned to the Employer within one year after the date the contribution was made.

(2) Contributions to the Trust are specifically conditioned on the original and continuing qualification of the Plan under Section 401 of the Code, and in the event the Plan is determined not to meet the qualification requirements of Section 401 of the Code, contributions made in respect of any period for which such requirements are not met shall be returned to the Employer, provided the Employer requests the return within one year after the Plan is determined not to meet such requirements.

(3) Contributions to the Trust are specifically conditioned on their deductibility under Section 404 of the Code, and to the extent a deduction is disallowed for any such contribution, the amount determined pursuant to the following paragraph may be returned

to the Employer, provided the Employer requests the return within one year after the date of the disallowance of the deduction.

(4) The return of a contribution to an Employer pursuant to subparagraphs (1) or (3) of Section 15.1(b) above must satisfy each of the following conditions:

(A) The amount of such contribution which may be so returned shall not be greater than the excess of the amount contributed over the amount that would have been contributed had there been no mistake in determining the deduction or had there been no mistake of fact, as the case may be.

(B) The amount of such contribution which may be so returned shall not be increased by earnings attributable to the investment or reinvestment of such contribution in the Trust, but shall be reduced by losses attributable to the investment or reinvestment of such contribution in the Trust.

(C) The return of such contribution shall not reduce the balance in any Participant's Account to less than the balance which would have been in that Account if the returned contribution had not been contributed.

15.2 Employment Rights

Neither the establishment of the Plan and the Trust hereby created nor any modification thereof, nor the creation of any fund or account, nor the payment of any benefits shall be construed as giving any Participant or Beneficiary any legal or equitable right against any Employer or the Trustee except as expressly herein provided, or as may be conferred upon the Participant or Beneficiary expressly by statute; nor, similarly, shall such establishment be deemed to give any Participant any right to inspect any of the books, Accounts, records or balance sheets of any Employer or all of them. In no event shall the terms of this Plan be interpreted as giving any Employee the right to be retained in the service of the Employer, and

all Employees shall remain subject to discharge to the same extent as if this Plan had never been executed.

15.3 Spendthrift Clause

Except as otherwise provided in Article X regarding Plan loans, the interests of Participants and their Beneficiaries under the Plan are not in any way subject to their debts or other obligations and may not be voluntarily or involuntarily sold, transferred, alienated or assigned, except to the extent permitted by law.

Notwithstanding the preceding sentence, the Plan will recognize any qualified domestic relations order as defined in Section 414(p) of the Code and Section 206(d)(3)(B) of ERISA. The Administrative Committee will follow the procedures set forth in those Sections for determining the qualified status of a domestic relations order and will establish such other practices and procedures as may be administratively necessary to comply with such order. The Administrative Committee may authorize an immediate distribution to an alternate payee under a qualified domestic relations order even if the Participant could not have been entitled to such an immediate distribution.

15.4 Employer's Successor

In the event of the merger or consolidation of the Employer or other circumstances whereby a successor entity shall continue to carry on all or a substantial part of its business, and such successor shall elect to carry on the provisions of the Plan as herein provided, such successor shall be substituted upon the filing in writing of its election to do so with the Trustee and

approval of such election by the Board.

15.5 Legal Actions

In any action or proceeding involving any assets constituting part or all of the Trust, or the administration thereof, the Corporation, the Administrative Committee, and the Trustee shall

be the only necessary parties and no Participants or Beneficiaries or any other persons having or claiming to have an interest in the Trust Fund or under the Plan shall be entitled to any notice of process.

15.6 Power to Interplead

In any action either at law or equity involving a Participant and the Participant's interest under the Plan or its operation, but in which the Trustee or the Employer are not directly a party litigant or necessary party, upon court approval or order, the Employer may direct the Trustee to pay over to any court or those persons designated by the court all sums or property subject to such litigation. Upon such payment neither the Trustee nor the Employer shall be liable or accountable for such payment.

15.7 Unclaimed Amounts

It shall be the sole duty and responsibility of a retired or terminated Participant or a Beneficiary to keep the Trustee and the Employer apprised of that person's whereabouts and current address. If any benefit to be paid under this Plan cannot be distributed because of the Employer's and Trustee's inability, after a reasonable search, to locate a particular Participant or Beneficiary legally entitled to such benefit, it shall be held by the Trustee in a special account which shall be invested in such Investment Fund as the Administrative Committee or the Plan Manager may designate from time to time. If such amount shall remain unclaimed at the time the Plan is finally terminated and the Trust liquidated, the unclaimed amount shall then escheat to the Commonwealth of Pennsylvania, or shall be subject to such other distribution as may be required or permitted by law.

15.8 Construction of Plan

This Plan shall be construed and administered according to the laws of the Commonwealth of Pennsylvania, to the extent not preempted by federal law. Whenever any words are used herein in the masculine gender, they shall be construed as though they were also

used in the feminine gender in all cases where they would so apply, and whenever any words are used herein in the singular form, they shall be construed as though they were also used in the plural form in all cases where they would so apply. Headings of Articles and Sections of this instrument are inserted for convenience of reference. They constitute no part of the Plan and are not to be considered in the construction hereof.

15.9 USERRA and Code Section 414(u) Compliance

Effective December 12, 1994, notwithstanding any provision of this Plan to the contrary, contributions, benefits and service credit with respect to qualified military service will be provided in accordance with Code Section 414(u). In addition, loan repayments will be suspended under this Plan as permitted under Code Section 414(u).

ARTICLE XVI
TOP HEAVY PROVISIONS

16.1 Definitions of Terms Used in This Article XVI

The following word or phrases as used herein shall have the following meanings, unless a different meaning clearly is required by the context. Otherwise, capitalized terms used in this Article XVI have the meanings assigned them in Article I.

(a) "Aggregation Group" means the Mandatory Aggregation Group unless the Permissive Aggregation Group is elected by the Corporation, in which case it shall mean the Permissive Aggregation Group.

(b) "Determination Date" means the last day of the Plan Year.

(c) "Key Employee" means an employee who, at any time during the Plan Year or any of the four preceding Plan Years is:

(1) an officer of the Corporation or a Related Entity having annual compensation greater than 50 percent of the amount sin effect under Code Section 415(b)(1)(A) for such Plan Year. The number and identity of persons to be considered officers in any Plan Year shall be determined by the Administrative Committee pursuant to the provisions of Code Section 416(i) and the Treasury Regulations thereunder;

(2) one of the ten employees having annual compensation of more than the limitation in effect under Code Section 415(c)(1)(A) for such Plan Year and owning (or considered as owning within the meaning of Code Section 318) the largest interests in the Corporation and all Related Entities (aggregated);

(3) a five percent owner of the Corporation; or

(4) a one percent owner of the Corporation having annual compensation of more than $150,000.

(d) "Key Employee Ratio" means the ratio for any Plan Year calculated as of the Determination Date with respect to such Plan Year, determined by dividing the amount described in subparagraph (1) of this Section by the amount described in subparagraph (2) of this Section.

(1) The amount described in this subparagraph (1) is the excess of the sum of subparagraphs (A) through (C) over subparagraph (D).

(A) The aggregate of the present value of all accrued benefits of Key Employees under all qualified defined benefit plans included in the Aggregation Group.

(B) The aggregate of the balances in all of the accounts standing to the credit of Key Employees under all qualified defined contribution plans included in the Aggregation Group.

(C) The aggregate amount distributed from all qualified plans in such Aggregation Group to or on behalf of any Key Employee during the period of five Plan Years ending on the Determination Date.

(D) Any rollover contributions (or similar transfers) to the Plan initiated by any Key Employee and made after December 31, 1983.

(2) The amount described in this subparagraph (2) is the excess of the sum of subparagraphs (A) through (C) over subparagraph (D).

(A) The aggregate of the present value of all accrued benefits of all Participants under all qualified defined benefit plans included in the Aggregation Group.

(B) The aggregate of the balances in all of the accounts standing to the credit of all Participants under all qualified defined contribution plans included in the Aggregation Group.

(C) The aggregate amount distributed from all plans in such Aggregation Group to or on behalf of any Participant during the period of five Plan Years ending on the Determination Date.

(D) All rollover contributions (or similar transfers) to a plan initiated by any Participant and made after December 31, 1983, and any amount on account of a person who is a Non-key Employee for a Plan Year but for a prior Plan Year was a Key Employee of the Employer.

(e) "Mandatory Aggregation Group" means the group of qualified plans sponsored by the Corporation or by a Related Entity formed by including in such group (i) all such plans in which a Key Employee is a Participant and (ii) all such plans which enable any plan described in clause (i) to meet the requirements of Code Sections 401(a)(4) and 410.

(f) "Non-key Employee" means any person who is employed by the Corporation or a Related Entity, but who is not a Key Employee as to that Plan Year.

(g) "Permissive Aggregation Group" means the group of qualified plans sponsored by the Corporation or by a Related Entity formed by including in such group (i) all plans in the Mandatory Aggregation Group and (ii) such other qualified plans sponsored by the Corporation or a Related Entity as the Corporation elects to include in such group, as long as the group, including those plans electively included, continues to meet the requirements of Code Sections 401(a)(4) and 410.

16.2 Determination of Top Heavy and Super Top Heavy Status

This Plan shall be deemed "top heavy" as to any Plan Year if, as of the last day of the preceding Plan Year, any of the following conditions are met:

(a) The Plan is not part of an Aggregation Group and the Key Employee Ratio under the Plan exceeds 60 percent.

(b) The Plan is part of an Aggregation Group, there is no Permissive Aggregation Group of which the Plan is a part, and the Key Employee Ratio of the Mandatory Aggregation Group of which the Plan is a part exceeds 60 percent.

(c) The Plan is part of an Aggregation Group, there is a Permissive Aggregation Group of which the Plan is a part, and the Key Employee Ratio of the Permissive Aggregation Group of which the Plan is a part exceeds 60 percent.

This Plan shall be deemed "super top heavy" as to any Plan Year if, as of the last day of the preceding Plan Year, any of the conditions above are met, substituting "90 percent" for "60 percent" at each place where "60 percent" appears.

16.3 Right to Participate in Allocation of Employer's Contributions

(a) General Rule

Notwithstanding any provision of this Plan to the contrary, any person who was eligible to be a Participant at any time during a Plan Year in which this Plan was top heavy shall share in the allocation provided for in Article III of this Plan for such Plan Year if that person remained in the employ of the Corporation or a Related Entity through the end of the Plan Year with respect to which such allocation applies.

(b) Exceptions to the General Rule

The provisions of Section 16.3(a) above shall not apply to any Participant for a Plan Year if, with respect to that Plan Year:

(1) such Participant was an active participant in a qualified defined benefit pension plan sponsored by the Corporation or by a Related Entity under which plan the Participant's accrued benefit is not less than the minimum accrued pension benefit that would be required under Section 416(c)(1) of the Code, treating such defined benefit pension plan as a top heavy and treating all such defined benefit pension plans as top heavy and treating all such defined benefit pension plans as constitute an Aggregation Group as a single plan; or

(2) such Participant was an active participant in a qualified defined contribution plan sponsored by the Corporation or by a Related Entity under which plan the amount of the Employer's contribution allocable to the Account of the Participant for the accrual computation period of such plan ending with or within the Plan Year, exclusive of amounts by which the Participant's compensation was reduced pursuant to a salary reduction agreement or similar arrangement, is not less than the contribution allocation that would be required under Code Section 416(c)(2) under this Plan.

16.4 Minimum Employer Contribution Allocation

The allocation made under Article III of this Plan to the Account of each Participant who is a Non-key Employee for any Plan Year including a Plan Year in which this Plan is top heavy Plan or a super top heavy Plan shall be not less than the lesser of (i) three percent of the annual compensation of each such Participant for such Plan Year or (ii) the percentage of annual compensation so allocated under Article III (together with amounts so allocated as a result of a cash or deferred election) to the Account of the Key Employee for whom such percentage is the highest for such Plan Year.

If any person who is a Participant in the Plan is a participant under any top heavy defined benefit pension plan qualified under Section 401(a) of the Code sponsored by the Corporation or

a Related Entity, there shall be substituted "five percent" for "three percent" in this Section 16.4 of Article XVI.

For the purposes of determining whether or not the provisions of this Section 16.4 have been satisfied, (i) contributions or benefits under Chapter 2 of the Code (relating to tax on self-employment income), Chapter 21 of the Code (relating to Federal Insurance Contributions Act), Title II of the Social Security Act, or any other federal or state law are disregarded, (ii) all defined contribution plans in the Aggregation Group shall be treated as a single plan and (iii) contributions allocable to the Account of the Participant under any other qualified defined contribution plan that is part of the Aggregation Group shall be deemed to be contributions made under this Plan, and, to the extent thereof, no duplication of such contributions shall be required hereunder solely by reason of this Section 16.4.

This Section 16.4 shall not apply in any Plan Year in which the Plan is

part of an Aggregation Group containing a defined benefit pension plan (or a combination of such defined benefit pension plans) if the Plan enables a defined benefit pension plan required to be included in such Aggregation Group to satisfy the requirements of either Section 401(a)(4) or 410 of the Code.

For any Plan Year in which the Plan is top heavy, 1.0 shall be substituted for 1.25 for purposes of determining the denominator of the separate defined benefit and defined contribution plan fractions described in Section 7.3(c).

ARTICLE XVII
EMPLOYEE STOCK OWNERSHIP PLAN

17.1 Definitions of Terms Used in This Article XVII

The following word or phrases as used herein shall have the following meanings, unless a different meaning clearly is required by the context. Otherwise, capitalized terms used in this Article XVI have the meanings assigned to them in Article I.

(a) "ESOP" shall mean the employee stock ownership plan through which Matching Contributions in Corporation Stock shall be made to the Plan. Effective January 1, 2002, ESOP shall mean and be designated as any part of the Plan invested at any time in Corporation Stock.

(b) "Loan" shall mean any loan to the Trustee made or guaranteed by a disqualified person (within the meaning of Section 4975(e)(2) of the Code) for the purpose of permitting the Trustee to finance or refinance the purchase of Corporation Stock, including, but not limited to, a direct loan or cash, a purchase-money transaction, an assumption of an obligation of the Trustee, an unsecured guarantee or the use of assets of a disqualified person (within the meaning of Section 4975(e)(2) of the Code) as collateral for a loan.

(c) "Participating Employer Contribution" shall mean a contribution of Corporation Stock or cash by a Participating Employer to the ESOP.

17.2 Effective Date of ESOP

Except to the extent provided otherwise in this Article XVII, the effective date of the ESOP created by this Article XVII and all provisions in this Article, shall be September 15, 1989.

17.3 Participating Employer Contributions

(a) Timing of Participating Employer Contributions

Each Participating Employer may make discretionary Participating Employer Contributions to the ESOP in cash or Corporation Stock at such times and in such amounts as the board of directors of each Participating Employer shall determine.

In the event that a Loan is made to the Trustee, each Participating Employer shall make Participating Employer Contributions to the ESOP in cash in such amounts and at such times as will enable the Trustee to pay principal and/or interest on any such Loans as they are due, but only to the extent the principal and interest on any such Loan is not paid by means of a dividend on Corporation Stock held as collateral for such Loan.

(b) Deductibility

All Participating Employer Contributions to the Trust are conditioned on the deductibility of such contributions, and no Participating Employer Contribution shall be made in excess of the maximum amount allowable as a deduction for federal income tax purposes.

(c) Participating Employer Loan to ESOP

In the event that deductible Participating Employer Contributions are insufficient to enable the Trustee to pay principal and interest on such Loan as it is due and not paid by means of a dividend on Corporation Stock held as collateral for such Loan, then upon the Trustee's request the Participating Employer shall make a Loan to the ESOP, as described in Treasury Regulation Section 54.4975-7(b)(4)(iii), in sufficient amounts to meet such principal and interest payments. The new Loan shall also meet all requirements of an "exempt loan" within the meaning of Treasury Regulation Section 54.4975-7(b)(1)(iii). Corporation Stock released from the pledge of the prior Loan as a result of the payment of principal and interest with the proceeds of a new Loan shall be pledged as collateral to secure the new Loan. Such Corporation Stock

will be released from this new pledge and allocated to the Accounts of the Participants in accordance with applicable provisions of the ESOP.

17.4 Participant Contributions

No Participant shall be required or permitted to make contributions to the ESOP.

17.5 Investment of ESOP Assets

Assets held under the ESOP will be invested in Corporation Stock, subject to the special election for Participants attaining age 50 contained in Section 6.1(b) of the Plan. Participating Employer Contributions, and all other ESOP assets, including cash dividends paid on Corporation Stock, may be used (i) to acquire shares of Corporation Stock directly from Company shareholders (including former Participants) or from the Corporation or (ii) to pay principal and interest on a Loan.

17.6 Purchases of Corporation Stock

All purchases of Corporation Stock by the Trustee will be made at a price that does not exceed the fair market value of such Corporation Stock. The determination of fair market value of Corporation Stock for all purposes under the Plan shall be made by the Trustee based upon the last public sale price on the New York Stock Exchange on the date of purchase; except that for purchases of Corporation Stock by the Trustee after September 14, 1989, the fair market value of Corporation Stock shall be based upon (i) the public sale price on the New York Stock Exchange at the time of purchase or (ii) if the purchase occurs at a time when the New York Stock Exchange is closed, the closing price on the New York Stock Exchange on the prior trading day.

17.7 Sales of Corporation Stock

The Trustee may sell or resell shares of Corporation Stock to any person, including the Corporation, provided that such sales will be made at not less than the fair market value as

determined under Section 17.6, and no commission will be charged. Any such sale shall be made in conformance with Section 408(e) of ERISA. All sales proceeds of allocated Corporation Stock will be credited to the Matching Contribution Accounts of the Participants on whose behalf such sales were made and shall be distributed in accordance with this Plan.

17.8 Exempt Loans

(a) Terms of Loans

Any Loan obtained by the Trustee shall meet all requirements necessary to constitute an "exempt loan" within the meaning of Treasury Regulation Section 54.4975-7(b)(7) and shall be used primarily for the benefit of the Participants and their Beneficiaries. The proceeds of any Loan shall be used, within a reasonable time after the Loan is obtained, only to purchase Corporation Stock, repay the Loan and/or repay any prior Loan. The number of years to maturity under the Loan must be definitely ascertainable at all times. Any Loan shall provide for no more than a reasonable rate of interest, as determined under Treasury Regulation Section 54.4975-7(b)(7). Any Loan must be without recourse against the ESOP assets other than Corporation Stock acquired with the proceeds of the Loan and shares of Corporation Stock that were used as collateral on a prior Loan repaid with the proceeds of the current Loan.

(b) Release of Pledged Stock from Suspense Account

The Corporation Stock pledged under Section 17.8(a) above, shall be placed in a suspense account. Any pledge of Corporation Stock must provide for the release of shares so pledged at least as rapidly as under either the general rule or special rule below.

Notwithstanding the foregoing, effective September 15, 1989, shares so pledged may be released monthly in advance of actual payment on the Loan; provided, however, that in no event will the release of shares for a Plan Year be (i) less than the amount provided under the general rule or special rule below, as the case may be, or (ii) in an amount in excess of the Participating Employers' Matching Contributions.

Except as provided in subparagraph (3) of this Section 17.8(b), once the Administrative Committee has selected either the general rule or special rule, that rule shall be used exclusively for the release of pledged shares of Corporation Stock acquired with the proceeds of that particular Loan.

(1) General Rule

For each Plan Year during the duration of the Loan, the Administrative Committee shall withdraw from the suspense account a number of shares of Corporation Stock equal to the total number of shares held in the suspense account immediately prior to the withdrawal multiplied by a fraction (i) the numerator of which is the amount of principal and interest paid for the Plan Year and (ii) the denominator of which is the sum of the numerator plus the principal and interest to be paid for all future years.

(2) Special Rule

(A) For each Plan Year, the Administrative Committee shall withdraw from the suspense account a number of shares of Corporation Stock equal to the total number of such shares held in the suspense account immediately prior to the withdrawal multiplied by a fraction (i) the numerator of which is the amount of principal paid for the Plan Year and (ii) the denominator of which is the sum of the numerator plus the principal to be paid for all future Plan Years.

(B) The Administrative Committee may select the special rule only if (I) the Loan provides for annual payments of principal and interest at a cumulative rate that is not less rapid at any time than level annual payments of such amounts for ten years, (II) the interest included in any payment is disregarded only to the extent that it would be determined to be interest under standard loan amortization tables and (III) by reason of a renewal, extension or refinancing, the sum of the expired duration of the original Loan, any renewal period, any extension period and the duration of any new Loan does not exceed ten years.

(3) In determining the number of shares to be released for any Plan Year under either the general rule or special rule:

(A) the number of future years under the Loan must be definitely ascertainable and must be determined without taking into account any possible extensions or renewal periods;

(B) if the Loan provides for a variable interest rate, the interest to be paid for all future Plan Years must be computed by using the interest rate applicable as of the end of the Plan Year for which the determination is being made; and

(C) if the Corporation Stock allocated to the suspense account includes more than one class of shares, the number of shares of each class to be withdrawn for a Plan Year from the suspense account must be determined by applying the applicable fraction provided for above to each such class.

(b) Payments of Principal and Interest

Payments of principal and interest on any such Loan during a Plan Year shall be made by the Trustee only from (i) any dividends attributable to Corporation Stock given as collateral for a Loan, (ii) Participating Employer Contributions and earnings from such Participating Employer Contributions made to the ESOP to meet the Plan's obligation under a Loan and (iii) the proceeds of a subsequent Loan made to repay a prior Loan. Such Participating Employer Contributions and earnings must be accounted for separately by the Plan until the Loan is repaid.

(c) Restriction on ESOP Shares

Notwithstanding any amendment to or termination of the ESOP which causes it to cease to qualify as a leveraged employee stock ownership plan within the meaning of Section 4975(e)(7) of the Code, no share of Corporation Stock acquired with the proceeds of a Loan obtained by the Trust to purchase Corporation Stock may be subject to a put, call, or other

option, or buy-sell or similar arrangement while such shares are held by and when distributed from the ESOP.

17.9 Allocations to Participants' Accounts

(a) Corporation Stock

The Matching Contribution Account maintained for each Participant will be credited with the Participant's allocated share as determined under Section 17.10 of Corporation Stock (including fractional shares) purchased and paid for by the ESOP or contributed in kind to the ESOP and with any dividends on Corporation Stock allocated to the Participant's Matching Contribution Account. Corporation Stock acquired by the Trustee with the proceeds of a Loan shall be allocated in accordance with Section 17.10 to the Matching Contribution Accounts of Participants as the Corporation Stock is released from suspense accounts as provided in Section 17.8(b); provided, however, that no portion of the ESOP assets attributable to (or allocable in lieu of) Corporation Stock acquired in a sale to which Code Sections 1042 or 2057 apply may be allocated to the Accounts

of any Participant who owns (after application of Code Section 318(a) without regard to the employee trust exception contained in Code Section 318(a)(2)(B)(i)) more than 25 percent of the voting control or value of any class of stock of any Related Entity at any time during the one-year period ending on the date of such sale or on the date when the allocation of such Corporation Stock otherwise would occur.

In addition, during the "nonallocation period," no portion of the ESOP assets attributable to (or allocable in lieu of) Corporation Stock so acquired may be allocated to the Accounts of (i) the selling shareholder or (ii) any individual who is "related" (within the meaning of Code section 267(b)) to the selling shareholder. The "nonallocation period" is the ten year period beginning on the later of (a) the date of such sale or (b) the date of the allocation of Corporation Stock so acquired attributable to the final payment of a Loan, the proceeds of which were used to purchase such Corporation Stock.

(b) Dividends

If dividends paid on shares of Corporation Stock are used to make a Loan payment, shares released from the suspense account as provided in Section 17.8(b) shall be allocated to Participants' Matching Contribution Accounts in accordance with the provisions of Section 17.10(b). Dividends paid on shares of Corporation Stock which are not used to make a Loan payment shall be allocated to Participants' Matching Contribution Accounts in the same manner as Participating Employer Contributions are allocated under provisions of Section 17.10(a).

17.10 Allocable Shares

(a) Corporation Stock

Participating Employer Contributions which are not used to pay principal and interest on a Loan first shall be allocated to a Participant's Matching Contribution Account to the extent necessary to fund the Matching Contribution required pursuant to Section 3.3 of the Plan. To the extent that any additional Participating Employer Contributions remain unallocated in excess of the amount necessary to fund the Matching Contribution required pursuant to Section 3.3 of the Plan, the Matching Contribution shall be increased in increments of .01 a percentage point until the Participating Employer Contribution is completely allocated among Participants' Matching Contribution Accounts.

Corporation Stock acquired with the proceeds of a Loan and released from the suspense account as a result of a Participating Employer Contribution used to pay principal or interest on such Loan shall be allocated to a Participant's Matching Contribution Account based on the amount of Matching Contribution to be made under Section 3.3 of the Plan.

(b) Dividends

For purposes of subsection 17.9(b), if dividends paid on shares of Corporation Stock which have not been allocated to a Participant's Account are used to make a Loan payment, shares released from the suspense account as provided in Subsection 17.8(b) shall be allocated to

a Participant's Matching Contribution Account in the same manner as Participating Employer Contributions as set forth in subsection 17.10(a) above. For purposes of subsection 17.9(b), if dividends paid on shares of Corporation Stock which have been allocated to a Participant's Account are used to make a Loan payment, shares released from the suspense account as provided in subsection 17.8(b) shall be treated as earnings on the Participant's Matching Contributions and shall be allocated to a Participant's Matching Contribution Account in the same manner as any other earnings on the Participant's Matching Contributions.

Notwithstanding any provision to the contrary, the fair market value of the Corporation Stock allocated to a Participant's Matching Contribution Account with respect to dividends paid on Corporation Stock allocated to such Account may not be less than the amount of dividends which otherwise would have been allocated.

17.11 Accounting for Allocations

The Administrative Committee shall adopt accounting procedures for the purpose of making the allocations, valuations, and adjustments to Participants' Matching Contribution Accounts provided for in this Article. Except as provided in Treasury Regulation Section 54.4975-11, Corporation Stock acquired by the Plan shall be accounted for as provided under Treasury Regulation Section 1.402(a)-1(b)(2)(ii), allocations of Corporation Stock shall be made separately, and the Administrative Committee shall maintain adequate records of the cost basis of all shares of Corporation Stock allocated to each Participant's Matching Contribution Account and furnish such information to the Trustee

regarding the same as may be necessary to allow the Trustee to perform its duties under this Section 17.11 upon the written request of the Trustee. From time to time, the Administrative Committee may modify the accounting procedures for the purpose of achieving equitable and nondiscriminatory allocations among the Matching Contribution Accounts of Participants in accordance with the general concepts of the Plan and the provisions of this Section.

17.12 Form of Distribution

The distribution in kind of a Participant's Matching Contribution Account as provided in Section 8.4 is conditioned upon the availability of ESOP assets that are sufficiently liquid to effectuate such distribution without jeopardizing the financial position of the ESOP and taking into account debt service requirements of any Loan then outstanding.

17.13 Voting Corporation Stock

The Trustees shall vote any full and partial shares of Corporation Stock credited to a Participant's Account in accordance with the direction of such Participant. Such direction must be made in the manner prescribed by the Plan Manager or Administrative Committee. Any shares for which the Trustees do not receive instruction (including unallocated shares) shall be voted by the Trustees in the exercise of their sole discretion. When Participants or Beneficiaries are entitled to direct the manner in which voting rights of allocated Corporation Stock are to be exercised, the Corporation shall furnish the Trustee and the Participant or Beneficiary with a notice or information statement which complies with applicable law and the Corporation's charter and by-laws as applicable to security holders in general.

IN WITNESS WHEREOF, this amended and restated Plan is executed and adopted by The PNC Financial Services Group, Inc., by its duly authorized officer, this 20th day of December, 2001.

/s/ William E. Rosner

William E. Rosner
Senior Vice President

EXHIBIT 10.17

FIRST AMENDMENT TO
THE PNC FINANCIAL SERVICES GROUP, INC.
INCENTIVE SAVINGS PLAN

WHEREAS, The PNC Financial Services Group, Inc. (the "Corporation") sponsors The PNC Financial Services Group, Inc. Incentive Savings Plan (the "Plan"); and

WHEREAS, the Corporation desires to amend the Plan as requested by the Internal Revenue Service in connection with the issuance of a favorable determination letter for the qualification of the Plan as amended and restated effective January 1, 2001.

NOW, THEREFORE, IT IS RESOLVED, that the Plan is hereby amended as follows:

1. The fourth paragraph of Section 1.8 of the Plan is amended to provide in its entirety as follows:

A Participant's Compensation shall not exceed the Code Section 401(a)(17) limit, which is $150,000 (as adjusted by the Secretary of the Treasury or by statute).

2. Section 1.17 of the Plan is amended to provide in its entirety as follows:

1.17 "Eligible Employee" means any Employee who has satisfied the requirement to become a Participant under Article II, other than execution of an Elective Contribution Agreement. Eligible Employee does not include any Employee who is a leased employee (which, in accordance with Code Section 414(n) and effective January 1, 1997, means any person (other than an employee of the recipient) who pursuant to an agreement between the recipient and any other person has performed services for the recipient (or for the recipient and related persons determined in accordance with Section 414(n)(6) of the Code) on a substantially full-time basis for a period of at least one year, and such services are performed under primary direction or control by the recipient) or a student intern.

3. Section 1.24 of the Plan is amended to provide in its entirety as follows:

1.24 "Highly Compensated Employee" means, effective January 1, 1997, any Employee who (i) performs service for the Employer during the Plan Year for which the determination of who is highly compensated is being made (the "determination year") or the 12-month period immediately preceding the Plan Year (the "look-back year") and who was, or is, a five percent owner (as defined in Code Section 416(i)(1)) or (ii) for the look-back year received compensation (as defined in Plan Section 7.3(a)) in excess of $80,000 (as adjusted by the Secretary of the Treasury or by statute) and for such year was a member of the "top-paid group" (as defined below).

The "top-paid group" consists of the top 20 percent of Employees ranked on the basis of compensation received during the look-back year. For purposes of determining the number of Employees in the top-paid group, employees described in Code Section 414(q)(5) and Q&A-9(b) of Treasury Regulation Section 1.414(q)-1T are excluded.

A Highly Compensated Employee includes any Employee who separated from service (or was deemed to have separated) prior to the determination year, performed no service for the employer during the determination year, and was a highly compensated active Employee for either the separation year or any determination year ending on or after the Employee's 55th birthday.

Employers aggregated under Code Sections 414(b), (c), (m) or (o) are treated as a single employer for purposes of the determination of who is a Highly Compensated Employee.

4. Section 7.3(a) of the Plan is amended to provide in its entirety as follows:

(a) Amount of Limitation

Notwithstanding any other provision of this Plan, the total "annual additions" (which, in accordance with Code Section 415(c), means the sum for any year of Employer contributions, Employee contributions and forfeitures) to the Account of any Participant under this Plan and any other defined contribution plan or plans maintained by the Employer or any Related Entity for any Plan Year shall not exceed the lesser of (i) 25 percent of the Participant's "compensation" (which, in accordance with

Section 415(c)(3) of the Code and Treasury Regulation Section 1.415-2(d), is defined as compensation reported on Form W-2, and which for Plan Years beginning on or after January 1, 1998 includes (A) any elective deferral (as defined in Code Section 402(g)(3)) and (B) any amount that is contributed or deferred by the Employer at the election of the Employee that is not includible in the Employee's gross income by reason of Code Sections 125, 132(f)(4) or 457) or (ii) $30,000, as adjusted by the Secretary of the Treasury or by statute (or, effective for Plan Years ending on or before December 31, 1994, if greater, one-quarter of the defined benefit dollar limit in effect for such year under Section 415(b)(1)(A) of the Code).

5. The first paragraph of Section 7.3(c) of the Plan is amended to provide in its entirety as follows:

For Plan Years ending on or before December 31, 1999, if an Employee was a participant in one or more defined benefit plans and one or more defined contribution plans maintained by the Employer, the sum of the "defined benefit plan fraction" and the "defined contribution plan fraction" for any year may not exceed 1.0.

6. Section 7.4(a) of the Plan shall be amended by adding the following sentences to the end of the first paragraph of that section:

The Plan uses the prior year testing method. Therefore, the Actual Deferral Percentage of Highly Compensated Employees is determined for the current Plan Year and the Actual Deferral Percentage for Non-highly Compensated Employees is determined for the prior Plan Year.

7. Section 7.4(c) is amended by adding the following paragraph at the end of that section:

Failure to correct excess contributions by the close of the Plan Year following the Plan Year for which they were made will cause the cash or deferred arrangement to fail to satisfy the requirements of Code Section 401(k)(3) for the Plan Year for which the excess contributions were made and for all subsequent years they remain in the trust. Also, the Employer will be liable for a 10 percent excise tax on the amount of excess contributions unless they are corrected within 2 1/2 months after the close of the Plan Year for which they were made.

8. Section 7.4(c)(1) of the Plan is amended by adding the following sentence after the first sentence of that section:

The income allocable to excess contributions includes income for the Plan Year in which the excess contributions were made.

9. Section 7.4(c)(2) is amended by adding the following sentence to the end of that section:

Recharacterized excess contributions will remain subject to the nonforfeitability requirements and distributions limitations that apply to Elective Contributions.

10. Section 7.5(a) of the Plan shall be amended by adding the following sentences to the end of the first paragraph of that section:

The Plan uses the prior year testing method. Therefore, the Actual Contribution Percentage of Highly Compensated Employees is determined for the current Plan Year and the Actual Contribution Percentage for Non-highly Compensated Employees is determined for the prior Plan Year.

11. Section 7.5(c) of the Plan is amended to provide in its entirety as follows:

(c) Elimination of the Excess Aggregate Contributions

Effective for Plan Years beginning on and after January 1, 1997, if the Actual Contribution Percentage for the group of Highly Compensated Employees exceeds the maximum contribution percentage described above for a particular Plan Year, the amount of such excess aggregate contributions shall be eliminated in the same manner as described in Section 7.4(c) above, but by distribution of Matching Contributions.

12. Section 7.6 of the Plan is amended by adding the following sentence to the end of that section:

Multiple use will be corrected through reduction of the Actual Deferral Percentage with respect to all Highly Compensated Employees.

13. Section 8.7(a)(3) is amended by adding the following sentence to the end of that section:

Effective January 1, 1999, an Eligible Rollover Distribution described in Code Section 402(c)(4), which a Participant can elect to roll over to another Plan pursuant to Code Section 401(a)(31), excludes hardship withdrawals as defined in Code Section 401(k)(2)(B)(i)(IV) which are attributable to the Participant's elective contributions under Treasury Regulation Section 1.401(k)-1(d)(2)(ii).

14. Sections 16.1(b) of the Plan is amended to provide in its entirety as follows:

(b) "Determination Date" means the last day of the Plan Year. The Determination Date also is the valuation date for purposes of this Article XVI, as the last day of the Plan Year is the most recent valuation date within a 12-month period ending on the Determination Date.

15. Section 16.1 of the Plan is amended to add the following new subsection (h):

(h) "Compensation" as used in this Article XVI means an employee's W-2 compensation for the calendar year that ends within the applicable Plan Year. However, for purposes of determining whether an employee is a Key

Employee, with respect to Plan Years beginning on or after January 1, 1989, the compensation to be used is W-2 compensation but including Employer contributions made pursuant to a salary reduction arrangement.

16. The last paragraph of Section 16.2 of the Plan is amended to provide in its entirety as follows:

For any Plan Year ending on or before December 31, 1999, this Plan shall be deemed "super top heavy" as to any Plan year if, as of the last day of the preceding Plan Year, any of the conditions above are met, substituting "90 percent" for "60 percent" at each place where "60 percent" appears.

17. The last paragraph of Section 16.4 of the Plan is amended to provide in its entirety as follows:

For any Plan Year ending on or before December 31, 1999 in which the Plan is top heavy, 1.0 shall be substituted for 1.25 for purposes of determining the denominator of the separate defined benefit and defined contribution plan fractions described in Section 7.3(c).

Except as herein amended, the Plan shall remain in full force and effect.

IN WITNESS WHEREOF, this First Amendment to The PNC Financial Services Group, Inc. Incentive Savings Plan is executed and adopted by The PNC Financial Services Group, Inc. by its duly authorized officer, this 7th day of May, 2002.

/s/ William E. Rosner

William E. Rosner
Senior Vice President and Chief Human Resources Officer

SECOND AMENDMENT TO THE PNC FINANCIAL SERVICES GROUP, INC. INCENTIVE SAVINGS PLAN

WHEREAS, The PNC Financial Services Group, Inc. (the "Corporation") sponsors The PNC Financial Services Group, Inc. Incentive Savings Plan (the "Plan"); and

WHEREAS, the Corporation has the authority under Article XIV to amend the Plan, and the Corporation wishes to amend the Plan as set forth below.

NOW, THEREFORE, IT IS RESOLVED, that the Plan is hereby amended as follows:

PREAMBLE

1. Adoption and effective date of amendment. This amendment of The PNC Financial Services Group, Inc. is adopted in order to (i) reflect certain provisions of the Economic Growth and Tax Relief Reconciliation Act of 2001 ("EGTRRA"), (ii) clarify the Plan's definition of total disability and (iii) update the Plan's claims procedures. This amendment is intended as good faith compliance with the requirements of EGTRRA and is to be construed in accordance with EGTRRA and guidance issued thereunder. Except as otherwise provided, this amendment shall be effective as of the first day of the first plan year beginning after December 31, 2001.

2. Supersession of inconsistent provisions. This amendment shall supersede the provisions of the plan to the extent those provisions are inconsistent with the provisions of this amendment.

SECTION 1. LIMITATIONS ON CONTRIBUTIONS

1. Effective date. This section shall be effective for limitation years beginning after December 31, 2001.

2. Maximum annual addition. Except to the extent permitted under Section 8 of this amendment and section 414(v) of the Code, if applicable, the annual addition that may be contributed or allocated to a Participant's account under the Plan for any limitation year shall not exceed the lesser of:

   (a) $40,000, as adjusted for increases in the cost-of-living under section 415(d) of the Code; or

   (b) 100 percent of the Participant's compensation, within the meaning of section 415(c)(3) of the Code, for the limitation year.

The compensation limit referred to in (b) shall not apply to any contribution for medical benefits after separation from service (within the meaning of section 401(h) or section 419A(f)(2) of the Code) which is otherwise treated as an annual addition.

SECTION 2. INCREASE IN COMPENSATION LIMIT

The annual compensation of each Participant taken into account in determining allocations for any Plan Year beginning after December 31, 2001, shall not exceed $200,000, as adjusted for cost-of-living increases in accordance with section 401(a)(17)(B) of the Code. Annual compensation means compensation during the Plan Year or such other consecutive 12-month period over which compensation is otherwise determined under the Plan (the determination period). The cost-of-living adjustment in effect for a calendar year applies to annual compensation for the determination period that begins with or within such calendar year.

SECTION 3. MODIFICATION OF TOP-HEAVY RULES

The top-heavy requirements of section 416 of the Code and Article XVI of the Plan shall not apply in any year beginning after December 31, 2001, in which the Plan consists solely of a cash or deferred arrangement which meets the requirements of section 401(k)(12) of the Code and matching contributions with respect to which the requirements of section 401(m)(11) of the Code are met.

SECTION 4. DIRECT ROLLOVERS OF PLAN DISTRIBUTIONS

1. Effective date. This section shall apply to distributions made after December 31, 2001.

2. Modification of definition of Eligible Retirement Plan. For purposes of the direct rollover provisions in Section 8.7 of the Plan, an Eligible Retirement Plan shall also mean an annuity contract described in Section 403(b) of the Code and an eligible plan under Section 457(b) of the Code which is maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state and which agrees to separately account for amounts transferred into such plan from this Plan. The definition of Eligible Retirement Plan shall also apply in the case of a distribution to a surviving spouse, or to a spouse or former spouse who is the alternate payee under a qualified domestic relation order, as defined in Section 414(p) of the Code.

3. Modification of definition of Eligible Rollover Distribution to exclude hardship distributions. For purposes of the direct rollover provisions in Section 8.7 of the Plan, any amount that is distributed on account of hardship shall not be an Eligible Rollover Distribution and the Distributee may not elect to have any portion of such a distribution paid directly to an Eligible Retirement Plan.

4. Modification of definition of Eligible Rollover Distribution to include after-tax employee contributions. For purposes of the direct rollover provisions in Section 8.7 of the Plan, a portion of a distribution shall not fail to be an Eligible Rollover Distribution merely because the portion consists of after-tax employee contributions that are not includible in

gross income. However, such portion may be transferred only to an individual retirement account or annuity described in Section 408(a) or (b) of the Code, or to a qualified defined contribution plan described in Section 401(a) or 403(a) of the Code that agrees to separately account for amounts so transferred, including separately accounting for the portion of such distribution which is includible in gross income and the portion of such distribution which is not so includible.

SECTION 5. ROLLOVERS FROM OTHER PLANS

The Plan will accept participant rollover contributions and/or direct rollovers of distributions made after December 31, 2001, from the following types of plans effective January 1, 2002:

Direct Rollovers:

The plan will accept a direct rollover of an eligible rollover distribution from a qualified plan described in section 401(a) or 403(a) of the Code, an annuity contract described in section 403(b) of the Code and an eligible plan under section 457(b) of the Code which is maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state, and in all cases including after-tax employee contributions.

Participant Rollover Contributions from Other Plans:

The plan will accept a participant contribution of an eligible rollover distribution from a qualified plan described in section 401(a) or 403(a) of the Code, an annuity contract described in section 403(b) of the Code and an eligible plan under section 457(b) of the Code which is maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state, and in all cases including after-tax employee contributions.

Participant Rollover Contributions from IRAs:

The plan will accept a participant rollover contribution of the portion of a distribution from an individual retirement account or annuity described in section 408(a) or 408(b) of the Code that is eligible to be rolled over and would otherwise be includible in gross income, but only if the IRA qualifies as a "conduit" IRA.

SECTION 6. REPEAL OF MULTIPLE USE TEST

The multiple use test described in Treasury Regulation section 1.401(m)-2 and Section 7.6 of the Plan shall not apply for Plan Years beginning after December 31, 2001.

SECTION 7. ELECTIVE DEFERRALS -- CONTRIBUTION LIMITATION

No Participant shall be permitted to have elective deferrals made under this Plan, or any other qualified plan maintained by the employer during any taxable year, in excess of the dollar limitation contained in Section 402(g) of the Code

in effect for such taxable year, except to the

extent permitted under Section 8 of this amendment and Section 414(v) of the Code, if applicable.

SECTION 8. CATCH-UP CONTRIBUTIONS

Effective January 1, 2002, all Employees who are eligible to make elective deferrals under this plan and who have attained age 50 before the close of the Plan Year shall be eligible to make catch-up contributions in accordance with, and subject to the limitations of, Section 414(v) of the Code. Such catch-up contributions shall not be taken into account for purposes of the provisions of the Plan implementing the required limitations of Sections 402(g) and 415 of the Code. The Plan shall not be treated as failing to satisfy the provisions of the Plan implementing the requirements of Section 401(k)(3), 401(k)(11), 401(k)(12), 410(b), or 416 of the Code, as applicable, by reason of the making of such catch-up contributions. Matching Contributions will not be made on account of amounts designated as catch-up contributions, unless required by applicable law.

SECTION 9. DISTRIBUTION UPON SEVERANCE FROM EMPLOYMENT

1. Effective date. This section shall apply for distributions after December 31, 2001, regardless of when the severance from employment occurred.

2. New distributable event. A Participant's Account Balance shall be distributed on account of the Participant's severance from employment, except as provided in Section 8.1(a) of the Plan. However, such a distribution shall be subject to the other provisions of the Plan regarding distributions, other than provisions that require a separation from service before such amounts may be distributed.

SECTION 10. ESOP DIVIDEND REINVESTMENT

Effective January 1, 2002, in accordance with Section 622 of EGTRRA and IRS Notice 2002-2, a Participant may make an annual election in accordance with Plan procedures to either (i) receive in cash any dividends paid on Corporation Stock held by the ESOP portion of the Plan or (ii) have those dividends reinvested in shares of Corporation Stock to be held in the Participant's Account. A Participant who does not make an affirmative election to receive dividends in cash will be deemed to have chosen to have those dividends reinvested.

SECTION 11. ELIGIBLE EMPLOYEE

In order to clarify the employees eligible to participate in the Plan, Section 1.17 of the Plan is amended in its entirety as follows:

1.17 "Eligible Employee" means any Employee who has satisfied the requirement to become a Participant under Article II, other than execution of an Elective Contribution Agreement, but does not include: (i) leased employees (which, in accordance with Code Section 414(n) and effective January 1, 1997, means any person (other than an employee of the recipient) who pursuant to an agreement between the recipient and any other person has

performed services for the recipient (or for the recipient and related persons determined in accordance with Section 414(n)(6) of the Code) on a substantially full-time basis for a period of at least one year, and such services are performed under primary direction or control by the recipient), (ii) student interns and (iii) effective January 1, 2002, temporary employees.

SECTION 12. DEFINITION OF DISABILITY

To clarify the Plan's definition of total disability, Section 1.43 of the Plan is amended to provide in its entirety as follows:

1.43 "Total Disability" means medically determinable physical condition of such severity and probable prolonged duration as to entitle a Participant to receive disability payments under a long-term disability income plan maintained by an Employer with respect to that Employee. For Employees not covered by such a plan, Total Disability means a determination by the Social Security Administration that the Participant has a disability. The definition of Total Disability contained in this Plan shall have no impact or effect on any determination regarding disability made under any other employee benefit plan of the Employer.

SECTION 13. CLAIMS PROCEDURES

Section 12.12 of the Plan is amended to provide in its entirety follows:

12.12 Claims Procedure

(a) Claim for Benefits

A claim for benefits is a request for a Plan benefit or benefits submitted by a claimant in writing to the Plan Manager.

(b) Timing of Notification of Benefit Determination

The Plan Manager shall notify the claimant of an adverse benefit determination within a reasonable period of time, but not later than 90 days after receipt of the claim by the Plan, unless the Plan Manager determines that special circumstances require an extension of time for processing the claim. If the Plan Manager determines that an extension of time for processing is required, written notice of the extension shall be furnished to the claimant within the initial 90-day period. In no event shall such extension exceed a period of 90 days from the end of such initial period. The extension notice shall indicate the special circumstances requiring an extension of time and the date by which the Plan expects to render the benefit determination.

The period of time within which a benefit determination is required to be made shall begin at the time a claim is filed in accordance with Plan procedures, without regard to whether all the information necessary to make a benefit determination accompanies the filing.

(c) Manner and Content of Benefit Determinations

The Plan Manager shall provide a claimant with written or electronic notification of any adverse benefit determination. The notification shall set forth, in a manner calculated to be understood by the claimant: (i) the specific reason or reasons for the adverse determination; (ii) reference to the specific Plan provisions on which the determination is based; (iii) a description of any additional material or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary; and (iv) a description of the Plan's review procedures and the time limits applicable to such procedures, including a statement of the claimant's right to bring a civil action under section 502(a) of ERISA following an adverse benefit determination on review.

(d) Appeal of Adverse Benefit Determination

A claimant may submit a request for review of an adverse benefit determination to the Administrative Committee. In order to provide a claimant with the opportunity for a full and fair review of a claim and adverse benefit determination: (i) a claimant has at least 60 days following receipt of a notification of an adverse benefit determination within which to appeal the determination; (ii) a claimant may submit written comments, documents, records and other information relating to the claim for benefits; (iii) a claimant shall be provided, upon request and free of charge, reasonable access to, and copies of, all documents, records and other information relevant to the claimant's claim for benefits; and (iv) the review will take into account all comments, documents, records and other information submitted by the claimant relating to the claim, without regard to whether such information was submitted or considered in the initial benefit determination.

(e) Timing of Notification of Benefit Determination on Review

The Administrative Committee shall notify a claimant of the Plan's benefit determination on review within a reasonable period of time, but not later than 60 days after receipt of the claimant's request for review by the Plan, unless the Committee determines that special circumstances (such as the need to hold a hearing) require an extension of time for processing the claim. If the Committee determines that an extension of time for processing is required, written notice of the extension shall be furnished to the claimant prior to the termination of the initial 60-day period. In no event shall such extension exceed a period of 60 days from the end of the initial period. The extension notice shall indicate the special circumstances requiring an extension of time and the date by which the Plan expects to render the determination on review.

The period of time within which a benefit determination on review is required to be made shall begin at the time an appeal is filed in accordance with the Plan procedures, without regard to whether all the information necessary to make a benefit determination on review accompanies the filing.

(f) Manner and Content of Notification of Benefit Determination on Review

The Administrative Committee shall provide a claimant with written or electronic notification of a Plan's benefit determination on review. In the case of an adverse benefit determination, the notification shall set forth, in a manner calculated to be understood by the claimant: (i) the specific reason or reasons for the adverse determination; (ii) reference to the specific Plan

provisions on which the benefit determination is based; (iii) a statement that the claimant is entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to the claimant's claim for benefits; and (iv) a statement of the claimant's right to bring an action under section 502(a) of ERISA.

In the case of an adverse benefit determination on review, the Plan Administrator shall provide such access to, and copies of, documents, records, and other information described above, as appropriate.

(g) Exhaustion of Remedies; Waiver

No legal action with respect to a claim for benefits under the Plan shall be instituted unless the claimant shall have first exhausted the claims procedure set forth in this Section 12.12, except as provided in Section 12.12(h) below. If a Participant or Beneficiary fails to file a claim or request for review in the manner specified herein, such claim or request shall be waiver, and the Participant or Beneficiary will be barred from reasserting the claim.

(h) Failure of Plan to Follow Claims Procedures

In the case of the failure of the Plan to follow the claims procedures, the claimant shall be deemed to have exhausted the administrative remedies under the Plan and shall be entitled to pursue any available remedies under section 502(a) of ERISA.

SECTION 14. COMPENSATION DEFINITION

In order to clarify the definition of compensation contained in the Plan, the following sentence is added to the end of the second paragraph of Section 1.8 of the Plan: "Notwithstanding the above and Annex I, effective January 1, 2002, Compensation shall not include earnings paid as a gross up payment."

SECTION 15. ELIMINATION OF INSTALLMENT METHOD OF PAYMENT

In order to eliminate the installment method of payment formerly provided under the Plan, subsections (a) and (b) of Section 8.4 are amended to provide in their entirety as follows:

(a) Lump Sum

If a Participant's employment terminates for any reason and the Participant's Account Balance exceeds the involuntary cashout limit described in Section 8.1(b), the Participant's Account Balance shall be paid in a single lump sum.

(b) Elimination of Installment Method of Payment

Participants were permitted to elect to receive their Account Balance in periodic installments. This installment method of payment is eliminated in accordance with Internal Revenue Service guidance. However, the amendment eliminating the installment method of payment shall not apply with respect to any distribution with an annuity starting date that is earlier than 90 days from the date a summary of material modification describing the amendment is furnished to affected Participants.

IN WITNESS WHEREOF, this Second Amendment to The PNC Financial Services Group, Inc. Incentive Savings Plan is executed and adopted by The PNC Financial Services Group, Inc. by its duly authorized officer, this 18th day of December, 2002.

/s/ William E. Rosner

William E. Rosner
Senior Vice President and Chief Human Resources Officer

THE PNC FINANCIAL SERVICES GROUP, INC. AND SUBSIDIARIES Exhibit 12.1

Computation of Ratio of Earnings to Fixed Charges

<TABLE>
<CAPTION>

Dollars in millions	Year ended December 31 2002	2001	2000	1999	1998
EARNINGS					
Income from continuing operations before taxes	$ 1,821	$ 564	$ 1,848	$ 1,788	$ 1,651
Fixed charges excluding interest on deposits	433	763	1,033	980	1,159
Subtotal	2,254	1,327	2,881	2,768	2,810
Interest on deposits	659	1,229	1,653	1,369	1,471
Total	$ 2,913	$ 2,556	$ 4,534	$ 4,137	$ 4,281
FIXED CHARGES					
Interest on borrowed funds	$ 316	$ 646	$ 915	$ 870	$ 1,065
Interest component of rentals	58	53	50	44	33
Amortization of notes and debentures	1	1	1	1	1
Distributions on Mandatorily Redeemable Capital Securities of Subsidiary Trusts	58	63	67	65	60
Subtotal	433	763	1,033	980	1,159
Interest on deposits	659	1,229	1,653	1,369	1,471
Total	$ 1,092	$ 1,992	$ 2,686	$ 2,349	$ 2,630
RATIO OF EARNINGS TO FIXED CHARGES					
Excluding interest on deposits	5.21 x	1.74 x	2.79 x	2.82 x	2.42 x
Including interest on deposits	2.67	1.28	1.69	1.76	1.63

</TABLE>

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THE PNC FINANCIAL SERVICES GROUP, INC. AND SUBSIDIARIES Exhibit 12.2
Computation of Ratio of Earnings
to Fixed Charges and Preferred Stock Dividends

<TABLE>
<CAPTION>

	Year ended December 31				
Dollars in millions	2002	2001	2000	1999	1998
<S>	<C>	<C>	<C>	<C>	<C>
EARNINGS					
Income from continuing operations before taxes	$ 1,821	$ 564	$ 1,848	$ 1,788	$ 1,651
Fixed charges and preferred stock dividends excluding interest on deposits	434	783	1,063	1,010	1,188
Subtotal	2,255	1,347	2,911	2,798	2,839
Interest on deposits	659	1,229	1,653	1,369	1,471
Total	$ 2,914	$ 2,576	$ 4,564	$ 4,167	$ 4,310
FIXED CHARGES					
Interest on borrowed funds	$ 316	$ 646	$ 915	$ 870	$ 1,065
Interest component of rentals	58	53	50	44	33
Amortization of notes and debentures	1	1	1	1	1
Distributions on Mandatorily Redeemable Capital Securities of Subsidiary Trusts	58	63	67	65	60
Preferred stock dividend requirements	1	20	30	30	29
Subtotal	434	783	1,063	1,010	1,188
Interest on deposits	659	1,229	1,653	1,369	1,471
Total	$ 1,093	$ 2,012	$ 2,716	$ 2,379	$ 2,659
RATIO OF EARNINGS TO FIXED CHARGES AND PREFERRED STOCK DIVIDENDS					
Excluding interest on deposits	5.20 x	1.72 x	2.74 x	2.77 x	2.39 x
Including interest on deposits	2.67	1.28	1.68	1.75	1.62

</TABLE>

Exhibit 13

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SELECTED CONSOLIDATED FINANCIAL DATA

THE PNC FINANCIAL SERVICES GROUP, INC.

<TABLE>
<CAPTION>

	Year ended December 31				
Dollars in millions, except per share data	2002	2001(a)	2000	1999	1998

<S>	<C>	<C>	<C>	<C>	<C>
SUMMARY OF OPERATIONS					
Interest income	$3,172	$4,137	$4,732	$4,583	$5,024
Interest expense	975	1,875	2,568	2,239	2,536
Net interest income	2,197	2,262	2,164	2,344	2,488
Provision for credit losses	309	903	136	163	225
Noninterest income before net securities gains	3,108	2,521	2,930	2,438	2,076
Net securities gains	89	131	20	22	16
Noninterest expense	3,227	3,414	3,103	2,838	2,698
Income from continuing operations before minority interest and income taxes	1,858	597	1,875	1,803	1,657
Minority interest in income of consolidated entities	37	33	27	15	6
Income taxes	621	187	634	586	571
Income from continuing operations	1,200	377	1,214	1,202	1,080
Income (loss) from discontinued operations, net of tax	(16)	5	65	62	35
Income before cumulative effect of accounting change	1,184	382	1,279	1,264	1,115
Cumulative effect of accounting change, net of tax		(5)			
Net income	$1,184	$377	$1,279	$1,264	$1,115
PER COMMON SHARE					
Basic earnings (loss)					
Continuing operations	$4.23	$1.27	$4.12	$3.98	$3.53
Discontinued operations	(.05)	.02	.23	.21	.11
Before cumulative effect of accounting change	4.18	1.29	4.35	4.19	3.64
Cumulative effect of accounting change		(.02)			
Net income	$4.18	$1.27	$4.35	$4.19	$3.64
Diluted earnings (loss)					
Continuing operations	$4.20	$1.26	$4.09	$3.94	$3.49
Discontinued operations	(.05)	.02	.22	.21	.11
Before cumulative effect of accounting change	4.15	1.28	4.31	4.15	3.60
Cumulative effect of accounting change		(.02)			
Net income	$4.15	$1.26	$4.31	$4.15	$3.60
Book value (At December 31)	$24.03	$20.54	$21.88	$19.23	$18.86
Cash dividends declared	$1.92	$1.92	$1.83	$1.68	$1.58

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</TABLE>

This Financial Review should be read in conjunction with The PNC Financial Services Group, Inc. and subsidiaries ("Corporation" or "PNC") Consolidated Financial Statements and Statistical Information included herein. Certain prior-period amounts have been reclassified to conform with the current year presentation. For information regarding certain business risks, see the Risk Factors, Risk Management, Credit Risk and Liquidity sections in this Financial Review. Also, see the Forward-Looking Statements section in this Financial Review for certain other factors that could cause actual results to differ materially from forward-looking statements or historical performance.

<TABLE>
<CAPTION>

	At or Year ended December 31				
Dollars in millions	2002	2001(a)	2000	1999	1998
<S>	<C>	<C>	<C>	<C>	<C>
BALANCE SHEET HIGHLIGHTS					
Assets	$66,377	$69,638	$69,921	$69,360	$70,829
Earning assets	54,833	57,875	59,373	60,268	63,547
Loans, net of unearned income	35,450	37,974	50,601	49,673	57,633
Allowance for credit losses	673	560	598	600	678
Securities	13,763	13,908	5,902	5,960	4,472
Loans held for sale	1,607	4,189	1,655	3,477	467
Total deposits	44,982	47,304	47,664	45,802	46,150
Transaction deposits	32,349	32,590	29,922	26,538	26,798
Borrowed funds	9,116	12,090	11,718	14,229	15,939
Allowance for unfunded loan commitments and letters of credit	84	70	77	74	75
Shareholders' equity	6,859	5,823	6,656	5,946	6,043
Common shareholders' equity	6,849	5,813	6,344	5,633	5,729
SELECTED RATIOS					
FROM CONTINUING OPERATIONS					
Return on					
Average common shareholders' equity	19.08%	5.65%	20.52%	21.29%	20.14%
Average assets	1.80	.53	1.76	1.76	1.55
Net interest margin	3.99	3.84	3.64	3.86	3.99
Noninterest income to total revenue	59.1	53.8	57.5	51.0	45.4
Efficiency (b)	58.62	65.48	56.82	55.32	54.74
FROM NET INCOME					
Return on					
Average common shareholders' equity	18.83	5.65	21.63	22.41	20.81
Average assets	1.78	.53	1.68	1.69	1.49
Net interest margin	3.99	3.81	3.37	3.68	3.85
Noninterest income to total revenue	59.1	53.9	59.7	52.9	47.0
Efficiency (b)	59.08	65.36	55.16	54.63	

54.69

Loans to deposits	79	80	106	108	125
Dividend payout	46.07	151.65	42.06	40.22	43.43
Leverage (c)	8.1	6.8	8.0	6.6	7.3
Common shareholders' equity to assets	10.32	8.35	9.07	8.12	8.09
Average common shareholders' equity to average assets	9.44	9.14	8.44	8.12	7.56

</TABLE>

(a) See 2001 Strategic Repositioning in the Consolidated Balance Sheet Review section of this Financial Review for further information regarding items impacting the comparability of 2001 amounts with other periods presented.

(b) The efficiency ratio is noninterest expense divided by the sum of taxable-equivalent net interest income and noninterest income. Amortization of goodwill and other intangibles, distributions on capital securities and mortgage banking risk management activities are excluded for purposes of computing this ratio. Excluding the impact of charges in 2001 related to strategic initiatives and additions to reserves related to insured residual value exposures, the efficiency ratios from continuing operations and from net income were 58.14% and 58.07%, respectively.

(c) The leverage ratio represents Tier 1 capital divided by adjusted average total assets as defined by regulatory capital requirements for bank holding companies. The ratio includes discontinued operations for the years 1998 and 1999.

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; wholesale banking, including corporate banking, real estate finance and asset-based lending; wealth management; asset management and global fund processing 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 processing services internationally.

PNC's strategies to enhance shareholder value include expanding its deposit-driven banking franchise through internal growth and, as opportunities arise, through targeted acquisitions. In addition, the Corporation plans to leverage its customer base and leading technology to grow the asset management and processing businesses in an efficient and effective manner. Efforts in recent years to reduce risk, grow deposits and diversify the Corporation's revenue mix have enabled PNC to improve liquidity and build a strong capital position.

SUMMARY FINANCIAL RESULTS

Consolidated net income for 2002 was $1.184 billion or $4.15 per diluted share compared with $377 million or $1.26 per diluted share for 2001. Results for 2002 reflected the adoption of Statement of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets," under which goodwill is no longer amortized to expense. Results for 2001 reflected the cost of actions taken during the year to accelerate the repositioning of PNC's lending business and other strategic initiatives. These charges totaled $1.2 billion pretax and reduced 2001 net income by $768 million or $2.65 per diluted share. Excluding the effects of the strategic repositioning charges and goodwill amortization expense, net income for 2001 would have been $1.238 billion, or $4.23 per diluted share.

Results for 2002 included a loss from discontinued operations of $16 million, or $.05 per diluted share, compared with income from discontinued operations in 2001 of $5 million, or $.02 per diluted share. Results for 2001 also included an after-tax loss of $5 million, or $.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.

Return on average common shareholders' equity was 18.83% and return on average assets was 1.78% for 2002 compared with 5.65% and .53%, respectively, for 2001.

The residential mortgage banking business, which was sold in January 2001, is reflected in discontinued operations throughout the Corporation's consolidated financial statements. The remainder of the presentation in this Financial Review reflects continuing operations, unless otherwise noted. See Note 4 Discontinued Operations in the Notes to Consolidated Financial Statements for additional information.

The Corporation's results for 2002 reflected significant progress in a number of key areas:

- As part of the Corporation's overall risk repositioning efforts, institutional loans held for sale were reduced $2.3 billion, or 88%, from December 31, 2001, with net gains in excess of valuation adjustments totaling $147 million in 2002.

- Total shareholders' equity increased $1.0 billion during 2002 to $6.9 billion at December 31, 2002.

- Capital flexibility was strengthened during 2002 as the ratio of common shareholders' equity to total assets increased to 10.3% at December 31, 2002 compared with 8.3% at December 31, 2001.

- Lower cost funding sources increased as average total transaction deposits increased $1.1 billion, to $30.7 billion, compared with the prior year.

- In January 2003, PNC and Washington Mutual Bank, FA, agreed to a settlement of all issues in dispute between them in connection with the sale of the Corporation's residential mortgage banking business.

Management expects that 2003 will continue to be a challenging operating environment that will limit opportunities for revenue growth. The Corporation's success in 2003 will depend on the economy, interest rates, financial market conditions, the impact of international hostilities and its success in implementing current strategies, as well as PNC's ability to address its key operating challenges. These challenges include the stability of asset quality, revenue growth and development of value-added customer relationships. Other factors that will affect the Corporation's success include leveraging technology, execution of a share repurchase program, managing the revenue/expense relationship including additional pension and stock-based compensation costs, and regulatory actions. See also the Risk Factors, Risk Management and Forward-Looking Statements sections of this Financial Review.

BALANCE SHEET HIGHLIGHTS

During 2002, the Corporation emphasized the growth and retention of value-added transaction deposits while changing the mix of earning assets, including a reduction of institutional loans held for sale. These actions have resulted in a significant risk repositioning of the Corporation as reflected in the Consolidated Balance Sheet and Consolidated Average Balance Sheet line items discussed below.

Total assets were $66.4 billion at December 31, 2002 compared with $69.6 billion at December 31, 2001. Average interest earning assets were $55.3 billion in 2002, down $4.0 billion from 2001 due primarily to a decrease in average loans that was partially offset by increases in average securities and average loans held for sale.

Average loans for 2002 were $37.1 billion compared with $44.8 billion in 2001, a decline of $7.7 billion or 17%. Loans represented 67% of average interest-earning assets for 2002 compared with 76% for 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. The term "loans" in this report excludes loans held for sale and securities that represent interests in pools of loans.

Changes in loans held for sale are described in 2001 Strategic Repositioning and in Loans Held for Sale in the Consolidated Balance Sheet Review section of this Financial Review.

Average securities totaled $12.0 billion for 2002, an increase of $1.1 billion from 2001. Securities comprised 22% of average interest-earning assets for 2002 compared with 18% 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% of total sources of funds for 2002 compared with 64% for 2001, respectively, with the remainder comprised primarily of wholesale funding obtained at prevailing market rates.

Average interest-bearing demand and money market deposits totaled $22.1 billion for 2002 compared with $21.3 billion in 2001. The increase reflected focused marketing efforts to grow and maintain more valuable transaction accounts while higher cost, less valuable retail certificates of deposit were not emphasized. Average borrowed funds for 2002 decreased $2.8 billion, to $10.7 billion, compared with 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; wholesale banking, including corporate banking, real estate finance and asset-based lending; wealth management; asset management and global fund processing services. Treasury management activities, which include cash and investment management, receivables management, disbursement services and global trade services; capital markets products, which include foreign exchange, derivatives trading and loan syndications; and equipment leasing products are offered through Corporate Banking and sold by several businesses across the Corporation.

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 are refined from time to time as management accounting practices are enhanced and businesses change. There were no significant methodology changes made during 2002 other than the impact of refinements to the Corporation's reserve methodology related to loans and unfunded credit facilities. 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 financial results differ from consolidated results from continuing operations. This is primarily due to differences between management accounting practices and generally accepted accounting principles such as economic capital assignments rather than legal entity shareholders' equity, unit cost allocations rather than actual expense assignments, and policies that do not fully allocate holding company expenses; minority interest in income of consolidated entities; eliminations and other corporate items. The impact of these differences is reflected in the "Other" category. Other also includes equity management activities and residual asset and liability management activities which do not meet the criteria for disclosure as a separate reportable segment. Other reflected a net loss of $72 million in 2002 compared with a net loss of $190 million in 2001. The net loss was smaller in 2002 primarily due to lower net losses from equity management activities and a benefit from the assignment of unassigned allowance for credit losses to the Wholesale Banking businesses in 2002. Details of inter-segment revenues are included in Note 26 Segment Reporting. The operating results and financial impact of the disposition of the residential mortgage banking business, previously PNC Mortgage, are included in discontinued operations.

"Other Information" included in the individual business tables that follow is presented as of period end, except for net charge-offs, net gains (losses) on loans held for sale and average full-time equivalent employees (FTEs).

RESULTS OF BUSINESSES (a)
<TABLE>
<CAPTION>

Year ended December 31 - dollars in millions	Earnings (Loss) 2002	Earnings (Loss) 2001	Operating Revenue (b) 2002	Operating Revenue (b) 2001	Return on Assigned Capital (c) 2002	Return on Assigned Capital (c) 2001	Average Assets 2002	Average Assets 2001
Banking Businesses								
Regional Community Banking	$697	$596	$2,098	$2,145	27%	22%	$38,976	$40,285
Wholesale Banking								
Corporate Banking	150	(375)	631	764	14	(30)	13,807	16,685
PNC Real Estate Finance	90	38	226	213	23	10	5,018	5,290
PNC Business Credit	40	22	193	134	16	13	3,837	2,463
Total wholesale banking	280	(315)	1,050	1,111	17	(17)	22,662	24,438
PNC Advisors	97	143	654	735	19	26	2,929	3,330
Total banking businesses	1,074	424	3,802	3,991	22	8	64,567	68,053
Asset Management and Processing businesses								
BlackRock	133	107	577	533	24	25	864	684
PFPC	65	36	817	846	31	17	1,888	1,771
Total asset management and processing	198	143	1,394	1,379	26	22	2,752	2,455
Total business results	1,272	567	5,196	5,370	23	10	67,319	70,508
Other	(72)	(190)	211	(440)			(730)	(74)
Results from continuing operations	1,200	377	5,407	4,930	19	6	66,589	70,434
Discontinued operations	(16)	5						51
Results before cumulative effect of accounting change	1,184	382	5,407	4,930	19	6	66,589	70,485
Cumulative effect of accounting change		(5)						
Total consolidated (b)	$1,184	$377	$5,407	$4,930	19	6	$66,589	$70,485

(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.

(b) Operating revenue is presented on a taxable-equivalent basis except for BlackRock and PFPC. Total consolidated operating revenues included in the table above exceeded total operating revenues on a book basis for 2002 and 2001 by $13 million and $16 million, respectively, due to taxable-equivalent adjustments.

(c) Percentages for BlackRock reflect return on equity.

REGIONAL COMMUNITY BANKING

Year ended December 31
Taxable-equivalent basis

Dollars in millions	2002	2001
INCOME STATEMENT		
Net interest income	$1,409	$1,466
Noninterest income	689	679
Operating revenue	2,098	2,145
Provision for credit losses	52	50
Noninterest expense	1,061	1,063
Goodwill amortization		36
Operating income	985	996
Net securities (gains)	(84)	(86)
Strategic repositioning:		
Vehicle leasing costs		135
Asset impairment and severance costs		13
Pretax earnings	1,069	934
Income taxes	372	338
Earnings	$697	$596
AVERAGE BALANCE SHEET		
Loans		
Consumer		
Home equity	$7,101	$6,351
Indirect	541	814
Other consumer	632	777
Total consumer	8,274	7,942
Residential mortgage	4,110	7,912
Commercial	3,599	3,557
Vehicle leasing	1,678	1,901
Other	119	133
Total loans	17,780	21,445
Securities	11,139	10,241
Education and other loans held for sale	1,319	1,293
Assigned assets and other assets	8,738	7,306
Total assets	$38,976	$40,285
Deposits		
Noninterest-bearing demand	$5,046	$4,571
Interest-bearing demand	6,057	5,713
Money market	12,279	12,162
Total transaction deposits	23,382	22,446
Savings	1,962	1,870
Certificates	10,045	11,906
Total deposits	35,389	36,222
Other liabilities	958	1,345
Assigned capital	2,629	2,718
Total funds	$38,976	$40,285
PERFORMANCE RATIOS		
Return on assigned capital	27%	22%
Noninterest income to operating revenue	33	32
Efficiency	49	54
Efficiency, excluding strategic repositioning	51	50
OTHER INFORMATION		
Total nonperforming assets	$82	$52
Vehicle leasing outstandings, net of unearned income	$1,386	$1,930
Net charge-offs	$56	$50
Average FTEs	9,657	9,953
ATMs	3,550	3,250
Branches	714	712

Financial consultants	645	568
Business banking centers	193	140
Checking relationships	1,542,000	1,440,000
Online banking users	606,752	421,325
Deposit households using online banking	36.6%	27.2%

Regional Community Banking provides deposit, lending, cash management and investment services to two million consumer and small business customers within PNC's geographic footprint.

The strategic focus of the Regional Community Bank is to generate sustainable revenue growth by consistently increasing its base of satisfied and loyal customers. Revenue growth is driven by building a base of transaction deposit relationships which provide fee revenue and a low-cost funding source for loans and investments. Additional revenue growth is generated by deepening relationships with these customers through cross-selling of other products and services. The significant growth in online banking users is helping to improve customer loyalty and retention.

During 2002, Regional Community Banking increased the number of checking relationships by 8% causing increases in transaction deposits and fee revenues. Customer growth was driven by simultaneous improvements in the rates of customer acquisition and retention. Despite this trend and success in keeping deposit funding costs low, this business was adversely impacted by a reduction in average residential mortgages and vehicle leases and lower investment yields in the relatively low interest rate environment in 2002.

Regional Community Banking earnings were $697 million in 2002 compared with $596 million in 2001. Excluding goodwill amortization expense in 2001, operating income declined 5% in the comparison as the benefit of growth in average transaction deposits and fee income was more than offset by lower net interest income.

Operating revenue was $2.1 billion for both 2002 and 2001. Revenue was flat in the year-to-year comparison primarily due to lower net interest income in 2002 partially offset by higher noninterest income.

The provision for credit losses for 2002 increased to $52 million compared with $50 million in the prior year due to higher net charge-offs on residential mortgage loans partially offset by the impact of refinements to the Corporations' reserve methodology related to impaired loans and pooled reserves.

Total loans decreased 17% on average in 2002 compared with the prior year. Home equity loans, the lead consumer lending product, grew 12% in the comparison. The overall decline in loans primarily resulted from residential mortgage prepayments and a decline in vehicle leases and indirect loans. In addition, management elected to invest in mortgage-backed securities rather than purchase residential mortgages as part of overall balance sheet and interest rate management.

Total deposits declined 2% in the year-to-year 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 while higher cost, less valuable certificates of deposit were not emphasized.

As previously reported, the Corporation decided to discontinue its vehicle leasing business in the fourth quarter of 2001. As a result, this portfolio has declined 28% since December 31, 2001 and is performing overall as expected. See 2001 Strategic Repositioning in the Consolidated Balance Sheet Review section and Risk Factors section of this Financial Review for additional information.

WHOLESALE BANKING
CORPORATE BANKING

Year ended December 31 Taxable-equivalent basis Dollars in millions	2002	2001
INCOME STATEMENT		
Net interest income	$349	$508
Noninterest income	282	256
Operating revenue	631	764
Provision for credit losses	203	57
Noninterest expense	359	378
Goodwill amortization		3

	2002	2001
Operating income	69	326
Strategic repositioning:		
Institutional lending repositioning		891
Asset impairment and severance costs		16
Net (gains) on loans held for sale	(155)	
Pretax earnings (loss)	224	(581)
Income tax expense (benefit)	74	(206)
Earnings (loss)	$150	$(375)
AVERAGE BALANCE SHEET		
Loans	$9,477	$13,907
Loans held for sale	1,369	367
Other assets	2,961	2,411
Total assets	$13,807	$16,685
Deposits	$4,683	$4,729
Assigned funds and other liabilities	8,088	10,705
Assigned capital	1,036	1,251
Total funds	$13,807	$16,685
PERFORMANCE RATIOS		
Return on assigned capital	14%	(30)%
Noninterest income to operating revenue	45	34
Efficiency	46	71
Efficiency, excluding strategic repositioning	57	49
OTHER INFORMATION		
Total nonperforming assets	$187	$220
Net charge-offs	$137	$209
Average FTEs	2,123	2,424
INSTITUTIONAL LENDING REPOSITIONING		
Loans held for sale		
Credit exposure	$564	$4,594
Outstandings	$245	$2,294
Exit portfolio		
Credit exposure	$413	$2,262
Outstandings		$192

Corporate Banking provides credit, equipment leasing, treasury management and capital markets products and services to mid-sized corporations, government entities and selectively to large corporations primarily within PNC's geographic region. Additionally, PNC, through the Corporate Banking line of business, administers Market Street Funding Corporation ("Market Street"), a multi-seller asset-backed commercial paper conduit. 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 emphasizing noncredit products.

During 2002, Corporate Banking made significant progress in the repositioning of its institutional lending business. The exit and held for sale portfolios at December 31, 2002 had total credit exposure of $977 million including outstandings of $245 million, a reduction in outstandings of approximately 90% from December 31, 2001. The Corporation is continuing to pursue liquidation of the remaining 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. A total of $155 million of net gains on loans held for sale was recognized in 2002. Gains realized in 2002 resulted from a more active market than was anticipated at the time the loans were transferred to held for sale, the negotiation of individual loan sales rather than bulk transactions, and sales occurring faster than expected. Additionally, declines in credit exposure resulting from payments, refinancings and reductions in credit facilities also contributed to the gains in 2002. These gains were partially offset by additional valuation adjustments required on certain credit facilities remaining in the portfolio. See 2001 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 earned $150 million in 2002 compared with a net loss of $375 million in 2001. Operating income was $69 million in 2002 compared with $326 million in 2001. The decline was due to higher credit costs and lower revenue attributable to the institutional lending downsizing.

Operating revenue of $631 million for 2002 decreased $133 million compared

with 2001. Net interest income for 2002 decreased $159 million compared with 2001 primarily due to the impact on treasury management deposits of a decline in interest rates combined with the reduction in average loans resulting from the ongoing institutional lending downsizing. Noninterest income increased $26 million compared with 2001 primarily due to higher treasury management fees in 2002 and valuation losses associated with equity investments in 2001.

Total credit costs were $203 million for 2002 compared with $733 million for 2001. Credit costs for 2002 consisted of the provision for credit losses while the 2001 period included $57 million reflected in provision for credit losses and $676 million reflected in the institutional lending repositioning charge that represented net charge-offs. Valuation adjustments totaling $215 million for loans already designated as held for sale are also reflected in the 2001 institutional lending repositioning charge. Net charge-offs were $137 million for 2002 compared with $209 million in 2001 excluding the repositioning amount described above. The provision for credit losses for 2002 covered charge-offs of $90 million related to two Market Street liquidity facilities and included a $24 million reserve for a single airline industry credit and the impact of refinements to the Corporation's reserve methodology related to impaired loans and pooled reserves. See Market Street in the Risk Management section of this Financial Review for additional information.

Treasury management, capital markets and equipment leasing 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 $343 million for 2002, an increase of $12 million compared with 2001, as higher fee revenue was partially offset by lower income earned on customers' deposit balances. Consolidated revenue from capital markets was $104 million for 2002, a decrease of $19 million compared with 2001 primarily due to lower transaction volume attributable to the weak economic and market conditions.

Nonperforming assets were $187 million at December 31, 2002 compared with $220 million at December 31, 2001. The decrease was primarily due to the Corporation's continued liquidation of the institutional lending held for sale portfolio.

WHOLESALE BANKING

PNC REAL ESTATE FINANCE

Year ended December 31 Taxable-equivalent basis Dollars in millions	2002	2001
INCOME STATEMENT		
Net interest income	$117	$118
Noninterest income		
Commercial mortgage banking	65	58
Other	44	37
Total noninterest income	109	95
Operating revenue	226	213
Provision for credit losses	(10)	16
Noninterest expense	160	139
Goodwill amortization		18
Operating income	76	40
Strategic repositioning:		
Institutional lending repositioning		34
Severance costs		1
Net (gains) on loans held for sale	(3)	
Pretax earnings	79	5
Minority interest (benefit) expense	(2)	
Income tax (benefit) expense	(9)	(33)
Earnings	$90	$38
AVERAGE BALANCE SHEET		
Loans		
Commercial real estate	$2,230	$2,337
Commercial - real estate related	1,471	1,751
Total loans	3,701	4,088
Commercial mortgages held for sale	271	273
Other loans held for sale	141	6
Other assets	905	923

	2002	2001
Total assets	$5,018	$5,290
Deposits	$750	$518
Assigned funds and other liabilities	3,876	4,375
Assigned capital	392	397
Total funds	$5,018	$5,290
PERFORMANCE RATIOS		
Return on assigned capital	23%	10%
Noninterest income to operating revenue	48	45
Efficiency	63	60
Efficiency, excluding strategic repositioning	64	58
OTHER INFORMATION		
Total nonperforming assets	$2	$6
Net (recoveries) charge-offs	$(6)	$30
Average FTEs	789	743
Institutional lending repositioning		
Loans held for sale		
Credit exposure	$49	$324
Outstandings	$44	$244
Exit portfolio		
Credit exposure	$25	$30
Outstandings	$4	$5
COMMERCIAL MORTGAGE SERVICING PORTFOLIO (a)		
January 1	$68	$54
Acquisitions/additions	19	25
Repayments/transfers	(13)	(11)
Total	$74	$68

(a) Dollars in billions.

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. ("Midland"). Midland is a leading third-party provider of loan servicing and technology to the commercial real estate finance industry. Columbia Housing Partners, L.P. ("Columbia Housing") is a national syndicator of affordable housing equity. Certain incremental activities related to Columbia Housing will continue to require regulatory approvals due to the existence of the Corporation's regulatory agreements.

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 earned $90 million in 2002 compared with $38 million in 2001. Excluding goodwill amortization expense in 2001, operating income increased $18 million in 2002 compared with the prior year due to the impact of higher gains on sales of commercial mortgage loans and lower credit costs in 2002 partially offset by higher noninterest expense. Average loans decreased 9% in the year-to-year comparison reflecting the impact of the institutional lending repositioning.

Operating revenue was $226 million for 2002 compared with $213 million for 2001. The increase was primarily due to higher gains on sales of commercial mortgage loans.

Noninterest expense increased $21 million for 2002 compared with the prior year primarily due to impairment charges related to affordable housing partnership assets and a full year of expenses for a lending business acquired in the fourth quarter of 2001.

The commercial mortgage servicing portfolio grew 9% to $74 billion at December 31, 2002. Midland, as a third-party servicer, is required to comply with various contractual obligations, including the obligation to advance funds for delinquent borrower payments and property protection purposes, and to monitor property taxes and insurance. A total of $80 million of advances were outstanding at December 31, 2002. Midland has priority to recover these advances before the security holders of the related securitizations.

The provision for credit losses for the year ended December 31, 2002 reflected the benefit of a net recovery in the exited warehouse lending business of $6 million and the impact of refinements to the Corporation's reserve

methodology related to impaired loans and pooled reserves.

During 2002, PNC Real Estate Finance made significant progress in downsizing its institutional lending business. The exit and held for sale portfolios at December 31, 2002 had total credit exposure of $74 million including outstandings of $48 million, a reduction in outstandings of approximately 81% since December 31, 2001. Of these amounts, $49 million of credit exposure and $44 million of outstandings were classified as held for sale as of December 31, 2002. The Corporation is continuing to pursue liquidation of the remaining institutional lending 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 2001 Strategic Repositioning in the Consolidated Balance Sheet Review section of this Financial Review for additional information.

WHOLESALE BANKING
PNC BUSINESS CREDIT

Year ended December 31 Taxable-equivalent basis Dollars in millions	2002	2001
INCOME STATEMENT		
Net interest income	$134	$104
Noninterest income	59	30
Operating revenue	193	134
Provision for credit losses	64	19
Noninterest expense	53	29
Goodwill amortization		2
Operating income	76	84
Strategic repositioning:		
Institutional lending repositioning		48
Net losses on loans held for sale	11	
Pretax earnings	65	36
Income taxes	25	14
Earnings	$40	$22
AVERAGE BALANCE SHEET		
Loans	$3,535	$2,331
Loans held for sale	68	72
Other assets	234	60
Total assets	$3,837	$2,463
Deposits	$84	$77
Assigned funds and other liabilities	3,503	2,223
Assigned capital	250	163
Total funds	$3,837	$2,463
PERFORMANCE RATIOS		
Return on assigned capital	16%	13%
Noninterest income to operating revenue	31	22
Efficiency	29	30
Efficiency, excluding strategic repositioning	27	22
OTHER INFORMATION		
Total nonperforming assets	$142	$109
Net charge-offs	$32	$19
Marketing locations	23	14
Average FTEs	241	137
INSTITUTIONAL LENDING REPOSITIONING		
Loans held for sale		
Credit exposure	$13	$40
Outstandings	$9	$30

PNC Business Credit provides asset-based lending, treasury management and capital markets 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 2 NBOC Acquisition for additional information.

PNC Business Credit earned $40 million in 2002 compared with $22 million in 2001. Operating income for 2002 was $76 million compared with $84 million in 2001. Operating income for 2002 included revenue and expense resulting from the NBOC acquisition and a $28 million benefit resulting from a reduction in the NBOC put option liability. The impact of these items was more than offset by an increase of $45 million in the provision for credit losses.

Operating revenue was $193 million for 2002, a $59 million increase compared with 2001 as both net interest income and noninterest income increased. The increase in net interest income for 2002 reflected a net increase of $1.2 billion or 52% in total average loans for the period resulting primarily from the NBOC acquisition. Noninterest income for 2002 included a $28 million benefit resulting from a reduction in the put option liability related to the NBOC acquisition. Noninterest income for 2001 included gains on sales of equity interests received as compensation in conjunction with lending relationships. There were no such gains in 2002.

The provision for credit losses for 2002 was $64 million compared with $19 million for 2001. Net charge-offs were $32 million for 2002 compared with $19 million a year ago. The provision for credit losses increased in 2002 as additions to reserves were made due to a decline in credit quality and the impact of refinements to the Corporation's reserve methodology related to impaired loans and pooled reserves. PNC Business Credit loans, including those acquired in the NBOC acquisition, are secured loans to borrowers, many who are highly leveraged, experiencing rapid growth, or have elected to utilize asset-based financing. As a result, the risk profile of these loans typically reflects a higher risk of default and a greater proportion being classified as nonperforming. 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. PNC Business Credit attempts to manage this risk through the stringent control of the borrowers' collateral. Therefore, net charge-offs on asset-based loans have historically been relatively low due to recoveries provided by the underlying collateral. Compensation for this higher risk of default is obtained by way of higher interest rates charged.

Total noninterest expense increased $24 million to $53 million for 2002 primarily due to costs added with the NBOC acquisition.

Nonperforming assets were $142 million at December 31, 2002 compared with $109 million at December 31, 2001. The increase was primarily due to the transfer of a single credit to nonperforming status that was partially offset by reductions to credits through managed liquidation and run-offs.

PNC Business Credit's balance sheet included several credits that were part of the Corporation's institutional lending repositioning. Credit exposure of $13 million, including $9 million of outstandings classified as held for sale, remained at December 31, 2002.

PNC ADVISORS

Year ended December 31 Taxable-equivalent basis Dollars in millions	2002	2001
INCOME STATEMENT		
Net interest income	$100	$128
Noninterest income		
Investment management and trust	334	393
Brokerage	131	130
Other	89	84
Total noninterest income	554	607
Operating revenue	654	735
Provision for credit losses	4	2
Noninterest expense	497	497
Goodwill amortization		7
Pretax earnings	153	229
Income taxes	56	86
Earnings	$97	$143

AVERAGE BALANCE SHEET		
Loans		
Consumer	$1,228	$1,103
Residential mortgage	501	848
Commercial	460	528
Other	320	384
Total loans	2,509	2,863
Other assets	420	467
Total assets	$2,929	$3,330
Deposits	$2,007	$2,058
Assigned funds and other liabilities	399	730
Assigned capital	523	542
Total funds	$2,929	$3,330
PERFORMANCE RATIOS		
Return on assigned capital	19%	26%
Noninterest income to operating revenue	85	83
Efficiency	76	68
OTHER INFORMATION		
Total nonperforming assets	$5	$4
Net charge-offs	$4	$2
Brokerage assets administered (in billions)	$32	$28
Full service brokerage offices	106	113
Financial consultants	615	681
Margin loans	$260	$309
Average FTEs	3,351	3,598
ASSETS UNDER MANAGEMENT (a)(b)		
Personal investment management and trust	$41	$47
Institutional trust	9	13
Total	$50	$60
ASSET TYPE (b)		
Equity	$26	$36
Fixed income	17	17
Liquidity	7	7
Total	$50	$60

(a) Excludes brokerage assets administered

(b) At December 31 - in billions.

PNC Advisors provides a full range of tailored investment, trust and private banking 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 consulting and trust 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 and provides defined contribution plan services and investment options through its Vested Interest(R) product.

PNC Advisors continues to emphasize deepening customer relationships through a focused retention program and a broad array of products. The business was adversely affected in 2002 by the depressed financial markets and the impact on its clients. The business is addressing the industry-wide issue of appropriate expense levels in light of the challenging equity markets and loss of client wealth.

PNC Advisors earned $97 million in 2002 compared with $143 million in 2001. The earnings decline was driven by lower operating revenue and the impact of litigation costs.

Operating revenue for 2002 decreased $81 million compared with the prior year. The run-off of residential mortgages along with a narrower net interest margin, resulted in a $28 million decline in net interest income. Investment management and trust fees declined $59 million, resulting from depressed financial market conditions, a net outflow of customers, and the recognition of a positive revenue accrual adjustment of $15 million in 2001.

PNC Advisors provides investment management services directly, through funds and accounts managed by BlackRock and through funds managed by 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. This agreement reduced PNC

Advisors' investment management and trust fees by $6 million in 2002.

On January 14, 2003, an arbitration panel with the National Association of Securities Dealers ruled against Hilliard Lyons and some of its employees with respect to a claim filed by First of Michigan Corporation (now Fahnestock & Co., Inc.) arising out of Hilliard Lyons' hiring of brokers and support staff from First of Michigan in late 1997 and spring 1998. The events underlying First of Michigan's claims all occurred prior to PNC's acquisition of Hilliard Lyons in December 1998. The award in favor of First of Michigan in the amount of $22 million (including $16 million in damages and $6 million in interest and costs) resulted in a 2002 pretax charge at PNC Advisors of $10 million, after taking into account the application of related reserves and accruals.

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 until equity market conditions and investment performance improve for a sustained period. Assets under management decreased $10 billion primarily due to the decline in the value of the equity component of customers' portfolios. Brokerage assets administered by Hilliard Lyons were $32 billion at December 31, 2002 compared with $28 billion at December 31, 2001 and were also impacted by weak equity market conditions.

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 Lyons' brokerage operations and now provides services in the branch network under the PNC Investments brand name. However, the revenue and expense related to the branch-based brokerage business continues to be included in the results of Regional Community Banking. Consolidated revenue from brokerage was $195 million for 2002 compared with $206 million for 2001.

BLACKROCK

Year ended December 31 Dollars in millions	2002	2001
INCOME STATEMENT		
Investment advisory and administrative fees	$519	$495
Other income	58	38
Total revenue	577	533
Operating expense	321	292
Fund administration and servicing costs - affiliates	40	61
Amortization of goodwill and other intangible assets	1	10
Total expense	362	363
Operating income	215	170
Nonoperating income	9	11
Pretax earnings	224	181
Income taxes	91	74
Earnings	$133	$107
PERIOD-END BALANCE SHEET		
Intangible assets	$183	$182
Other assets	681	502
Total assets	$864	$684
Liabilities	$229	$198
Stockholders' equity	635	486
Total liabilities and stockholders' equity	$864	$684
PERFORMANCE DATA		
Return on equity	24%	25%
Operating margin (a)	40	36
Diluted earnings per share	$2.04	$1.65
OTHER INFORMATION		
Average FTEs	823	758
ASSETS UNDER MANAGEMENT(B)		

Separate accounts		
Fixed income	$157	$119
Liquidity	6	7
Liquidity - securities lending	6	11
Equity	10	10
Alternative investment products	5	5
Total separate accounts	184	152
Mutual funds (c)		
Fixed income	19	16
Liquidity	66	62
Equity	4	9
Total mutual funds	89	87
Total assets under management	$273	$239

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

(b) December 31 - in billions.

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

The financial information presented above reflects BlackRock on a stand-alone basis. BlackRock is approximately 69% owned by PNC and is consolidated into PNC's financial statements. Accordingly, approximately 31% of BlackRock's earnings were recognized as a minority interest expense in the Consolidated Statement Of Income.

BlackRock is one of the largest publicly traded investment management firms in the United States with approximately $273 billion of assets under management at December 31, 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 earned $133 million in 2002 compared with $107 million in 2001. Total revenue for 2002 increased $44 million, or 8%, compared with 2001 as a result of higher fees from separate account assets, institutional liquidity fund assets and new closed-end fund offerings. BlackRock also benefited in the comparison from the cessation of goodwill amortization expense in 2002.

Excluding goodwill amortization, expenses increased $8 million, or 2%, in the year-to-year comparison in support of revenue growth and business expansion. Operating expense growth in 2002 was partially offset by lower fund administration and servicing costs-affiliates.

The lower levels of PNC client assets invested in the BlackRock Funds and the effect of the revised investment services agreement resulted in a reduction in fund administration and servicing costs-affiliates of approximately $21 million for the year ended December 31, 2002. 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. PNC client-related assets subject to fund administration and servicing payments declined approximately $4.8 billion for the year ended December 31, 2002.

During 2002, BlackRock adopted a new long-term incentive and retention program for key employees, subject to approval by BlackRock's stockholders at their next annual meeting in May 2003. The program seeks to provide continuity of the management team while promoting development of the firm's future leaders. See BlackRock Long-Term Incentive and Retention Plan in this Financial Review for further information.

BlackRock is listed on the New York Stock Exchange under the symbol BLK. Additional information about BlackRock is available in its SEC filings at www.sec.gov.

PFPC

Year ended December 31 Dollars in millions	2002	2001
INCOME STATEMENT		
Fund servicing revenue	$817	$846
Operating expense	669	644
Goodwill amortization		40
(Accretion)/amortization of other intangibles, net	(19)	(15)
Operating income	167	177
Nonoperating income (a)	10	14
Debt financing	88	94
Facilities consolidation and other charges	(19)	36
Pretax earnings	108	61
Income taxes	43	25
Earnings	$65	$36
AVERAGE BALANCE SHEET		
Intangible assets	$1,028	$1,065
Other assets	860	706
Total assets	$1,888	$1,771
Assigned funds and other liabilities	$1,680	$1,563
Assigned capital	208	208
Total funds	$1,888	$1,771
PERFORMANCE RATIOS		
Return on assigned capital	31%	17%
Operating margin	23	17
OTHER INFORMATION		
Average FTEs	5,834	5,737
SERVICING STATISTICS (b)		
Accounting/administration assets		
Domestic	$481	$514
Foreign	29	21
Total	$510	$535
Custody assets	$336	$357
Shareholder accounts (in millions)	51	49

(a) Net of nonoperating expense.

(b) At December 31. Dollars in billions.

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, offering 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.

The financial results for this business may be significantly impacted by the net gain or loss of large clients or groups of smaller clients and by shifts in client assets between higher and lower margin products. During 2002, PFPC was adversely impacted by depressed financial market conditions, a shift in client assets from equity to fixed income products and client attrition. Management is addressing the revenue/expense relationship of this business given current conditions. PFPC is focused on retaining its long-standing customers and has recently won several pieces of new business, partially offsetting the revenue impact of client attrition, including the loss of one large transfer agency client that will occur in the first quarter of 2003.

PFPC is also 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 to expand offshore.

PFPC earned $65 million in 2002 compared with $36 million in 2001. Earnings for 2002 improved compared with the prior year due to a reduction in the facilities consolidation reserve originally established in 2001, a one-time revenue adjustment of $13 million related to the renegotiation of a customer contract in 2002 and the cessation of goodwill amortization expense in 2002. Excluding those items, earnings declined due to lower fund servicing revenue and narrower operating margins in this business.

In the fourth quarter of 2001, PFPC incurred $36 million of pretax charges

largely related to a plan to consolidate certain facilities as a follow-up to the integration of the Investor Services Group acquisition. The charges primarily reflected termination costs related to exiting certain lease agreements and the abandonment of related leasehold improvements. During 2002, the facilities strategy was modified and certain originally contemplated relocations will not occur. PFPC also benefited in 2002 from the adoption of the new goodwill accounting standard that reduced amortization expense by $40 million compared with 2001. These benefits were partially offset by higher staff-related costs and $8 million of charges related to an equity investment. The cost of integration, technology and infrastructure investments, 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 and investor sentiment and demand improve for a sustained period.

Fund servicing revenue and operating expenses have been adjusted in both periods presented to reflect the reclassification of distribution and underwriting fees received and passed through to external brokers under selling agreements which had been previously presented on a net basis. This reclassification had no impact on operating income.

Revenue of $817 million for 2002 decreased $29 million compared with 2001, despite the one-time benefit of $13 million described above. The positive impact of new sales of accounting/administration services and offshore growth could not overcome revenue declines resulting from client attrition and equity market declines that impacted both transfer agency activity levels and net asset valuations.

Operating expense increased $25 million or 4% in the year-to-year comparison primarily due to increased staff levels for new product support. In the second half of 2002, PFPC began a series of initiatives designed to improve efficiency. These included such items as consolidating transfer agency platforms, increasing automation and executing planned facilities consolidation. PFPC's goal is to achieve at least $50 million in run rate expense reductions over time before considering the impact of reinvestment in technology and new business. Accordingly, during 2002 the workforce was reduced as average FTEs declined from 6,082 in January to 5,401 in December.

Operating income for 2002 and 2001 included accretion of a discounted client contract liability of $35 million and $30 million, respectively.

Accounting/administration net assets have decreased compared with the 2001 period as the impact of depressed financial markets and changes in domestic client mix have more than offset successful offshore sales efforts. Custody assets have declined primarily due to changes in client relationships.

CONSOLIDATED STATEMENT OF INCOME 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 Average Consolidated Balance Sheet and Net Interest Analysis for additional information.

Taxable equivalent net interest income was $2.210 billion for 2002, down $68 million, or 3%, from $2.278 billion for 2001. The decline in net interest income for 2002 compared with the prior year reflected the effects of a lower rate environment and growth in average transaction deposits in 2002 that was more than offset by the impact of the continued downsizing of the loan portfolio. The net interest margin widened 15 basis points to 3.99% for 2002 compared with 3.84% for 2001. The widening of the net interest margin for 2002 resulted from the impact of changes in balance sheet composition and a lower interest rate environment, combined with a steep yield curve. See Interest Rate Risk in the Risk Management section of this Financial Review for additional information.

PROVISION FOR CREDIT LOSSES

The provision for credit losses was $309 million for 2002 compared with $903 million for 2001. Provision expense for 2001 reflected $714 million for net charge-offs associated with institutional lending repositioning initiatives. Excluding this amount, the provision for credit losses increased $120 million in 2002. The provision for 2002 reflected additions to reserves for PNC Business Credit and Corporate Banking and losses in Corporate Banking primarily related to Market Street Funding Corporation ("Market Street") liquidity facilities. See Credit Risk in the Risk Management section and Critical Accounting Policies And Judgments in the Risk Factors section of this Financial Review for additional information regarding credit risk.

Net charge-offs were $223 million, or .60%, of average loans for 2002

compared with $948 million or 2.12%, respectively, for 2001. Net charge-offs for 2001 included $804 million related to institutional lending repositioning initiatives. Excluding this amount, net charge-offs increased $79 million in 2002 primarily due to two charge-offs totaling $90 million related to Market Street liquidity facilities. See Market Street Funding Corporation in this Financial Review for additional information.

NONINTEREST INCOME

Noninterest income was $3.197 billion for 2002 compared with $2.652 billion for 2001.

Asset management fees totaled $853 million for 2002, up $5 million compared with 2001. The increase primarily reflected an increase in separate account base fee revenue arising from growth in assets under management at BlackRock, partially offset by lower asset management fees at PNC Advisors primarily due to weak equity markets in 2002 and the recognition of $15 million of revenue accrual adjustments that benefited 2001. Consolidated assets under management were $313 billion at December 31, 2002, an increase of $29 billion compared with December 31, 2001, due to growth at BlackRock.

Fund servicing fees decreased $17 million, to $816 million, for 2002 compared with 2001. Excluding a one-time benefit of approximately $13 million related to the renegotiation of a client contract recognized during 2002 at PFPC, fund servicing fees decreased $30 million in 2002. Depressed financial market conditions, pricing and other competitive factors including customer attrition contributed to the decline in 2002.

Service charges on deposits were $227 million for 2002 compared with $218 million for 2001. The increase in 2002 reflected the benefit of an increase in average transaction deposits that offset the impact of price reductions from comparable services.

Brokerage fees declined $11 million, to $195 million, for 2002 compared with the prior year as lower sales commissions resulted from the impact of depressed financial market conditions and lower trading volumes.

Consumer services revenue increased $10 million, to $239 million, for 2002 compared with 2001, reflecting additional fees from ATM and debit card transactions arising from increased transaction volumes.

Corporate services revenue totaled $526 million for 2002 compared with $60 million for 2001. Net gains in excess of valuation adjustments related to the liquidation of institutional loans held for sale totaled $147 million in 2002, while revenue in 2001 was adversely impacted by valuation adjustments on loans held for sale of $259 million. Excluding these items, corporate services revenue increased $60 million in 2002 primarily due to growth in treasury management fees and higher gains from commercial mortgage loan sales.

Equity management (private equity activities) net losses on portfolio investments were $51 million in 2002 compared with net losses of $179 million in 2001. See Equity Management Asset Valuation in the Critical Accounting Policies And Judgments section of this Financial Review for further information.

Net securities gains were $89 million for 2002 compared with $131 million for 2001.

Other noninterest income totaled $303 million for 2002 compared with $306 million for 2001. Other noninterest income for 2002 included a $28 million benefit resulting from a reduction in the put option liability related to the NBOC acquisition, a $14 million gain on the sale of a real estate investment and a lower level of asset write-downs compared with the prior year. The impact of these items was more than offset by lower revenue from trading activities in 2002 and lower gains related to securitizations in 2002. Net trading income included in other noninterest income was $91 million for 2002 compared with $142 million in 2001. See Note 8 Trading Activities for further information. Gains from securitization transactions totaled $12 million in 2002 compared with $31 million in 2001. See Note 15 Securitizations for further information.

NONINTEREST EXPENSE

Total noninterest expense was $3.227 billion for 2002 compared with $3.414 billion for 2001, a decline of $187 million. Noninterest expense for 2001 included the impact of charges totaling $135 million in connection with the vehicle leasing business including exit costs and additions to reserves related to insured residual value exposures, integration and severance costs of $56 million related to other strategic initiatives, and goodwill amortization expense of $117 million. Excluding these items, noninterest expense increased $121 million in 2002 compared with the prior year. The increase in noninterest expense in 2002 was primarily attributable to increases of $29 million, $25

million and $24 million at BlackRock, PFPC and PNC Business Credit, respectively. These increases reflected higher operating expenses to support revenue growth at PNC Business Credit and BlackRock and new product support at PFPC. In addition, noninterest expense for 2002 included $30 million of legal and consulting fees related to regulatory compliance and legal proceedings. Partially offsetting these increases in 2002 was the benefit of a $19 million reduction in facilities consolidation reserves at PFPC. The PFPC reserves were originally established in 2001 as part of the other strategic initiatives referred to above and are primarily related to a previously announced plan to consolidate selected facilities. The facilities strategy has been modified and certain originally contemplated relocations will not occur.

CONSOLIDATED BALANCE SHEET REVIEW

2001 STRATEGIC REPOSITIONING

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, 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 December 31, 2002, PNC's vehicle leasing business had $1.4 billion in assets that have been designated for exit comprised of vehicle leases with an aggregate residual value of $1.0 billion and $.4 billion of estimated future customer lease payments. As of December 31, 2002 there were approximately 64,800 active vehicle leases scheduled to mature over the next five years as follows: 22,900, 22,500, 13,000, 6,400, and less than 100 in years 2003, 2004, 2005, 2006 and 2007, respectively. The associated residual values are as follows: $400 million, $370 million, $180 million, $70 million and less than $.5 million, respectively. See 2001 Strategic Repositioning and 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 Wholesale Banking 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	249
Sales	(2,205)	(1,278)
Payments and other exposure reductions	(1,996)	(1,046)
Valuation adjustments, net	(250)	(195)
DECEMBER 31, 2002	$626	$298

The liquidation of institutional loans held for sale resulted in net gains in excess of valuation adjustments of $147 million in 2002. Gains realized in 2002 resulted from a more active market than was anticipated at the time the loans were transferred to held for sale, the negotiation of individual loan sales rather than bulk transactions, and sales occurring faster than expected. Additionally, declines in credit exposure resulting from payments, refinancings and reductions in credit facilities also contributed to the gains in 2002. These gains were partially offset by additional valuation adjustments required on certain credit facilities remaining in the portfolio. Details by Wholesale Banking business follow.

INSTITUTIONAL LENDING HELD FOR SALE ACTIVITY

Year ended December 31, 2002 In millions	Net gains on liquidation	Valuation adjustments	Total
Corporate Banking	$368	$(213)	$155
PNC Real Estate Finance	20	(17)	3
PNC Business Credit	9	(20)	(11)
Total	$397	$(250)	$147

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 $133 million at December 31, 2002. The following table summarizes the changes to these reserves for 2002:

ROLLFORWARD OF OTHER RESERVES RELATED TO FOURTH QUARTER 2001 ACTIONS

In millions	2001 Charge	Utilized in 2001	Utilized in 2002	AT DEC. 31, 2002
Vehicle leasing	$135	$(11)	$(5)	$119
Asset impairment and severance costs	37	(24)	(13)	
Facilities consolidation and other charges	36		(22)	14
Total	$208	$(35)	$(40)	$133

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 December 31, 2002, the related liability had been reduced to $119 million as a result of goodwill impairment of $11 million recorded in the fourth quarter of 2001 and a net $5 million reduction related to severance and contractual payments recorded in 2002 in connection with PNC's exit of this business.

The liability for asset impairment and severance costs was eliminated in 2002 as a result of asset write-downs and severance benefits paid totaling $24 million in the fourth quarter of 2001 and $13 million of severance benefits paid in 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 costs related to exiting certain lease agreements and the abandonment of related leasehold improvements. During the third quarter of 2002, the Corporation recognized a $19 million reduction of these charges as the facilities strategy has been modified and certain originally contemplated relocations will not occur.

See 2001 Strategic Repositioning in the Risk Factors section of this Financial Review for additional information regarding certain risks associated with executing these strategies.

LOANS

Loans were $35.5 billion at December 31, 2002 compared with $38.0 billion at December 31, 2001. The decline of $2.5 billion from the prior year was due to the impact of residential mortgage loan prepayments and sales, 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

December 31 - in millions	2002	2001
Commercial		
Retail/wholesale	$4,161	$3,856
Manufacturing	3,454	3,352
Service providers	1,906	2,136
Real estate related	1,481	1,720
Financial services	1,218	1,362
Communications	124	139
Health care	458	517
Other	2,185	2,123
Total commercial	14,987	15,205
Commercial real estate		
Real estate projects	1,750	1,780
Mortgage	517	592
Total commercial real estate	2,267	2,372

Consumer		
Home equity	8,108	7,016
Automobile	484	773
Other	1,262	1,375
Total consumer	9,854	9,164
Residential mortgage	3,921	6,395
Lease financing		
Equipment	3,560	3,356
Vehicle	1,521	2,201
Total lease financing	5,081	5,557
Other	415	445
Unearned income	(1,075)	(1,164)
Total, net of unearned income	$35,450	$37,974

Loan portfolio composition continued to be diversified across PNC's footprint among numerous industries and types of businesses. At December 31, 2002, loans of $35.5 billion included $1.4 billion of vehicle leases, net of unearned income, and $4 million of commercial loans that have been designated for exit.

LOANS HELD FOR SALE

Loans held for sale totaled $1.6 billion at December 31, 2002, a decline of $2.6 billion, or 62%, from the balance at December 31, 2001. See 2001 Strategic Repositioning in this Financial Review for further information regarding the institutional lending held for sale portfolio, which accounted for $2.3 billion of the decline from the prior year. Education loans classified as held for sale declined $.3 billion to $1.0 billion at December 31, 2002. Substantially all education loans are classified as held for sale. Approximately $72 million of loans held at December 31, 2002 by companies formed with American International Group, Inc. ("AIG") are classified as loans held for sale in the consolidated financial statements, compared with $276 million of such loans at December 31, 2001. See Note 32 Subsequent Event.

DETAILS OF LOANS HELD FOR SALE

December 31 - in millions	2002	2001
Institutional lending repositioning		
Commercial		
Manufacturing	$126	$810
Communications	32	690
Health care	21	73
Financial services	17	40
Service providers	16	333
Retail/wholesale	12	114
Real estate related	2	30
Other	27	223
Total commercial	253	2,313
Commercial real estate	45	248
Lease financing		7
Total institutional lending repositioning	298	2,568
Education loans	1,035	1,340
Other	274	281
Total loans held for sale	$1,607	$4,189

See Critical Accounting Policies And Judgments in the Risk Factors section of this Financial Review for additional information regarding loans held for sale.

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

December 31 - dollars in millions	2002	2001

Nonaccrual loans		
Commercial	$226	$188
Lease financing	57	11
Consumer	11	3
Commercial real estate	7	4
Residential mortgage	7	5
Total nonaccrual loans	308	211
Troubled debt restructured	1	
Total nonperforming loans	309	211
Nonperforming loans held for sale (a)	97	169
Foreclosed assets		
Commercial real estate		1
Residential mortgage	6	3
Other	6	7
Total foreclosed assets	12	11
Total nonperforming assets	$418	$391
Nonperforming loans to total loans	.87%	.56%
Nonperforming assets to total loans, loans held for sale and foreclosed assets	1.13	.93
Nonperforming assets to total assets	.63	.56

(a) Includes troubled debt restructured loans held for sale of $17 million and $6 million as of December 31, 2002 and 2001, respectively.

Of the total nonperforming loans at December 31, 2002 and 2001, approximately 41% and 47%, respectively, are related to PNC Business Credit. These loans are to borrowers that often are highly leveraged, experiencing rapid growth, or have elected to utilize asset-based financing. As a result, the risk profile of these loans typically reflects a higher risk of default and a greater proportion of such loans being classified as nonperforming. Such loans are secured by accounts receivable, inventory, machinery and equipment, and other collateral. This secured position helps to mitigate risk of loss on these loans by reducing the reliance on cash flows for repayment. The above table excludes $40 million and $18 million of nonperforming equity management assets carried at estimated fair value at December 31, 2002 and December 31, 2001 and included in other assets on the Consolidated Balance Sheet. Nonperforming equity management assets at December 31, 2002 include $12 million of troubled debt restructured assets.

The amount of nonperforming loans that were current as to principal and interest was $107 million at December 31, 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 $46 million at December 31, 2002 and $8 million at December 31, 2001.

NONPERFORMING ASSETS BY BUSINESS

December 31 - in millions	2002	2001
Regional Community Banking	$82	$52
Corporate Banking	187	220
PNC Real Estate Finance	2	6
PNC Business Credit	142	109
PNC Advisors	5	4
Total nonperforming assets	$418	$391

At December 31, 2002, Corporate Banking and PNC Business Credit had nonperforming loans held for sale of $83 million and $14 million, respectively.

CHANGE IN NONPERFORMING ASSETS

In millions	2002	2001
January 1	$391	$372
Transferred from accrual	887	852
Returned to performing	(30)	(28)
Principal reductions	(421)	(278)
Asset sales	(181)	(27)
Charge-offs and other	(228)	(500)
December 31	$418	$391

Credit quality was adversely impacted in 2002 and continued 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. See the Forward-Looking Statements section of this Financial Review for additional factors that could cause actual results to differ materially from forward-looking statements or historical performance.

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

December 31 Dollars in millions	Amount		Percent of Total Outstandings	
	2002	2001	2002	2001
Consumer	$40	$36	.41%	.39%
Residential mortgage	38	56	.97	.88
Commercial real estate	10	11	.44	.46
Commercial	41	54	.27	.36
Lease financing	1	2	.02	.05
Total loans	130	159	.37	.42
Loans held for sale	32	33	1.99	.79
Total loans and loans held for sale	$162	$192	.44%	.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 $297 million and $38 million, respectively, at December 31, 2002, compared with $87 million and $213 million, respectively, at December 31, 2001. Approximately 44% 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

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 from 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 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 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.

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. Enhancements and refinements to the reserve methodology in 2002 consisted of updating data elements in the pool reserve model. Specifically, the EDP, EAD and LGD parameters were enhanced to reflect updated historical performance 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 probable losses 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

December 31 Dollars in millions	2002 Allowance	2002 Loans to Total Loans	2001 Allowance	2001 Loans to Total Loans
Commercial	$504	42.3%	$392	40.0%
Commercial real estate	52	6.4	63	6.3
Consumer	28	27.8	39	24.1
Residential mortgage	10	11.0	8	16.8
Lease financing and other	79	12.5	58	12.8
Total	$673	100.0%	$560	100.0%

For purposes of this presentation, the unallocated portion of the allowance for credit losses of $112 million at December 31, 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 represents 17% of the total allowance and .32% of total loans at December 31, 2002, compared with 26% and .38%, respectively, at December 31, 2001. Enhancements and refinements to the reserve methodology during 2002 resulted in a reallocation of the allowance for credit losses among the Corporation's businesses and from unallocated to specific and pool categories.

The provision for credit losses for 2002 and the evaluation of the

allowances for credit losses and unfunded loan commitments and letters of credit as of December 31, 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. The provision includes amounts for probable losses on loans and credit exposure related to unfunded loan commitments and letters of credit.

ROLLFORWARD OF ALLOWANCE FOR CREDIT LOSSES

In millions	2002	2001
January 1	$560	$598
Charge-offs	(267)	(985)
Recoveries	44	37
Net charge-offs	(223)	(948)
Provision for credit losses	309	903
Acquired allowance	41	
Net change in allowance for unfunded loan commitments and letters of credit	(14)	7
December 31	$673	$560

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	14	(7)
December 31	$84	$70

The allowance as a percent of nonperforming loans and total loans was 218% and 1.90%, respectively, at December 31, 2002. The comparable year end 2001 percentages were 265% and 1.47%, respectively.

CHARGE-OFFS AND RECOVERIES

Year ended December 31 Dollars in millions	Charge-offs	Recoveries	Net Charge-offs	Percent of Average Loans
2002				
Commercial	$194	$26	$168	1.06%
Commercial real estate	3	1	2	.08
Consumer	40	14	26	.27
Residential mortgage	5	1	4	.09
Lease financing	25	2	23	.55
Total	$267	$44	$223	.60
2001				
Commercial	$876	$17	$859	4.37%
Commercial real estate	37	1	36	1.40
Consumer	42	16	26	.29
Residential mortgage	2	1	1	.01
Lease financing	28	2	26	.62
Total	$985	$37	$948	2.12

Net charge-offs were $223 million for 2002 compared with $948 million in 2001. For 2001, total net charge-offs included $804 million related to institutional lending repositioning initiatives, of which $673 million related to charges on loans transferred to held for sale.

CREDIT-RELATED INSTRUMENTS

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 December 31, 2002, credit default swaps with $184 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 And Other Derivatives section of this Financial Review. Net losses realized in connection with credit default swaps for 2002 were not significant.

INTEREST RATE DERIVATIVE RISK PARTICIPATION AGREEMENTS

The Corporation enters into risk participation agreements to share credit exposure with other financial counterparties related to interest rate derivative contracts. Risk participation agreements executed by the Corporation to mitigate credit risk had a total notional value of $43 million at December 31, 2002. Additionally, risk participation agreements entered into in which the Corporation assumed credit exposure had a total notional value of $109 million at December 31, 2002. These agreements are considered to be financial guarantees and therefore are not included in the Financial And Other Derivatives section of this Financial Review.

SECURITIES

Total securities at December 31, 2002 were $13.8 billion compared with $13.9 billion at December 31, 2001. Securities represented 21% of total assets at December 31, 2002 compared with 20% at December 31, 2001.

At December 31, 2002, the securities available for sale balance included a net unrealized gain of $274 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 2 years and 8 months at December 31, 2002 compared with 4 years at December 31, 2001.

Securities designated as held to maturity are carried at amortized cost and were assets of companies formed with AIG that were consolidated in PNC's financial statements. In January 2003, these securities were sold and these companies were liquidated. See Note 32 Subsequent Events. The expected weighted-average life of securities held to maturity was 20 years and 2 months at December 31, 2002 compared with 18 years and 11 months at December 31, 2001.

DETAILS OF SECURITIES

In millions	Amortized Cost	Fair Value
DECEMBER 31, 2002		
SECURITIES AVAILABLE FOR SALE		
Debt securities		
U.S. Treasury and government agencies	$813	$826
Mortgage-backed	8,916	9,103
Asset-backed	2,699	2,780
State and municipal	61	63
Other debt	58	61
Corporate stocks and other	597	585
Total securities available for sale	$13,144	$13,418
SECURITIES HELD TO MATURITY		
Debt securities		
U.S. Treasury and government agencies	$276	$309
Asset-backed	8	8
Other debt	61	61
Total securities held to maturity	$345	$378
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 December 31, 2002, equity management (private equity activities) investments carried at estimated fair value totaled approximately $530 million. Approximately 56% of the amount is invested directly in a variety of companies and approximately 44% is invested in various limited partnerships. Equity management funding commitments totaled $173 million at December 31, 2002. The valuation of equity management assets is subject to the performance of the underlying companies as well as market conditions and may be volatile. There is a time lag in the Corporation's receipt of the financial information that is the primary basis for the valuation of the limited partnership interests. Consequently, PNC will recognize in the first quarter of 2003 valuation changes related to limited partnership investments that reflect the impact of fourth quarter 2002 market conditions and performance of the underlying companies. The Corporation continues to make private equity investments at a more moderate pace than prior

years and consistent with current market conditions. More emphasis is being placed on the management of capital for other investors. See Equity Management Asset Valuation in the Risk Factors section of this Financial Review for additional information.

FUNDING SOURCES

Total funding sources were $54.1 billion at December 31, 2002 and $59.4 billion at December 31, 2001, a decrease of $5.3 billion corresponding to a decrease of $3.3 billion in total assets and increases in accrued expenses and other liabilities and in total shareholders' equity of $.9 billion and $1.0 billion, respectively. Total deposits decreased $2.3 billion from December 31, 2001 primarily due to a $1.1 billion decrease in deposits in foreign offices and a $.9 billion decrease in retail certificates of deposit. Borrowed funds decreased consistent with declines in total assets and earning assets.

DETAILS OF FUNDING SOURCES

December 31 - in millions	2002	2001
Deposits		
Demand and money market	$32,349	$32,589
Savings	2,014	1,942
Retail certificates of deposit	9,839	10,727
Other time	317	472
Deposits in foreign offices	463	1,574
Total deposits	44,982	47,304
Borrowed funds		
Federal funds purchased	38	167
Repurchase agreements	814	954
Bank notes and senior debt	4,400	6,362
Federal Home Loan Bank borrowings	1,256	2,047
Subordinated debt	2,423	2,298
Other borrowed funds	185	262
Total borrowed funds	9,116	12,090
Total	$54,098	$59,394

LIQUIDITY

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

The Corporation's main sources of funds to meet its liquidity requirements are access to the capital markets, sale of liquid assets, secured advances from the Federal Home Loan Bank, its core deposit base and the capability to securitize assets.

Access to capital markets is a key factor affecting liquidity management. Access to such markets is in part based on the Corporation's credit ratings, which are influenced by a number of factors including capital ratios, asset quality and earnings. Additional factors that impact liquidity include the maturity structure of existing assets, liabilities, and off-balance-sheet

positions, the level of liquid securities and loans available for sale, and the Corporation's ability to securitize and sell various types of loans.

Liquid assets consist of short-term investments and securities available for sale. At December 31, 2002, such assets totaled $17.1 billion, with $9.5 billion pledged as collateral for borrowings, trust and other commitments. Secured advances from the Federal Home Loan Bank, of which PNC Bank, N.A. ("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 December 31, 2002, total unused borrowing capacity from the Federal Home Loan Bank under current collateral requirements was $10.0 billion. 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 PNC's non-bank subsidiaries is also generated through the issuance of securities in public or private markets and lines of credit. At December 31, 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 parent company had an unused line of credit of $460 million at December 31, 2002, which expires in 2003.

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 statutory 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 $460 million at December 31, 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 December 31, 2002, the parent company had approximately $719 million in funds available from its cash and short-term investments or other funds available from unrestricted subsidiaries. Management expects that the parent company will have sufficient liquidity available to meet current obligations to its debt holders, vendors, and others and to pay dividends at current rates through 2003.

The following tables set forth contractual obligations and various commitments representing required and potential cash outflows as of December 31, 2002.

<TABLE>
<CAPTION>

CONTRACTUAL OBLIGATIONS

December 31, 2002 - in millions	Total	Payment Due By Period: Less than one year	One to three years	Four to five years	After five years
Minimum annual rentals on noncancellable leases	$1,016	$154	$263	$199	$400
Remaining contractual maturities of time deposits	10,619	5,718	3,360	824	717
Borrowed funds	9,116	3,122	3,195	1,754	1,045
Capital securities of subsidiary trusts (a)	848				848
Total contractual cash obligations	$21,599	$8,994	$6,818	$2,777	$3,010

</TABLE>

(a) Reflects the maturity of junior subordinated debentures held by subsidiary trusts.

<TABLE>
<CAPTION>

OTHER COMMITMENTS (a) Amount Of Commitment Expiration By

Period December 31, 2002 - in millions	Total Amounts Committed	Less than one year	One to three years	Four to five years	After five years
Standby letters of credit	$3,681	$1,980	$1,402	$288	$11
Loan commitments	23,643	14,393	6,491	2,603	156
Asset-backed commercial paper conduit	3,215	3,164	51		
Other commitments (b)	690	390	162	125	13
Total commitments	$31,229	$19,927	$8,106	$3,016	$180

(a) Other commitments are funding commitments that could potentially require performance in the event of demands by third parties or contingent events. Loan commitments are reported net of participations, assignments and syndications.

(b) Includes standby bond repurchase agreements, NBOC acquisition put option and equity funding commitments related to equity management and affordable housing.

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 level of deposit insurance costs, and the level and nature of regulatory oversight depend, in large part, on a financial institution's capital strength. At December 31, 2002, each bank subsidiary of the Corporation was considered "well-capitalized" based on regulatory capital ratio requirements. See Supervision And Regulation in the Risk Factors section of this Financial Review and Note 1 Accounting Policies and Note 3 Regulatory Matters for additional information.

RISK-BASED CAPITAL

December 31 - dollars in millions	2002	2001
Capital components		
Shareholders' equity		
Common	$6,849	$5,813
Preferred	10	10
Trust preferred capital securities	848	848
Minority interest	234	134
Goodwill and other intangibles	(2,446)	(2,174)
Net unrealized securities (gains)/losses	(179)	86
Net unrealized gains on cash flow hedge derivatives	(135)	(98)
Equity investments in nonfinancial companies	(34)	
Other, net	(26)	(20)
Tier I risk-based capital	5,121	4,599
Subordinated debt	1,350	1,616
Minority interest	36	36
Eligible allowance for credit losses	726	707
Total risk-based capital	$7,233	$6,958
Assets		
Risk-weighted assets, including off-balance-sheet instruments and market risk equivalent assets	$58,030	$58,958
Adjusted average total assets	62,967	67,604
Capital ratios		
Tier I risk-based	8.8%	7.8%
Total risk-based	12.5	11.8
Leverage	8.1	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.

In January 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 in privately negotiated transactions. This authorization terminated any prior authorization. During 2002, a total of 320,000 shares were repurchased under this program, all in the first quarter. Under this program, the Corporation currently expects to purchase between $250 million and $1 billion of its common stock during 2003. The extent and timing of any future share repurchases will depend on a number of factors including, among others, market and general economic conditions, regulatory capital considerations, alternative uses of capital and the potential impact on PNC's credit rating. Under applicable regulations, as long as PNC remains subject to its written agreement with the Federal Reserve, it must obtain prior regulatory approval to repurchase its common stock in amounts that exceed 10 percent of consolidated net worth in any 12-month period.

RISK FACTORS

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

BUSINESS AND ECONOMIC CONDITIONS

The Corporation's business and results of operations are sensitive to general business and economic conditions in the United States. These conditions include the level and movement of interest rates, inflation, monetary supply, fluctuations in both debt and equity capital markets, and the strength of the U.S. economy, in general, and the regional economies in which the Corporation conducts business. A sustained weakness or further weakening of the economy could decrease the value of loans held for sale, decrease the demand for loans and other products and services offered by the Corporation, increase usage of unfunded commitments or increase the number of customers and counterparties who become delinquent, file for protection under bankruptcy laws or default on their loans or other obligations to the Corporation. An increase in the number of delinquencies, bankruptcies or defaults could result in a higher level of nonperforming assets, net charge-offs, provision for credit losses, and valuation adjustments on loans held for sale. Changes in interest rates could affect the value of certain on-balance-sheet and off-balance-sheet financial instruments of the Corporation. Changes in interest rates could also affect the value of assets under management. In a period of rapidly rising interest rates, certain assets under management would likely be negatively impacted by reduced asset values and increased redemptions. Also, changes in equity markets could affect the value of equity investments and the value of net assets under management and administration. Declines in the equity markets adversely affected results in 2002 and 2001 and could continue to negatively affect noninterest revenues in future periods.

2001 STRATEGIC REPOSITIONING

The Corporation took several actions in 2001 to accelerate the strategic repositioning of its lending business that began in 1998. These actions entail a degree of risk pending completion.

At December 31, 2002, $626 million of institutional lending credit exposure including $298 million of outstandings were classified as held for sale. A total of $92 million of these loans was included in nonperforming assets at that date. The loans are carried at the lower of cost or estimated fair market value. The estimation of fair market values involves a number of judgments, and is inherently uncertain. In addition, the value of loan assets is affected by a variety of company, industry, economic and other factors, and can be volatile. If the value of loans held for sale deteriorates prior to disposition, valuation adjustments will be made through charges to earnings. Moreover, deterioration in the condition of the borrowers could lead to additional loans being placed on nonperforming status. See Critical Accounting Policies And Judgments for additional information.

During the fourth quarter of 2001, the Corporation decided to discontinue its vehicle leasing business and recorded charges and a liability of $135 million related to exit costs and additions to reserves related to insured residual value exposures. At December 31, 2002, approximately $1.4 billion of vehicle leases remained on the Corporation's books. Until the remaining leases mature, the Corporation will continue to

be subject to risks inherent in the vehicle leasing business, including credit risk and the risk that vehicles returned during or at the conclusion of the lease term cannot be disposed of at a price at least as great as the Corporation's remaining investment in the vehicles after application of any available residual value insurance or related reserves. The assumptions that were used to establish these reserves in 2001 are monitored and evaluated on an ongoing basis. Accordingly, these reserves were considered adequate at December 31, 2002. See 2001 Strategic Repositioning in the Consolidated Balance Sheet Review section of this Financial Review for additional information.

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 be subject to variations which may significantly affect PNC's reported results and financial position for the period or in future periods. The use of estimates, assumptions, and judgments are necessary when financial assets and liabilities are required to be recorded at, or adjusted to reflect, fair value. Assets and liabilities carried at fair value inherently result in more financial statement volatility. Fair values and the information used to record valuation adjustments for certain assets and liabilities are based on either quoted market prices or are provided by other independent third-party sources, when available. When such information is not available, management estimates valuation adjustments primarily by using internal cash flow and other financial modeling techniques. 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.

In addition, changes to be adopted in 2003 in how certain guarantees and other contingencies will be accounted for under the Financial Accounting Standards Board's ("FASB") FASB Interpretation No. ("FIN") 45 and in how investments in variable interest entities will be accounted for under FIN 46 may have a material impact on PNC's financial condition and results of operations. See Note 1 Accounting Policies and Note 29 Commitments And Guarantees for further information.

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, exposure at default, 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 $504 million, or 75%, of the total allowance for credit losses at December 31, 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. See the following for additional information: Allowances For Credit Losses And Unfunded Loan Commitments And Letters Of Credit in the Credit Risk section of the Consolidated Balance Sheet Review; Note 1 Accounting Policies; Note 12 Allowances For Credit Losses And Unfunded Loan Commitments And Letters of Credit; and Allocation Of Allowance For Credit Losses in the Statistical Information section.

LOANS HELD FOR SALE

At the time management intends to sell credit exposure, management designates the exposure as held for sale. At the initial transfer date to held for sale, any lower of cost or market ("LOCOM") adjustment is recorded as a charge-off, which on an outstanding loan results in a new cost basis. On the unfunded portion of the total exposure, a liability is established. Any subsequent adjustment as a result of LOCOM is recorded as a valuation allowance through noninterest income on the loan portion classified as held-for-sale. Any permanent reduction of the exposure, such as sale or termination of the exposure may have an impact on the exposure's valuation allowance or liability. This change in valuation allowance or liability is recorded through 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. See the Loans Held For Sale section in the Consolidated Balance Sheet Review and Note 1 Accounting Policies for additional information.

EQUITY MANAGEMENT ASSET VALUATION

Equity management (private equity) assets are valued at each balance sheet date based on primarily 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 of the investments. Changes in the value of equity management investments are reflected in the Corporation's results of operations. 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 and from the assumptions made by the general partners, respectively, resulting in lower valuations that could adversely impact earnings in future periods. Accordingly, the valuations may not represent amounts that will ultimately be realized from these investments. See Equity Management Activities in the Consolidated Balance Sheet Review and Note 1 Accounting Policies for additional information.

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. See Note 1 Accounting Policies for additional information.

GOODWILL AND OTHER INTANGIBLE ASSETS

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 $333 million at December 31, 2002. See Note 1 Accounting Policies and Note 14 Goodwill And Other Intangible Assets for

additional information.

SUPERVISION AND REGULATION

The Corporation operates in highly regulated industries. Applicable laws and regulations restrict permissible activities and investments and require compliance with protections for loan, deposit, brokerage, fiduciary, mutual fund and other customers, among other things. They also restrict the Corporation's ability to repurchase stock or to receive dividends from its bank subsidiaries and impose capital adequacy requirements. The consequences of noncompliance can include substantial monetary and nonmonetary sanctions. In addition, the Corporation is subject to comprehensive examination and supervision by, among other regulatory bodies, the Federal Reserve Board ("FRB") and the Office of the Comptroller of the Currency ("OCC"). These regulatory agencies generally have broad discretion to impose restrictions and limitations on the operations of a regulated entity where the agencies determine, among other things, that such operations are unsafe or unsound, fail to comply with applicable law or are otherwise inconsistent with laws and regulations or with the supervisory policies of these agencies. This supervisory framework could materially impact the conduct, growth and profitability of the Corporation's operations. For more information, see the "Supervision and Regulation" section of Part I, Item 1 of the Corporation's 2002 Annual Report on Form 10-K and Note 3 Regulatory Matters.

In July 2002, the Corporation announced that in order to settle an inquiry by the Securities and Exchange Commission ("SEC") in connection with three 2001 transactions that gave rise to a financial statement restatement announced by the Corporation on January 29, 2002, PNC had consented to an SEC cease and desist order. The Corporation did not admit or deny the SEC's findings. At the same time, the Corporation 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, had entered into a written agreement with the OCC. These agreements address such issues as risk, management and financial controls. The Corporation and PNC Bank also entered into agreements with the Federal Reserve and the OCC, respectively, requiring the Corporation and PNC Bank to provide a plan for PNC Bank to meet the "well capitalized" and "well managed" criteria within a 180-day period.

As of December 19, 2002, the Federal Reserve and the OCC notified the Corporation and PNC Bank, respectively, that PNC Bank now met both the "well capitalized" and "well managed" criteria. This removed the limitations placed in July 2002 on the Corporation's engaging in new activities or making new investments and on PNC Bank's financial subsidiary activities. However, the written agreements remain in place, and the Corporation and PNC Bank in certain circumstances must continue to obtain prior approval from the Federal Reserve or the OCC, respectively, before making acquisitions or engaging in new activities. In addition, under applicable regulations, as long as the Corporation remains subject to the written agreement with the Federal Reserve, the Corporation must obtain prior regulatory approval to repurchase its common stock in amounts that exceed 10 percent of consolidated net worth in any 12-month period. The Corporation has incurred, and may continue to incur, additional operating costs in connection with compliance with these agreements including, among others, incremental staff and continued higher legal and consulting expenses. Further, the reputational risk created by the SEC cease and desist order and the written agreements with the Federal Reserve and the OCC could still have an impact on such matters as business generation and retention, the ability to attract and retain management, liquidity and funding.

The Corporation believes that it has made substantial progress to date in enhancing its risk management and governance practices and improving its regulatory relations, while addressing the various requirements set forth in its written agreements with the Federal Reserve and the OCC. There can be no assurance, however, as to the precise timing for determining that all required corrective actions have been taken to the appropriate satisfaction of the Federal Reserve and the OCC. The Board and senior management team are

committed to the goal of establishing PNC as an industry leader in the areas of governance, corporate conduct, risk management and regulatory relations, and to meeting all of the Corporation's commitments to its regulators. While PNC believes that substantial progress has been made in this pursuit to date, it also recognizes that this remains an important ongoing effort requiring dedication and a commitment of resources at all levels of the institution.

MONETARY AND OTHER POLICIES

The financial services industry is subject to various monetary and other policies and regulations of the United States government and its agencies, which include the FRB, the OCC and the Federal Deposit Insurance Corporation as well as state regulators. The Corporation is particularly affected by the policies of the FRB, which regulates the supply of money and credit in the United States. The FRB's policies influence the rates of interest that PNC charges on loans and

pays on borrowings and interest-bearing deposits and can also affect the value of on-balance-sheet and off-balance-sheet financial instruments. Those policies also influence, to a significant extent, the cost of funding for the Corporation.

COMPETITION

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

DISINTERMEDIATION

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

ASSET MANAGEMENT PERFORMANCE

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

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

FUND SERVICING

Fund servicing fees are primarily derived from the market value of the assets and the number of shareholder accounts administered by the Corporation for its clients. A rise in interest rates or a sustained weakness or further weakening or volatility in the debt and equity markets could influence an investor's decision to invest or maintain an investment in a mutual fund or other pooled investment product. As a result, fluctuations may occur in the level or value of assets that the Corporation has under administration. A significant investor migration from mutual fund and other pooled investments could have a negative impact on the Corporation's revenues by reducing the assets and the number of shareholder accounts it administers. The fund servicing business is also highly competitive. There has been and continues to be merger, acquisition and consolidation activity in the financial services industry. In the future, mergers or consolidations of financial institutions or other financial intermediaries could impact the number of existing or potential fund servicing clients.

ACQUISITIONS

The Corporation expands its business from time to time by acquiring other financial services companies. Factors pertaining to acquisitions that could adversely affect the Corporation's business and earnings include, among others: anticipated cost savings or potential revenue enhancements that may not be fully realized or realized within the expected time frame; key employee, customer or revenue loss following an acquisition that may be greater than expected; and costs or difficulties related to the integration of businesses that may be greater than expected. The Corporation could also be prevented from pursuing attractive acquisition opportunities due to regulatory restraints.

TERRORIST ACTIVITIES AND INTERNATIONAL HOSTILITIES

The impact of terrorist activities and responses to such activities and of possible international hostilities cannot be predicted at this time with respect to severity or duration, but may adversely affect the general economy, financial and capital markets, specific industries and the Corporation. The impact could adversely affect the Corporation in a number of ways including, among others, an increase in delinquencies, bankruptcies or defaults that could result in a higher level of nonperforming assets, net charge-offs and provision for credit losses.

RISK MANAGEMENT

In the normal course of business, the Corporation assumes various types of risk, which include, among other things, credit risk, market risk and operational risk. Credit risk and liquidity risk are described in the Consolidated Balance Sheet Review section of this Financial Review. These factors and others could impact the Corporation's business, financial condition, results of operations and cash flows.

PNC has risk management processes designed to provide for risk identification, measurement and monitoring. PNC has taken a number of actions to enhance these processes, including centralization of the risk management function, ongoing development of an enterprise-wide risk profile and the addition of key risk management positions. The Corporation announced several management appointments in 2002 and early 2003, including those described below, to enhance the Corporation's risk management structure.

- In April 2002 the Corporation created a new position, Chief Risk Officer. The Chief Risk Officer directs credit policy, balance sheet risk management and operational risk management, with the aim to help PNC sharpen its strategic focus and integrated coordination of all risk management activities throughout the Corporation. The Corporation's General Auditor reports directly to the Audit Committee of the Board of Directors and receives administrative support from the Chief Risk Officer.

- The Corporation appointed a Chief Regulatory Officer effective August 1, 2002 and a Chief Compliance Officer effective October 1, 2002. The Chief Regulatory Officer, a newly-created position, is responsible for the management of all issues related to PNC's regulatory affairs and compliance. The Chief Compliance Officer reports to the Chief Regulatory Officer and is responsible for corporate compliance risk management strategies, policies and program development across all PNC business units, including PNC Bank.

- In October 2002, PNC appointed a new Vice Chairman who has broad administrative responsibilities including assisting the Corporation in implementing corporate governance enhancements.

- In January 2003, the Corporation appointed a Chief Market Risk Officer. The Chief Market Risk Officer reports to the Chief Risk Officer and is responsible for managing all aspects of market risk management processes, including interest rate, liquidity and trading risk across PNC.

INTEREST RATE RISK

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

The Corporation actively measures and monitors components of interest rate risk including term structure or repricing risk, yield curve or nonparallel rate shift risk, basis risk and options risk. The Corporation measures and manages both the short-term and long-term effects of changing interest rates. An income simulation model 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 income simulation model is the primary tool used to measure the direction and magnitude of changes in net interest income resulting from changes in interest rates. Forecasting

net interest income and its sensitivity to changes in interest rates requires that the Corporation make assumptions about the volume and characteristics of

new business and the behavior of existing positions. These business assumptions are based on the Corporation's experience, business plans and published industry experience. Key assumptions employed in the model include prepayment speeds on mortgage-related assets and consumer loans, loan volumes and pricing, deposit volumes and pricing, the expected life and repricing characteristics of nonmaturity loans and deposits, and management's financial and capital plans.

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

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

An economic value of equity model is used by the Corporation to value all current on-balance-sheet and off-balance-sheet positions under a range of instantaneous interest rate changes. The resulting change in the value of equity is a measure of overall long-term interest rate risk inherent in the Corporation's existing on-balance-sheet and off-balance-sheet positions. The Corporation uses the economic value of equity model to complement the net interest income simulation modeling process.

The Corporation's interest rate risk management policies provide that 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, in the subsequent year, net interest income should not decrease by more than 6%. The policy further states that the economic value of equity should not decrease 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 decrease in interest rates, no rates are reduced below zero.

At December 31, 2002, the Corporation's exposure to a 100 basis point decline in interest rates in the second year exceeds the approved policy limit. Consistent with the Corporation's policies, this exception has been reported to and approved by the Finance Committee of the Board of Directors. In the current low rate environment, management's actions have focused on reducing exposure to more modest rate declines and on the effects of rate increases on net interest income and the economic value of equity.

The following table sets forth the sensitivity results for the last two years.

INTEREST SENSITIVITY ANALYSIS

December 31	2002	2001
NET INTEREST INCOME SENSITIVITY SIMULATION		
Effect on net interest income in first year from gradual interest rate change over 12 months of:		
100 basis point increase	.4%	(.3)%
100 basis point decrease	(2.9)%	(2.8)%
Effect on net interest income in second year from gradual interest rate change over the preceding 12 months of:		
100 basis point increase	2.8%	(.4)%
100 basis point decrease	(11.4)%	(9.4)%
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	(.7)%	(1.4)%
200 basis point decrease	(.4)%	.5%
KEY PERIOD-END INTEREST RATES		
One-month LIBOR	1.38%	1.87%
Three-year swap	2.40%	4.33%

In addition to measuring the effect on net interest income assuming parallel changes in current interest rates, PNC routinely simulates the effects of a number of nonparallel interest rate environments. The following table reflects

the percentage change in 2003 net interest income assuming the PNC economist's most likely rate forecast, implied market forward rates, a lower/steeper rate scenario and a higher/flatter rate scenario.

All changes in forecasted net interest income are relative to results in a base rate scenario where current market rates are assumed to remain unchanged over the forecast horizon.

NET INTEREST INCOME SENSITIVITY TO ALTERNATIVE RATE SCENARIOS

In millions	PNC Economist	Market Forward	Low/Steep	High/Flat
Change in forecasted net interest income:				
First year sensitivity	.3%	.3%	.5%	(1.2)%
Second year sensitivity	1.2%	1.0%	.7%	(2.6)%

The graph below presents the final December 2003 yield curves for each of the alternative scenarios and for the base rate scenario in which rates are constant throughout the year.

1-month LIBOR	2-year Swap	3-year Swap	5-year Swap
1.38	2.18	2.76	3.56
2.25	2.99	3.52	4.21
2.03	3.34	3.71	4.09
1.06	2.18	2.86	3.81
1.77	2.18	2.64	3.25

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. The risk of loss also includes losses that may arise from 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 through systems of internal control, formal corporate-wide policies and procedures, and an internal audit function.

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 $92 million in 2002 compared with $147 million in 2001. See Note 8 Trading Activities 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, equity risk, spread risk and volatility risk. Using this approach, exposure is measured as the potential market-to-market loss within a 99% confidence interval of one-day moves in key market risk factors, such as interest rates. The estimated average combined value-at-risk of all trading operations using this measurement was $.7 million for both 2002 and 2001. The estimated combined period-end value-at-risk was $.5 million at December 31, 2002 and $.9 million at December 31, 2001.

FINANCIAL AND OTHER 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 No. 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 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 income statement and an after-tax accumulated other comprehensive loss of $4 million in the consolidated balance sheet. See Note 20 Financial Derivatives for additional information.

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

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

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

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

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

FINANCIAL DERIVATIVES ACTIVITY

Dollars in millions	December 31 2001	Additions	Maturities	Terminations	December 31 2002	Weighted-Average Maturity
Interest rate risk management						
Interest rate swaps						
Receive fixed (a)	$6,748	$2,975	$(1,300)	$(2,600)	$5,823	3 YRS. 2 MOS.
Pay fixed	107	5		(45)	67	4 YRS.
Basis swaps	87	45	(5)	(75)	52	5 YRS. 10 MOS.
Interest rate caps	25			(9)	16	4 YRS. 8 MOS.
Interest rate floors	7				7	2 YRS. 3 MOS.
Futures contracts	398	378		(463)	313	7 MOS.
Total interest rate risk management	7,372	3,403	(1,305)	(3,192)	6,278	
Commercial mortgage banking risk management						
Pay fixed interest rate swaps	105	800		(632)	273	10 YRS. 1 MO.
Total rate of return swaps	150	275	(325)		100	1 MO.
Total commercial mortgage banking risk management	255	1,075	(325)	(632)	373	
Total	$7,627	$4,478	$(1,630)	$(3,824)	$6,651	

(a) On January 24, 2003, $1.2 billion of receive-fixed interest rate swaps were terminated. As cash flow hedge designated derivatives, unrealized gains or losses are classified as accumulated other comprehensive income in the consolidated balance sheet. Upon termination, the net unrealized gains related to these swaps amounting to $34.5 million will be amortized from other comprehensive income into earnings to match the earnings recognition pattern of the hedged items.

The following tables set 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 December 31, 2002 and December 31, 2001. Weighted-average interest rates presented are based on contractual terms, if fixed, or the implied forward yield curve at each respective date, if floating.

FINANCIAL DERIVATIVES - 2002

December 31, 2002 - dollars in millions	Notional Value	Fair Value	Weighted-Average Interest Rates Paid	Weighted-Average Interest Rates Received
Interest rate risk management				
Asset rate conversion				
Interest rate swaps (a)				
Receive fixed designated to loans	$3,460	$172	2.00%	4.08%
Pay fixed designated to loans	67	(7)	6.04	2.80
Basis swaps designated to loans	52		3.52	3.47
Interest rate caps designated to loans (b)	16		NM	NM
Interest rate floors designated to loans (c)	7		NM	NM
Future contracts designated to loans	313		NM	NM
Total asset rate conversion	3,915	165		
Liability rate conversion				
Interest rate swaps (a)				
Receive fixed designated to borrowed funds	2,363	346	3.16	5.93
Total liability rate conversion	2,363	346		
Total interest rate risk management	6,278	511		
Commercial mortgage banking risk management				
Pay fixed interest rate swaps designated to loans held for sale (a)	273	(13)	4.73	4.36
Pay total rate of return swaps designated to loans held for sale (a)	100	(3)	5.21	.88
Total commercial mortgage banking risk management	373	(16)		
Total financial derivatives designated for risk management	$6,651	$495		

(a) The floating rate portion of interest rate contracts is based on money-market indices. As a percent of notional value, 60% were based on 1-month LIBOR, 40% on 3-month LIBOR.

(b) Interest rate caps with notional values of $12 million require the counterparty to pay the Corporation the excess, if any, of 3-month LIBOR over a weighted-average strike of 6.50%. In addition, interest rate caps

with notional values of $4 million require the counterparty to pay the excess, if any, of Prime over a weighted-average strike of 5.03%. At December 31, 2002, 3-month LIBOR was 1.38% and Prime was 4.25%.

(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. In addition, interest rate floors with notional values of $2 million require the counterparty to pay the excess, if any, of the weighted-average strike of 7.25% over Prime. At December 31, 2002, 3-month LIBOR was 1.38% and Prime was 4.25%.

NM- Not meaningful

FINANCIAL DERIVATIVES - 2001

Interest Rates December 31, 2001 - dollars in millions	Notional Value	Estimated Fair Value	Weighted-Average Paid	Weighted-Average Received
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
Future 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		

(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

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

Additionally, the Corporation enters into other derivative transactions for risk management purposes that are not designated as accounting hedges, primarily consisting of interest rate floors and caps and basis swaps. Other noninterest income for 2002 and 2001 included $7 million and $31 million, respectively, of net gains related to the derivatives held for risk management purposes not designated as accounting hedges. Prior to 2001, changes in the fair value of these derivatives that were previously accounted for under the accrual method were not reflected in operating results.

OTHER DERIVATIVES
<CAPTION>
<TABLE>

	At December 31, 2002				2002
In millions	Notional Value	Positive Fair Value	Negative Fair Value	Net Asset (Liability)	Average Fair Value
<S>	<C>	<C>	<C>	<C>	<C>
Customer-related					
Interest rate					
Swaps	$26,773	$597	$(612)	$(15)	$(18)
Caps/floors					
Sold	2,181		(32)	(32)	(33)
Purchased	1,951	26		26	27
Futures	1,090	2		2	2
Foreign exchange	3,190	55	(55)		4
Equity	1,385	62	(58)	4	5
Other	234	13	(3)	10	6
Total customer-related	36,804	755	(760)	(5)	(7)
Other risk management and proprietary					
Interest-rate basis swaps	1,697	3		3	5
Other	509	7	(1)	6	6
Total other risk management and proprietary	2,206	10	(1)	9	11
Total other derivatives	$39,010	$765	$(761)	$4	$4

</TABLE>

OFF-BALANCE SHEET ACTIVITIES

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 processing and funds transfer services, and the amounts involved can be quite large in relation to the Corporation's assets, equity and earnings. Currently, the primary accounting for these activities on PNC's records is to reflect the earned income, operating expenses and any receivables or liabilities for transaction settlements. For example: PNC Bank provides credit and liquidity to customers through loan commitments and letters of credit (see the Other Commitments table in the Liquidity section of the Consolidated Balance Sheet Review in this Financial Review); BlackRock provides investment advisory and administration services for others through registered investment companies, separate accounts, and other legal entities - additional information about BlackRock is available in its filings with the SEC and may be obtained electronically at www.sec.gov; PFPC processes mutual fund transactions, provides securities lending services and maintains custody of certain fund assets; PNC Advisors provides trust services and holds assets for personal and institutional customers; Hilliard Lyons maintains brokerage assets of customers; and Columbia Housing administers and manages funds that invest in affordable housing projects that generate tax credits to investors. In addition to these activities, PNC has other activities or financial interests that involve credit risk and market risk (including interest rate risk) that are not fully reflected on the balance sheet. The most significant of these activities include the following:

- PNC administers Market Street, a multi-seller asset-backed commercial paper conduit -- see discussion that follows and the Other Commitments table under Liquidity in the Consolidated Balance Sheet Review section of this Financial Review.

- Loan commitments and letters of credit -- see the Other Commitments table under Liquidity and Credit Risk in the Consolidated Balance Sheet Review section of this

Financial Review, and Note 10 Loans And Commitments To Extend Credit.

- Financial and other derivatives - see Financial And Other Derivatives in the Risk Management section of this Financial Review and Note 20 Financial Derivatives.

- Loan securitization and servicing activities - see Securitizations in the Risk Management section of this Financial Review, Note 15 Securitizations and the discussion of the NBOC servicing arrangement in Note 2 NBOC Acquisition.

Except to the extent inherent in customary activities such as those described above, PNC does not use off-balance sheet entities to fund its business operations. The Corporation does not capitalize any off-balance-sheet entity with PNC stock and has no commitments to provide financial backing to any such entity by issuing PNC stock.

In January 2003, the FASB issued FIN 46, "Consolidation of Variable Interest Entities." See Note 1 Accounting Policies for further information.

MARKET STREET FUNDING CORPORATION

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 or making of loans secured by interests primarily 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 $3.0 billion at December 31, 2002 compared with $5.2 billion at December 31, 2001. See Note 1 Accounting Policies for additional information.

PNC Bank provides certain administrative services, a portion of the program-level credit enhancement and the majority of the 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 cash collateral account which is funded by a credit loan facility with a five-year term expiring December 31, 2004. At December 31, 2002, approximately $96 million was outstanding on this facility compared with $166 million at December 31, 2001. An additional $287 million was provided by a major insurer. Also at December 31, 2002, Market Street had liquidity facilities supporting individual pools of receivables totaling $3.9 billion, of which $3.2 billion was 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 $13.9 million for the year ended December 31, 2002. Commitment fees related to PNC's portion of the liquidity facilities amounted to $7.5 million for full year 2002.

Net charge-offs during 2002 included two charge-offs totaling $90 million related to Market Street liquidity facilities.

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 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. During the second half of 2002, the Corporation charged off $45 million of this amount against the allowance for credit losses. PNC is a beneficiary under an insurance policy that provides protection against losses related to the underlying collateral of student vocational loans. PNC is in litigation with the insurance carrier regarding the policy covering these losses. Management continues to vigorously pursue this claim and believes PNC is entitled to payment under the policy. 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 December 31, 2002.

SECURITIZATIONS

From time to time the Corporation has sold loans in secondary market securitization transactions. The Corporation uses securitizations to help manage various balance sheet risks. Also, in such securitization transactions, the Corporation may retain certain interest-only strips and servicing rights that were created in the sale of the loans. The Corporation's liquidity is not dependent on securitizations.

During 2002 and 2001, the Corporation sold loans totaling $277 million and $1.5 billion, respectively, in secondary market securitization transactions, resulting in pre-tax gains of $6 million and $13 million, respectively.

In addition to these transactions, in the first quarter of 2001 PNC securitized $3.8 billion of residential mortgage loans by selling the loans into a trust with PNC retaining 99% or $3.7 billion of the certificates. PNC also securitized $175 million of commercial mortgage loans by selling the loans into a trust with PNC retaining 99% or $173 million of the certificates. In each case, the 1% interest in the trust was purchased by a publicly-traded entity managed by a subsidiary

of PNC. A substantial portion of the entity's purchase price was financed by PNC. The reclassification of these loans to securities increased the liquidity of the assets and was consistent with PNC's ongoing balance sheet restructuring. At the time of the residential mortgage securitization, gains of $25.9 million were deferred and are recognized as principal payments are received or the securities are sold to third parties. At December 31, 2001, these securities had been reduced to $1.3 billion through sales and principal payments and the remaining deferred gains were $7.8 million. In the first quarter of 2002, the remaining securities were sold. The deferred gain remaining at the time of sale of $6.0 million was recognized as other noninterest income.

No gain was recognized at the time of the commercial mortgage loan securitization and none of the securities retained at the time of the securitization remained on the balance sheet at December 31, 2001.

INTERNAL CONTROLS AND DISCLOSURE CONTROLS AND PROCEDURES

As of December 31, 2002, an evaluation was performed under the supervision and with the participation of the Corporation's management, including the Chief Executive Officer and the Vice Chairman and Chief Financial Officer, of the effectiveness of the design and operation of the Corporation's disclosure controls and procedures. Based on that evaluation, the Corporation's management, including the Chief Executive Officer and the Vice Chairman and Chief Financial Officer, concluded that the Corporation's disclosure controls and procedures were effective as of December 31, 2002.

There have been no significant changes in the Corporation's internal controls or in other factors that could significantly affect internal controls

subsequent to December 31, 2002, the date as of which the most recent evaluation of such internal controls was performed.

STATUS OF DEFINED BENEFIT PENSION PLAN

The Corporation has a noncontributory, qualified defined benefit pension plan ("plan" or "pension plan") covering most employees. Contributions to the pension plan are actuarially determined with assets transferred to a trust to fund benefits payable to plan participants. Plan assets are currently approximately 60% invested in equity investments with most of the remainder invested in fixed income instruments. Plan investment strategy is determined and reviewed by plan fiduciaries. On an annual basis, management reviews the actuarial assumptions related to the pension plan, including the discount rate, rate of compensation increase and the expected return on plan assets.

The expense associated with the pension plan is calculated in accordance with SFAS No. 87, "Employers' Accounting for Pensions," and utilizes assumptions and methods determined in accordance therewith, including a policy of reflecting trust assets at their fair market value. The expense is not significantly affected by the discount rate or compensation increase assumptions, but is significantly affected by the expected return on asset assumption, which has been changed from 9.50% to 8.50% for 2003, increasing expense by approximately $10 million. The expense is also significantly affected by actual trust returns, with each one percentage point difference in actual return versus the expectation causing the following year's expense to increase by as much as $2 million. Management currently estimates 2003 expense for the pension plan to be approximately $50 million, compared with $15 million for 2002. The amortization of actuarial losses and lower expected return on plan assets are the primary reasons for the expected increases in pension expense in 2003.

In accordance with SFAS No. 87 and SFAS No. 132, "Employers' Disclosures about Pensions and Other Postretirement Benefits," the Corporation may be required to eliminate any prepaid pension asset and recognize a minimum pension liability if the accumulated benefit obligation exceeds the fair value of plan assets at year-end. The corresponding charge would be recognized as a component of other comprehensive income and reduce total shareholders' equity, but would not impact net income. At December 31, 2002, the fair value of plan assets was $966 million, which exceeded the accumulated benefit obligation of $871 million. The status at year-end 2003 will depend primarily upon 2003 trust returns and the level of contributions made to the plan by the Corporation. While the Corporation views as remote the possibility of a minimum pension liability, such a liability would cause a significant reduction in shareholders' equity.

Contribution requirements are primarily affected by trust investment performance and are not particularly sensitive to actuarial assumptions. Although there were no required contributions to the pension plan during 2002, the Corporation continued its strategy of fully funding the plan at maximum tax-deductible levels, contributing $210 million. The Corporation expects to contribute a similar amount during 2003. If future investment performance exceeds that of recent years, the permitted tax-deductible contribution in future years will be significantly reduced. In any case and irrespective of any factors, any large near-term contributions to the plan will be at the discretion of management as the minimum required contributions under current law are expected to be zero for several years.

STOCK-BASED COMPENSATION

PNC will expense stock-based compensation using the fair value-based method, beginning with grants made in 2003. Assuming recurring stock option grants of similar size and value to those made during 2002, this impact is currently estimated to be approximately 5 cents per share for the year ending December 31, 2003. The annual impact is expected to increase over the next three years under the transitional

guidance provided by SFAS No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure." When fully implemented, the current expected impact is a reduction of approximately 3 percent to earnings per share.

RECENT ACCOUNTING PRONOUNCEMENTS

In July 2001, the FASB issued SFAS No. 142, "Goodwill and Other Intangible Assets," which changed the accounting from amortizing 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 is required on at least an annual basis. The standard also addresses other accounting matters, disclosure requirements and financial statement presentation issues relating to goodwill and other intangible assets. The Corporation adopted SFAS No. 142 on January 1, 2002. As a result, during 2002 goodwill amortization decreased by approximately $117 million and net income increased by approximately $93 million. Refer to "Goodwill And Other Intangible Assets" herein and to Note 14 Goodwill And Other Intangible Assets for additional

information.

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 did not have a material impact on the Corporation's consolidated financial statements.

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 adopted SFAS No. 146 prospectively as of January 1, 2003.

In October 2002, the FASB issued SFAS No. 147, "Acquisitions of Certain Financial Institutions." This statement clarified that, only if certain criteria are met, an acquisition of a less-than-whole financial institution (such as a branch acquisition) should be accounted for as a business combination. In addition, SFAS No. 147 amends SFAS No. 144 to include in its scope long-term customer-relationship intangible assets of financial institutions such as depositor- and borrower-relationship intangible assets. As a result, those intangible assets are subject to the same undiscounted cash flow recoverability test and impairment loss recognition and measurement provisions that SFAS No. 144 requires for other long-lived assets that are held and used by a company. SFAS No. 147 became effective October 1, 2002 and did not have a material impact on the Corporation's consolidated financial statements.

In November 2002, the FASB issued FIN 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others." FIN 45 elaborates on the existing disclosure requirements for most guarantees, including loan guarantees such as standby letters of credit and indemnifications. It also clarifies that at the time a company issues a guarantee, the company must recognize an initial liability for the fair or market value of the obligations it assumes under that guarantee and must disclose that information in its interim and annual financial statements. The provisions related to recognizing a liability at inception of the guarantee for the fair value of the guarantor's obligations would not apply to guarantees accounted for as derivatives. The initial recognition and measurement provisions apply on a prospective basis to guarantees issued or modified after December 31, 2002. See Note 29 Commitments And Guarantees for the disclosures currently required under FIN 45.

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation--Transition and Disclosure." This statement amends SFAS No. 123, to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, this statement amends the disclosure requirements of SFAS No. 123 to require disclosures in both annual and interim financial statements regarding the method of accounting for stock-based employee compensation and the effect of the method used on reported results. See "Stock-Based Compensation" herein and Note 22 Stock-Based Compensation Plans for additional information.

In January 2003, the FASB issued FIN 46, "Consolidation of Variable Interest Entities." See Note 1 Accounting Policies for further information.

BLACKROCK LONG-TERM RETENTION AND INCENTIVE PLAN

In October 2002, BlackRock adopted a new long-term retention and incentive program for key employees. The program permits BlackRock to grant up to 3.5 million stock options with an exercise price of market value, subject to vesting at December 31, 2006, and up to $240 million in deferred compensation awards (the "Compensation Awards"), with payment subject to the achievement of certain performance hurdles no later than March 2007. BlackRock has awarded approximately 3.37 million stock options and approximately $130 million in Compensation Awards to more than 100 senior professionals. The remainder of the program

has been reserved for grants over the next two years to professionals who exhibit leadership qualities and demonstrate the potential to make significant contributions to BlackRock over time. If the performance hurdles are achieved, Compensation Awards will be funded with up to 4 million shares of BlackRock common stock to be surrendered by PNC and distributed to program participants, less income tax withholding. In addition, distributed shares to program participants will include an option to put such distributed shares back to BlackRock at fair market value. BlackRock will fund the remainder of the

Compensation Awards with up to $40 million in cash.

The Awards will vest at the end of any three-month period beginning in 2005 or 2006 during which the daily average closing price of BlackRock's common stock is at least $65 per share. If that performance hurdle is not achieved, the Compensation Committee of the Board of Directors of BlackRock may, in its sole discretion, vest a portion of the Compensation Awards if BlackRock realizes compound annual growth in diluted earnings per share of at least 10% from January 1, 2002 to December 31, 2006 and BlackRock's publicly-traded stock performs in the top half of its peer group during that time.

There will be no expense recognition associated with the Compensation Awards unless vesting occurs or a partial vesting determination by the BlackRock Compensation Committee is considered probable and estimable. Once this determination is made, BlackRock will record compensation expense for the pro rata portion of the Compensation Awards earned to date. Compensation expense for the remaining Compensation Awards will be recognized by BlackRock ratably from the determination date through the vesting date and could extend through March 31, 2007. In addition, at the time that the BlackRock common stock portion of the Compensation Awards is distributed, BlackRock will record an increase in stockholders' equity equal to the fair market value of the BlackRock common stock distributed to employees from shares surrendered by PNC. There will be no increase in BlackRock's fully diluted shares upon vesting of the Compensation Awards because shares surrendered by PNC to fund the Compensation Awards are already issued and outstanding.

The terms of the program are subject to approval by BlackRock's stockholders at their next annual meeting in May 2003.

In connection with the adoption of the program, BlackRock and PNC have amended the BlackRock Initial Public Offering Agreement, which provides that, subject to certain notice requirements and evaluation and cure periods, PNC must deposit its shares of stock of BlackRock into a voting trust and refrain from soliciting proxies from holders of outstanding BlackRock capital securities if, within twelve months following a change of control of PNC or a change of control of BlackRock (as defined in the amended agreement), a majority of BlackRock's independent directors determine that such change of control has a material adverse effect on BlackRock and that adverse effect is not cured within a further three month period. Following the deposit of PNC's shares into a voting trust, PNC must, subject to the terms and conditions of the amended agreement, take one of the three following courses of action: (i) within two years, dispose of its ownership interest in BlackRock voting stock, such that neither PNC nor its affiliates is the beneficial owner of more than 4.9% of any class of voting stock of BlackRock (and any shares of class B common stock deposited by PNC into the voting trust will be converted to class A common stock upon the election of this option (i)); (ii) proceed as expeditiously as is commercially reasonable to purchase all the outstanding BlackRock capital securities not held by PNC or its affiliates at the applicable Change of Control Price (which is defined in the amended agreement); or (iii) proceed as expeditiously as is commercially reasonable to sell its ownership interest in BlackRock capital securities, such that neither PNC nor its affiliates is the beneficial owner of more than 4.9% of any class of voting stock of BlackRock, to a third party in a transaction in which such third party offers to purchase all the outstanding shares not held by PNC or its affiliates at a price per share not less than the price per share offered to PNC. If PNC takes action under (ii) or (iii) above, all awards under the program will vest and be immediately payable and all stock options granted under BlackRock's 1999 Stock Award and Incentive Plan will vest and be exercisable.

BlackRock and PNC also further amended BlackRock's Amended and Restated Stockholders Agreement with PNC. which provides that nothing contained in the agreement will be deemed to prohibit PNC or its affiliates from effecting a distribution (including, but not limited to, a spin-off or a split-off) of its BlackRock common stock to the public shareholders of PNC if PNC should decide to do so. The amendment also provides that the Amended and Restated Stockholders Agreement will remain in effect in the event PNC ceases to own shares of class B common stock of BlackRock as a result of such converting to class A common stock of BlackRock in accordance with the terms of the Initial Public Offering Agreement.

2001 VERSUS 2000

CONSOLIDATED INCOME STATEMENT REVIEW

SUMMARY RESULTS

Consolidated net income for 2001 was $377 million or $1.26 per diluted share. Excluding the effect of adopting the new accounting standard for financial derivatives, net income was $382 million or $1.28 per diluted share compared with $1.279 billion or $4.31 per diluted share for 2000. Income from continuing operations in 2001 was $377 million or $1.26 per diluted share compared with

$1.214 billion or $4.09 per diluted share in 2000. Income from discontinued operations was $5 million or $.02 per diluted share in 2001 compared with $65 million or $.22 per diluted share in 2000. Results for 2001 reflect the actions taken during the year to accelerate the repositioning of PNC's lending business and other strategic initiatives. These charges, totaling $1.2 billion pretax, reduced 2001 net income by $768 million or $2.65 per diluted share.

Return on average common shareholders' equity was 5.65% and return on average assets was .53% for 2001 compared with 20.52% and 1.76%, respectively, for 2000.

NET INTEREST INCOME

Taxable-equivalent net interest income of $2.278 billion for 2001 increased 4% compared with 2000 net interest income of $2.182 billion. The increase was primarily due to the 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 20 basis points to 3.84% for 2001 compared with 3.64% for 2000. The increase was primarily due to the impact of the lower rate environment, the benefit of growth in transaction deposits and the downsizing of higher-cost, less valuable retail certificates and wholesale deposits.

PROVISION FOR CREDIT LOSSES

The provision for credit losses was $903 million for 2001 which included $714 million associated with institutional lending repositioning initiatives in 2001. The provision was $136 million in 2000.

NONINTEREST INCOME

Noninterest income was $2.652 billion for 2001 compared with $2.950 billion in 2000. Noninterest income in 2001 included charges of $259 million for valuation adjustments on loans held for sale related to the institutional lending repositioning and $17 million of charges for asset impairments associated with other strategic initiatives. A $111 million increase in net securities gains and growth in asset management, fund servicing, consumer services and other revenue was more than offset by net losses of $179 million resulting from lower valuations of equity management investments as well as reduced brokerage and corporate services revenue as a result of lower capital markets activity.

Asset management fees of $848 million for 2001 increased $39 million or 5% primarily driven by new institutional business and strong fixed-income performance at BlackRock which more than offset decreases at PNC Advisors primarily due to the impact of declining equity markets. Consolidated assets under management were $284 billion at December 31, 2001, a 12% increase compared with December 31, 2000. Fund servicing fees were $833 million for 2001, a $120 million increase compared with 2000 primarily driven by new client growth.

Service charges on deposits increased 6% to $218 million for 2001 mainly due to an increase in transaction deposit accounts. Brokerage fees were $206 million for 2001 compared with $249 million for 2000 as increased fees from sales of insurance products were more than offset by declines in other brokerage revenue due to weak equity markets.

Consumer services revenue of $229 million for 2001 increased $20 million or 10% compared with 2000 mainly due to the expansion of PNC's ATM network and the increase in transaction deposit accounts.

Corporate services revenue was $60 million for 2001 compared with $342 million for 2000. Revenue in 2001 was adversely impacted by valuation adjustments on loans held for sale of $259 million. In addition, increases in treasury management and commercial mortgage-backed securities servicing revenue were more than offset by the comparative impact of losses resulting from lower valuations of equity investments and lower capital markets fees in 2001.

Equity management (private equity activities) reflected net losses of $179 million for 2001 compared with net gains of $133 million in 2000. The decrease primarily resulted from a decline in the estimated fair value of both limited partnership and direct investments.

Net securities gains were $131 million for 2001 compared with $20 million in 2000.

Other noninterest income was $306 million for 2001 compared with $269 million for 2000. Excluding $12 million of asset write-downs in the fourth quarter of 2001, other noninterest income increased 18% primarily due to higher revenue from trading activities and gains on the sale of residential mortgage loans. Net trading income included in other noninterest income was $142 million in 2001 compared with $84 million in 2000.

NONINTEREST EXPENSE

Noninterest expense was $3.414 billion for 2001 compared with $3.103 billion for 2000. Costs to exit the vehicle leasing business, including the impairment of goodwill associated with a prior acquisition and employee severance costs, and additions to reserves related to insured residual value exposures totaled $135 million and are included in 2001 noninterest expense. In addition, $56 million of integration and severance costs related to other strategic initiatives were incurred in 2001. Excluding these items, noninterest expense increased 4% compared with 2000. The increase was primarily in businesses that have shown higher revenue growth including Regional Community Banking, BlackRock and PFPC. Average full-time equivalent employees totaled approximately 24,500 and 24,100 for 2001 and 2000, respectively. The increase was mainly in asset management and processing businesses.

CONSOLIDATED BALANCE SHEET REVIEW

LOANS

Loans were $38.0 billion at December 31, 2001, a decrease of $12.6 billion from year end 2000 primarily due to residential mortgage securitizations and runoff, transfers to held for sale and the managed reduction of institutional loans. Loans at December 31, 2001 included $1.9 billion of vehicle leases and $200 million of commercial loans that have been designated for exit.

LOANS HELD FOR SALE

Loans held for sale were $4.2 billion at December 31, 2001 compared with $1.7 billion at December 31, 2000. In the fourth quarter of 2001, PNC designated for exit $3.1 billion of loans and $7.9 billion of institutional credit exposure. Of these amounts, $2.3 billion, net of $.6 billion of related charges, with total credit exposure of $4.6 billion were transferred to loans held for sale. Approximately $276 million of loans held at December 31, 2001 by companies formed with AIG are classified in the consolidated financial statements as loans held for sale.

SECURITIES

Total securities at December 31, 2001 were $13.9 billion compared with $5.9 billion at December 31, 2000. Total securities represented 20% of total assets at December 31, 2001 compared with 8% at December 31, 2000. The increase was primarily due to purchases of mortgage-backed and asset-backed securities during 2001 and the retention of interests from the securitization of residential mortgage loans as loans declined and were replaced with securities. At December 31, 2001, the securities available for sale balance included a net unrealized loss of $132 million, which represented the difference between fair value and amortized cost. The comparable amount at December 31, 2000 was a net unrealized loss of $54 million. The expected weighted-average life of securities available for sale was 4 years at December 31, 2001 compared with 4 years and 5 months at December 31, 2000.

The expected weighted-average life of securities held to maturity was 18 years and 11 months at December 31, 2001. PNC had no securities held for maturity at December 31, 2000. The securities classified as held to maturity are carried at amortized cost and are owned by companies formed with AIG in 2001 that are consolidated in PNC's financial statements.

FUNDING SOURCES

Total funding sources were $59.4 billion at December 31, 2001 and 2000. The change in the composition of borrowed funds reflected a shift within categories to manage overall funding costs.

Total deposits were $47.3 billion at December 31, 2001 compared with $47.7 billion at December 31, 2000. Demand and money market deposits increased due to ongoing strategic marketing efforts to retain customers, as higher-cost, less valuable retail certificates of deposit were de-emphasized.

ASSET QUALITY

Nonperforming assets were $391 million at December 31, 2001 compared with $372 million at December 31, 2000. The ratio of nonperforming assets to total loans, loans held for sale and foreclosed assets was .93% at December 31, 2001 compared with .71% at December 31, 2000. The allowance for credit losses was $560 million and represented 1.47% of total loans and 265% of nonperforming loans at December 31, 2001. The comparable amounts were $598 million, 1.18% and 185%, respectively, at December 31, 2000.

CAPITAL

Shareholders' equity totaled $5.8 billion at December 31, 2001 compared with $6.7 billion at December 31, 2000. The payment of dividends, the impact of share buybacks, the retirement of preferred stock and lower earnings in 2001 accounted for the decline. During 2001, PNC repurchased 9.5 million shares of common stock through open market or privately negotiated transactions and purchased or

redeemed preferred stock for $301 million. The regulatory capital ratios were 6.8% for leverage, 7.8% for tier I risk-based and 11.8% for total risk-based capital at December 31, 2001 compared with 8.0% for leverage, 8.6% for tier I risk-based and 12.6% for total risk-based capital at December 31, 2000.

FORWARD-LOOKING STATEMENTS

This report contains, and other statements that the Corporation may make may contain, forward-looking statements with respect to the Corporation's outlook or expectations for earnings, revenues, expenses, capital levels, asset quality 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," "project," "position," "target," "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 and does not undertake 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.

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

(1) 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, increased credit losses, and increased funding of unfunded loan commitments and letters of credit; an adverse effect on the allowances for credit losses and unfunded loan commitments and letters of credit; 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;

(2) relative and absolute investment performance of assets under management;

(3) 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, or to implement integration plans relating to or resulting from mergers, acquisitions, restructurings and divestitures;

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

(5) the impact of increased competition;

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

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

(8) 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;

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

(10) 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 provision for credit losses and reduced profitability;

(11) 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;

(12) actions of the Federal Reserve Board;

(13) the impact of legislative and regulatory reforms and changes in accounting policies and principles;

(14) 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

(15) terrorist activities and international hostilities, including the situations surrounding Iraq and North Korea, which may adversely affect the general economy, financial and capital markets, specific industries, and the Corporation.

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

REPORTS ON CONSOLIDATED FINANCIAL STATEMENTS
THE PNC FINANCIAL SERVICES GROUP, INC.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The management of The PNC Financial Services Group, Inc. is responsible for the preparation, integrity and fair presentation of its published consolidated financial statements. The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and, as such, include judgments and estimates of management. The PNC Financial Services Group, Inc. also prepared the other information included in the Annual Report and is responsible for its accuracy and consistency with the consolidated financial statements.

Management is responsible for establishing and maintaining effective internal controls over financial reporting and disclosure controls and procedures. The internal control system is augmented by written policies and procedures and by audits performed by an internal audit staff, which reports to the Audit Committee of the Board of Directors. Internal auditors test the operation of the internal control system and report findings to management and the Audit Committee, and corrective actions are taken to address identified control deficiencies and other opportunities for improving the system. The Audit Committee, composed solely of independent directors, provides oversight to management's conduct of the financial reporting process.

There are inherent limitations in the effectiveness of any system of internal control, including the possibility of human error and circumvention or overriding of controls. Accordingly, even effective internal control can provide only reasonable assurance with respect to financial statement preparation. Further, because of changes in conditions, the effectiveness of internal control may vary over time.

Management assessed The PNC Financial Services Group, Inc.'s internal controls over financial reporting and disclosure controls and procedures as of December 31, 2002. This assessment was based on criteria for effective internal controls over financial reporting described in "Internal Control-Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission and on requirements for disclosure controls and procedures arising from the Sarbanes-Oxley Act of 2002. Based on this assessment, management believes that The PNC Financial Services Group, Inc. maintained effective internal controls over financial reporting and disclosure controls and procedures as of December 31, 2002.

/s/ James E. Rohr	/s/ William S. Demchak
James E. Rohr Chairman and Chief Executive Officer	William S. Demchak Vice Chairman and Chief Financial Officer

REPORT OF DELOITTE & TOUCHE LLP,
INDEPENDENT AUDITORS

To the Board of Directors and Shareholders of

The PNC Financial Services Group, Inc.

We have audited the accompanying consolidated balance sheet of The PNC Financial Services Group, Inc. and subsidiaries as of December 31, 2002, and the related consolidated statements of income, shareholders' equity, and cash flows for the year then ended. These financial statements are the responsibility of The PNC Financial Services Group, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of The PNC Financial Services Group, Inc. for the years ended December 31, 2001 and 2000 were audited by other auditors whose report, dated March 1, 2002, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of The PNC Financial Services Group, Inc. and subsidiaries as of December 31, 2002, and the consolidated results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 14 to the consolidated financial statements, in 2002 The PNC Financial Services Group, Inc. changed its method of accounting for goodwill and other intangible assets to conform with Statement of Financial Accounting Standards No. 142.

/s/ Deloitte & Touche LLP

Pittsburgh, Pennsylvania
February 17, 2003

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

<TABLE>
<CAPTION>

	Year ended December 31		
In millions, except per share data	2002	2001	2000
INTEREST INCOME			
Loans and fees on loans	$2,294	$3,279	$4,045
Securities	616	625	386
Loans held for sale	135	119	204
Other	127	114	97
Total interest income	3,172	4,137	4,732
INTEREST EXPENSE			
Deposits	659	1,229	1,653
Borrowed funds	316	646	915
Total interest expense	975	1,875	2,568
Net interest income	2,197	2,262	

			2,164
Provision for credit losses	309	903	136
Net interest income less provision for credit losses	1,888	1,359	2,028
NONINTEREST INCOME			
Asset management	853	848	809
Fund servicing	816	833	713
Service charges on deposits	227	218	206
Brokerage	195	206	249
Consumer services	239	229	209
Corporate services	526	60	342
Equity management	(51)	(179)	133
Net securities gains	89	131	20
Other	303	306	269
Total noninterest income	3,197	2,652	2,950
NONINTEREST EXPENSE			
Staff expense	1,701	1,667	1,616
Net occupancy	243	220	203
Equipment	271	255	224
Marketing	51	57	70
Distributions on capital securities	58	63	67
Other	903	1,152	923
Total noninterest expense	3,227	3,414	3,103
Income from continuing operations before minority interest and income taxes	1,858	597	1,875
Minority interest in income of consolidated entities	37	33	27
Income taxes	621	187	634
Income from continuing operations	1,200	377	1,214
Income (loss) from discontinued operations (less applicable income tax benefit of $9 and income tax expense of $0 and $44)	(16)	5	65
Income before cumulative effect of accounting change	1,184	382	1,279
Cumulative effect of accounting change (less applicable income tax benefit of $2)		(5)	
Net income	$1,184	$377	$1,279
EARNINGS PER COMMON SHARE FROM CONTINUING OPERATIONS			
Basic	$4.23	$1.27	$4.12
Diluted	$4.20	$1.26	

			$4.09
FROM NET INCOME			
Basic	$4.18	$1.27	$4.35
Diluted	$4.15	$1.26	$4.31
AVERAGE COMMON SHARES OUTSTANDING			
Basic	283	287	290
Diluted	285	290	293

</TABLE>

See accompanying Notes To Consolidated Financial Statements.

CONSOLIDATED BALANCE SHEET
THE PNC FINANCIAL SERVICES GROUP, INC.

<CAPTION>
<TABLE>

	December 31	
In millions, except par value	2002	2001
<S>	<C>	<C>
ASSETS		
Cash and due from banks	$3,201	$4,327
Short-term investments	3,658	1,335
Loans held for sale	1,607	4,189
Securities	13,763	13,908
Loans, net of unearned income of $1,075 and $1,164	35,450	37,974
Allowance for credit losses	(673)	(560)
Net loans	34,777	37,414
Goodwill	2,313	2,036
Other intangible assets	333	337
Other	6,725	6,092
Total assets	$66,377	$69,638
LIABILITIES		
Deposits		
Noninterest-bearing	$9,538	$10,124
Interest-bearing	35,444	37,180
Total deposits	44,982	47,304
Borrowed funds		
Federal funds purchased	38	167
Repurchase agreements	814	954
Bank notes and senior debt	4,400	6,362
Federal Home Loan Bank borrowings	1,256	2,047
Subordinated debt	2,423	

		2,298
Other borrowed funds	185	262
Total borrowed funds	9,116	12,090
Allowance for unfunded loan commitments and letters of credit	84	70
Accrued expenses	2,046	1,684
Other	2,172	1,649
Total liabilities	58,400	62,797
Minority interest	270	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	1,101	1,077
Retained earnings	7,187	6,549
Deferred benefit expense	(9)	(16)
Accumulated other comprehensive income	321	5
Common stock held in treasury at cost: 68 and 70 shares	(3,505)	(3,557)
Total shareholders' equity	6,859	5,823
Total liabilities, minority interest, capital securities and shareholders' equity	$66,377	$69,638

</TABLE>

See accompanying Notes To Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY
THE PNC FINANCIAL SERVICES GROUP, INC.

<TABLE>
<CAPTION>

	Shares Outstanding							Accumulated Other Comprehensive Income (Loss) from	
In millions	Preferred Stock	Common Stock	Preferred Stock	Common Stock	Capital Surplus	Retained Earnings	Deferred Benefit Expense	Continuing Operations	Discontinued Operations
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Balance at January 1, 2000	7	293	$7	$1,764	$1,276	$6,006	$(17)	$(132)	$(135)
Net income						1,279			
Net unrealized securities gains								86	90

Minimum pension liability adjustment								1	
Other								2	
Comprehensive income									
Cash dividends declared									
Common						(530)			
Preferred						(19)			
Treasury stock activity		(3)			6				
Tax benefit of stock option plans					20				
Subsidiary stock transactions					1				
Deferred benefit expense							(8)		
Balance at December 31, 2000	7	290	7	1,764	1,303	6,736	(25)	(43)	(45)
Net income						377			
Net unrealized securities (losses) gains								(51)	45
Net unrealized gains on cash flow hedge derivatives								98	
Minimum pension liability adjustment								(1)	
Other								2	
Comprehensive income									
Cash dividends declared									
Common						(552)			
Preferred						(12)			
Treasury stock activity		(7)			26				
Tax benefit of stock option plans					40				
Subsidiary stock transactions					3				
Series F preferred stock tender offer/redemption	(6)		(6)		(295)				
Deferred benefit expense							9		
Balance at December 31, 2001	1	283	1	1,764	1,077	6,549	(16)	5	
Net income						1,184			
Net unrealized securities gains								265	
Net unrealized gains on cash flow hedge derivatives								37	
Minimum pension liability adjustment								(2)	
Other								16	
Comprehensive income									
Cash dividends declared									
Common						(545)			
Preferred						(1)			
Treasury stock activity	(1)	2	(1)		13				
Tax benefit of stock option plans					9				
Subsidiary stock transactions					2				
Deferred benefit expense							7		
BALANCE AT DECEMBER 31, 2002		285		$1,764	$1,101	$7,187	$(9)	$321	

In millions	Treasury Stock	Total
Balance at January 1, 2000	$(2,823)	$5,946
Net income		1,279
Net unrealized securities gains		176
Minimum pension liability adjustment		1

Other		2
Comprehensive income		1,458
Cash dividends declared		
Common		(530)
Preferred		(19)
Treasury stock activity	(218)	(212)
Tax benefit of stock option plans		20
Subsidiary stock transactions		1
Deferred benefit expense		(8)
Balance at December 31, 2000	(3,041)	6,656
Net income		377
Net unrealized securities (losses) gains		(6)
Net unrealized gains on cash flow hedge derivatives		98
Minimum pension liability adjustment		(1)
Other		2
Comprehensive income		470
Cash dividends declared		
Common		(552)
Preferred		(12)
Treasury stock activity	(516)	(490)
Tax benefit of stock option plans		40
Subsidiary stock transactions		3
Series F preferred stock tender offer/redemption		(301)
Deferred benefit expense		9
Balance at December 31, 2001	(3,557)	5,823
Net income		1,184
Net unrealized securities gains		265
Net unrealized gains on cash flow hedge derivatives		37
Minimum pension liability adjustment		(2)
Other		16
Comprehensive income		1,500
Cash dividends declared		
Common		(545)
Preferred		(1)
Treasury stock activity	52	64
Tax benefit of stock option plans		9
Subsidiary stock transactions		2
Deferred benefit expense		7
BALANCE AT DECEMBER 31, 2002	$(3,505)	$6,859

</TABLE>

See accompanying Notes To Consolidated Financial Statements.

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

<TABLE>
<CAPTION>

	Year ended December 31	
In millions	2002	2001

			2000
<S>	<C>	<C>	<C>
OPERATING ACTIVITIES			
Net income	$1,184	$377	$1,279
Loss (income) from discontinued operations	16	(5)	(65)
Cumulative effect of accounting change		5	
Income from continuing operations	1,200	377	1,214
Adjustments to reconcile income from continuing operations to net cash provided by operating activities			
Provision for credit losses	309	903	136
Depreciation, amortization and accretion	242	309	283
Deferred income taxes	487	(48)	376
Securities transactions	(89)	(128)	(29)
Valuation adjustments	2	265	27
Change in			
Loans held for sale	2,907	(92)	1,652
Short-term investments	(2,323)	(184)	(51)
Other	(82)	(135)	(560)
Net cash provided by operating activities	2,653	1,267	3,048
INVESTING ACTIVITIES			
Net change in loans	1,073	4,099	(2,215)
Repayment of securities	3,158	2,445	920
Sales			
Securities	16,395	19,693	7,630
Loans	3,277	1,155	551
Foreclosed assets	11	15	24
Purchases			
Securities	(18,967)	(26,147)	(7,640)
Loans	(874)	(758)	
Net cash (paid) received for acquisitions/divestitures	(1,676)	485	(30)
Other	(193)	(131)	(301)
Net cash provided (used) by investing activities	2,204	856	(1,061)
FINANCING ACTIVITIES			
Net change in			
Noninterest-bearing deposits	(586)	1,634	329
Interest-bearing deposits	(1,736)	(1,994)	1,533
Federal funds purchased	(129)	(1,260)	164
Repurchase agreements	(140)	347	205
Sales/issuances			
Bank notes and senior debt		2,157	2,849
Federal Home Loan Bank borrowings		3,123	1,781
Subordinated debt		(1)	100
Other borrowed funds	22,246	35,346	37,060

Common stock	131	184	189
Repayments/maturities			
Bank notes and senior debt	(2,047)	(1,915)	(3,715)
Federal Home Loan Bank borrowings	(791)	(1,576)	(3,539)
Subordinated debt		(200)	(20)
Other borrowed funds	(22,323)	(35,752)	(37,367)
Acquisition of treasury stock	(62)	(681)	(428)
Series F preferred stock tender offer/redemption		(301)	
Cash dividends paid	(546)	(569)	(546)
Net cash used by financing activities	(5,983)	(1,458)	(1,405)
INCREASE (DECREASE)IN CASH AND DUE FROM BANKS	(1,126)	665	582
Cash and due from banks at beginning of year	4,327	3,662	3,080
Cash and due from banks at end of year	$3,201	$4,327	$3,662
CASH PAID FOR			
Interest	$997	$1,813	$2,598
Income taxes	189	215	289
NON-CASH ITEMS			
Transfer of mortgage loans to securities		4,341	710
Transfer from (to) loans to (from) loans held for sale, net	263	2,707	(143)
Transfer from loans to other assets	14	11	23

</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; wholesale banking, including corporate banking, real estate finance and asset-based lending; wealth management; asset management and global fund processing 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 processing 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 consolidated financial statements include the accounts of PNC and its subsidiaries, most of which are wholly owned, and certain general partnership interests. Such statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("generally accepted accounting principles"). 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 consolidated financial

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

INVESTMENTS

PNC has interests in various types of investments. The accounting for these investments is dependent on a number of factors including, but not limited to, items such as marketability of the investment, ownership interest, PNC's intent and the nature of the investment.

Venture capital investments, which include both direct investments in companies and interests in limited partnerships, are reported at estimated fair values. These estimates are based upon available information and may not necessarily represent amounts that will ultimately be realized through distribution, sale or liquidation of the investment. The valuation procedures applied to direct investments include valuation techniques such as multiples of earnings before interest, taxes, depreciation and amortization of the entity, independent appraisals of the entity or the pricing used to value the entity in a recent financing transaction. Limited partnership investments are valued based on the financial statements received from the general partner, an independent third party. All venture capital investments are included in the consolidated balance sheet under other assets. Changes in the fair value of these assets are recognized in noninterest income.

Equity investments other than venture capital investments are accounted for under one of the following methods:

- Marketable equity securities are accounted for at fair value based on the securities' quoted market price from a national securities exchange. Those purchased with the intention of recognizing short-term profits are placed in the trading account, carried at market value and classified as short-term investments. Gains and losses on trading securities are included in noninterest income. Marketable equity securities not classified as trading are designated as securities available for sale and are carried at fair value with unrealized gains and losses, net of income taxes, reflected in accumulated other comprehensive income or loss.

- Investments in nonmarketable equity securities are recorded using the cost or equity methods of accounting. The cost method is used for those investments in which PNC does not have significant influence over the investee. Under this method, there is no change to the cost basis unless there is an other than temporary decline in value, which results in an impairment charge. Dividends received on cost investments are included in noninterest income. The equity method is used for those investments in which PNC can have significant influence over the operations of the investee. Under the equity method, PNC records its equity ownership share of the net income or loss of the investee in noninterest income. PNC records its nonmarketable equity securities in other assets.

- Additionally, investments in limited partnerships are accounted for under either the cost method or the equity method as described above for nonmarketable equity securities. The equity method is used if the limited partner's ownership interest in the partnership is greater than 3% to 5%. For the remaining limited partnership investments, the cost method is used. Limited partnership investments are included in other assets.

Debt securities are classified as securities and carried at amortized cost if management has the positive intent and ability to hold the securities to maturity. Debt securities purchased with the intention of recognizing short-term profits

are placed in the trading account, carried at market value and classified as short-term investments. Gains and losses on these securities are included in noninterest income. Debt securities not classified as held to maturity or trading are designated as securities available for sale and carried at fair value with unrealized gains and losses, net of income taxes, reflected in accumulated other comprehensive income or loss.

Interest on debt securities, including amortization of premiums and accretion of discounts using the interest method, is included in interest income. Gains and losses realized on the sale of debt securities available for sale are computed on a specific security basis and included in noninterest income.

SPECIAL PURPOSE ENTITIES

Special Purpose Entities ("SPEs") are broadly defined as legal entities structured 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 is independent of PNC, has made a substantive capital investment in the SPE, has control of the SPE, or possesses the substantive risks and rewards of ownership of the SPE.

In response to demands to strengthen existing accounting guidance regarding the consolidation of SPEs and other off-balance sheet entities, in January 2003 the Financial Accounting Standards Board ("FASB") issued FASB Interpretation No. ("FIN") 46, "Consolidation of Variable Interest Entities".

In general, a variable interest entity ("VIE") is a corporation, partnership, limited liability corporation, trust, grantor trust or any other legal structure used to conduct activities or hold assets that either does not have equity investors with voting rights that can directly or indirectly make decisions about the entity's activities through those voting rights or similar rights or has equity investors that do not provide sufficient financial resources for the entity to support its activities. A VIE often holds financial assets, including loans or receivables, real estate or other property.

FIN 46 requires a VIE to be consolidated if the company is subject to a majority of the risk of loss from the VIE's activities, is entitled to receive a majority of the entity's residual returns or both. A company that consolidates the VIE is called the primary beneficiary. Upon consolidation, the primary beneficiary generally must record all of the VIE's assets, liabilities and noncontrolling interests at fair value. FIN 46 also requires disclosures about VIEs that the company is not required to consolidate but in which it has a significant variable interest.

The consolidation requirements of FIN 46 apply immediately to VIEs created after January 31, 2003. The consolidation requirements apply to VIEs that existed prior to that date in the first fiscal year or interim period beginning after June 15, 2003.

Based on a preliminary review of the provisions of FIN 46, it is reasonably possible that PNC and/or BlackRock will hold a significant variable interest in certain existing VIEs that would require the Corporation to consolidate these entities in the third quarter of 2003. A description of these existing VIEs follows:

- PNC Bank, N.A. ("PNC Bank") provides credit enhancement, liquidity facilities and certain administrative services to Market Street Funding Corporation ("Market Street"), 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 primarily in pools of receivables from U.S. corporations 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 $3.0 billion and total liabilities of $3.0 billion at December 31, 2002. PNC Bank provides certain administrative services, a portion of the program-level credit enhancement and the majority of 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 cash collateral account which is funded by a credit loan facility with a five-year term expiring on December 31, 2004. At December 31, 2002, approximately $96 million was outstanding on this facility. An additional $287 million was provided by a major insurer. Also at December 31, 2002, Market Street had liquidity facilities available supporting individual pools of receivables totaling $3.9 billion, of which $3.2 billion was provided by PNC Bank. As Market Street's program administrator, PNC received fees of $13.9 million for the year ended December 31, 2002. Commitment fees related to PNC's portion of the liquidity facilities amounted to $7.5 million for 2002. PNC holds no ownership interest in Market Street.

- BlackRock Inc. ("BlackRock"), a majority-owned subsidiary of PNC, acts as collateral asset manager for four collaterialized bond obligation funds ("CBOs") and one collaterialized loan obligation fund ("CLO") organized as corporations or limited liability companies. The funds invest in high yield securities and offer opportunity for high return and are subject to greater risk than traditional investment products. These funds are structured to take advantage of the yield differential between their assets and liabilities and have terms to maturity from eight to twelve years. At

December 31, 2002, aggregate assets and debt in the CBOs and CLO was approximately $2.1 billion and $2.1 billion, respectively. BlackRock's equity ownership was approximately $10.4 million at December 31, 2002.

- PNC Real Estate Finance makes equity investments in various limited partnerships that sponsor affordable housing projects utilizing the Low Income Housing Tax Credit ("LIHTC") pursuant to Section 42 of the Internal Revenue Code. The purpose of these investments is to achieve a satisfactory return on capital, to facilitate the sale of additional affordable housing product offerings and to assist PNC in achieving goals associated with the Community Reinvestment Act. The activities of the limited partnerships include the identification, development and operation of multi-family housing that is leased to qualifying residential tenants generally within the PNC footprint. The investments are funded through a combination of debt and equity with equity typically comprising 30 - 60% of the total project capital. At December 31, 2002, PNC's maximum exposure to loss resulting from those LIHTC investments in which PNC owns a 50% or greater interest and which may be subject to the provisions of FIN 46 was $142 million. This represents the combination of a recorded basis of $119 million and unfunded commitments of $23 million.

- Within the PNC Advisors' business segment, PNC GPI, Inc., ("GPI") a wholly owned subsidiary of the Corporation, is the general partner and in some cases the commodity pool operator for, and PNC Bank is the investment manager for, a number of private investment funds organized as limited partnerships. In addition, PNC Bank is the investment manager for, and GPI is the commodity pool operator for, two private investment funds organized as offshore corporations. On December 31, 2002, the aggregate value of the assets of these funds was $725 million, and the value of PNC GPI's ownership was $2.4 million.

- As part of its equity management activities, the Corporation has subsidiaries that invest in and act as the investment manager for a private equity fund that is organized as a limited partnership. The fund invests in private equity investments for the purpose of generating capital appreciation and profits. At December 31, 2002, aggregate assets and equity in the fund were approximately $37.3 million and $37.2 million, respectively. PNC's ownership in the fund was valued at approximately $9.6 million at December 31, 2002.

As currently organized, the following entities would be considered VIEs under FIN 46. However, management has identified, and intends to implement, certain changes to the equity ownership and/or control structure of these entities that management believes would remove them from the scope of FIN 46. As a result, these entities would not be required to be consolidated in the third quarter of 2003.

- BlackRock serves as investment manager for two fixed income hedge funds that engage in trading of fixed income securities through both a limited liability company ("LLC") and a corporate entity. These funds invest in the global bond markets on a more leveraged basis and/or concentrated basis than BlackRock's traditional fixed income products with diversification of risk exposure in each portfolio. BlackRock serves as the managing member of the LLC and the investment manager of the corporate entity which had combined assets and liabilities of approximately $37.9 billion and $36.4 billion, respectively, at December 31, 2002. BlackRock's equity ownership was approximately $7.5 million at December 31, 2002.

- On November 4, 2002, BlackRock purchased certain assets and liabilities of Cyllenius Partners GP, LLC and Cyllenius Capital Management LP and now serves as the managing member of two LLCs and the investment manager for a corporation (the "Cyllenius Funds") which engage in the trading of equity securities both long and short. At December 31, 2002, the Cyllenius Funds had total assets and liabilities of approximately $168.2 million and $44.8 million, respectively. BlackRock holds no ownership interest in the Cyllenius Funds.

If PNC and/or BlackRock are required to consolidate existing VIEs under the provisions of FIN 46, this change could have a significant impact on PNC's consolidated balance sheet, regulatory capital, and asset quality and related ratios. PNC management will continue to assess this interpretation's final impact on the Corporation's consolidated financial statements. In addition, the FASB is discussing implementation guidelines associated with FIN 46 which could change management's current assessment of its impact. Therefore, additional entities may be subject to consolidation upon PNC's implementation of FIN 46.

USE OF ESTIMATES

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.

BUSINESS COMBINATIONS

In business combinations accounted for using the purchase method of accounting, the net assets of the companies acquired are recorded at their estimated fair value at the date of acquisition and include the results of operations of the acquired business from the date of acquisition. The excess of the purchase price over the estimated fair value of the net assets acquired is recognized as goodwill.

LOANS HELD FOR SALE

Loans are designated as held for sale when the Corporation has a positive intent to sell them. Loans are transferred at the lower of cost or market to the loans held for sale category. At the time of transfer, related write-downs on the loans are recorded as charge-offs. A new cost basis of the loan is established and any subsequent adjustment as a result of lower of cost or market analysis is recognized as a valuation allowance with changes included in noninterest income.

The lower of cost or market analysis on pools of homogeneous loans is applied on a net aggregate basis. Such analysis on non-homogeneous loans is applied on an individual loan basis.

Interest income with respect to loans held for sale is accrued on the principal amount outstanding.

LOANS AND LEASES

Loans are stated at the principal amounts outstanding, net of unearned income. Interest income with respect to loans other than nonaccrual loans is accrued on the principal amount outstanding and credited to interest income as earned using the interest method. Significant loan fees are deferred and accreted to interest income over the respective lives of the loans.

The Corporation also provides financing for various types of equipment, aircraft, energy and power systems and rolling stock through a variety of lease arrangements. Direct financing leases are carried at the aggregate of lease payments plus estimated residual value of the leased property, less unearned income. Lease financing income is recognized over the term of the lease using methods that approximate the level yield method. Gains or losses on the sale of leased assets or valuation adjustments on lease residuals are included in noninterest income.

LOAN SECURITIZATIONS AND RETAINED INTERESTS

The Corporation sells mortgage and other loans through secondary market securitizations. In certain cases, the Corporation will retain a portion of the securities issued, interest-only strips, one or more subordinated tranches, servicing rights and/or cash reserve accounts, all of which are associated with the securitized asset. Any gain or loss recognized on the sale of the loans depends on the allocation between the loans sold and the retained interests, based on their relative fair market values at the date of transfer. The Corporation generally estimates fair value based on the present value of future expected cash flows using assumptions as to discount rates, prepayment speeds, credit losses and servicing costs, if applicable.

Servicing rights are maintained at the lower of carrying value or fair market value and are amortized in proportion to estimated net servicing income. Retained interests in loan securitizations are carried at fair market value and included in other assets. For retained interests classified as securities available for sale, adjustments to fair market value are recognized through accumulated other comprehensive income or loss. Fair market value adjustments for all other retained interests are recorded in noninterest income. For servicing rights retained, the Corporation generally receives a fee for servicing the securitized loans.

For purposes of measuring impairment, the Corporation stratifies the pools of assets underlying servicing rights by product type and/or geographic region of the borrower. A valuation allowance is recorded when the carrying amount of specific asset strata exceeds its fair value.

NONPERFORMING ASSETS

Nonperforming assets include nonaccrual loans, troubled debt restructurings, nonaccrual loans held for sale and foreclosed assets. Generally, loans other than consumer are classified as nonaccrual when it is determined that the collection of interest or principal is doubtful or when a default of interest or principal has existed for 90 days or more, unless the loans are well secured and in the process of collection. When interest accrual is discontinued, accrued but uncollected interest credited to income in the current year is reversed and unpaid interest accrued in the prior year, if any, is charged against the allowance for credit losses. Consumer loans are generally charged-off in the month they become 120 days past due. Home equity loans and home equity lines of credit are classified as nonaccrual at 120 days and 180 days past due, respectively, and are recorded at the lower of cost or market value, less liquidation costs, unless the loans are well secured and in the process of collection.

A loan is categorized as a troubled debt restructuring in the year of restructuring if a significant concession is granted to the borrower due to deterioration in the financial condition of the borrower.

Nonperforming loans are generally not returned to performing status until the obligation is brought current and has performed in accordance with the contractual terms for a reasonable period of time and collection of the contractual principal and interest is no longer doubtful.

Impaired loans consist of nonaccrual commercial and commercial real estate loans and troubled debt restructurings. Interest collected on these loans is recognized on the cash basis or cost recovery method.

Loans held for sale, which are carried at lower of cost or market value, are considered nonaccrual when it is determined that the collection of interest or principal is doubtful or when a default of interest or principal has existed for 90 days or more, unless the loans are well secured and in the process of collection. Nonaccrual loans held for sale are reported as other nonperforming assets.

Foreclosed assets are comprised of property acquired through a foreclosure proceeding or acceptance of a deed-in-lieu of foreclosure. These assets are recorded on the date acquired at the lower of the related loan balance or market value of the collateral less estimated disposition costs. Market values are estimated primarily based on appraisals. Subsequently, foreclosed assets are valued at the lower of the amount recorded at acquisition date or the current market value less estimated disposition costs. Gains or losses realized from disposition of such property are reflected in noninterest expense.

ALLOWANCE FOR CREDIT LOSSES

The allowance for credit losses is maintained at a level believed by management to be sufficient to absorb estimated probable credit losses inherent in the loan portfolio. The allowance is increased by the provision for credit losses, which is charged against operating results and decreased by the amount of charge-offs, net of recoveries. Management's determination of the adequacy of the allowance is based on periodic evaluations of the credit portfolio and other relevant factors. This evaluation is inherently subjective as it requires material estimates, including, among others, expected default probabilities, loss given default, exposure at default, the amounts and timing of expected future cash flows on impaired loans, estimated losses on consumer loans and residential mortgages, and general amounts for historical loss experience, economic conditions, uncertainties in estimating losses and inherent risks in the various credit portfolios, all of which may be susceptible to significant change.

In determining the adequacy of the allowance for credit losses, the Corporation makes specific allocations to impaired loans, to pools of watchlist and nonwatchlist loans, to consumer and residential mortgage loans, and to unallocated reserves. While allocations are made to specific loans and pools of loans, the total reserve is available for all credit losses.

Specific allocations are made to significant impaired loans and are determined in accordance with SFAS No. 114, "Accounting by Creditors for Impairments of a Loan," with impairment measured generally based on the present value of the loan's expected cash flows, the loan's observable market price or the fair value of the loan's collateral. A minimum specific allowance is established on all impaired loans at the applicable pool reserve allocation rate for similar loans.

Allocations to loan pools are developed by business segment and risk rating and are based on historical loss trends and management's judgment concerning those trends and other relevant factors. These factors may include, among others, actual versus estimated losses, regional and national economic conditions, business segment and portfolio concentrations, industry competition and consolidation, and the impact of government regulations. Loss factors are based on historical experience and may be adjusted for significant factors that, based on management's judgment, impact the collectibility of the portfolio as of the balance sheet date. Consumer and residential mortgage loan allocations are made at a total portfolio level based on historical loss experience adjusted for portfolio activity and economic conditions.

While PNC's pool reserve methodologies strive to reflect all risk factors, there continues to be a certain element of risk associated with, but not limited to, potential estimation or judgmental errors. Unallocated reserves are designed to provide coverage for probable losses attributable to such risks. In addition, unallocated reserves also include factors which may not be directly measured in the determination of specific or pooled reserves. These factors include general economic and business conditions affecting key lending areas of the Corporation,

credit quality trends, recent loss experience in particular segments of the portfolio, duration of the current economic cycle, and bank regulatory examination results.

ALLOWANCE FOR UNFUNDED LOAN COMMITMENTS AND LETTERS OF CREDIT
The allowance for unfunded loan commitments and letters of credit is maintained at a level believed by management to be sufficient to absorb estimated probable losses related to these unfunded credit facilities. The determination of the adequacy of the allowance is based on periodic evaluations of the unfunded credit facilities including an assessment of the probability of commitment usage, credit risk factors for loans outstanding to these same customers, and the terms and expiration dates of the unfunded credit facilities.

Net adjustments to the allowance for unfunded loan commitments and letters of credit are included in the provision for credit losses.

COMMERCIAL MORTGAGE SERVICING RIGHTS
PNC provides servicing under various commercial loan servicing contracts. These contracts are either purchased in the market place or retained as part of a commercial mortgage loan securitization. If a contract is purchased, it is recorded at cost. If a contract is retained, the servicing right is recorded based on its relative fair value to all of the assets securitized. Fair value is based on the present value of the future cash flows, including assumptions as to prepayment speeds, discount rate, interest rates, cost to service and other factors. The asset is amortized over its estimated life in proportion to estimated net servicing income. On a quarterly basis, the asset is tested for impairment. If the estimated fair value of the asset is less than the carrying value, an impairment loss is recognized. The asset is recorded as an Other Intangible Asset. Servicing fees are recognized as they are earned and are reported in Corporate Services as part of noninterest income. The related amortization expense is also classified in Corporate Services.

GOODWILL AND OTHER INTANGIBLE ASSETS
With the adoption of SFAS No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142"), on January 1, 2002, goodwill is no longer amortized to expense, but rather is tested for impairment periodically. Certain other intangible assets are amortized to expense using accelerated or straight-line methods over their respective estimated useful lives. At least annually, management reviews goodwill and other intangible assets and evaluates events or changes in circumstances that may indicate impairment in the carrying amount of such assets. If the sum of the expected undiscounted future cash flows, excluding interest charges, is less than the carrying amount of the asset, an impairment loss is recognized. Impairment, if any, is measured on a discounted future cash flow basis.

DEPRECIATION AND AMORTIZATION
For financial reporting purposes, premises and equipment are depreciated principally using the straight-line method over their estimated useful lives.

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 up to 10 years, or the respective lease terms, whichever is shorter.

REPURCHASE AND RESALE AGREEMENTS
Repurchase and resale agreements are treated as collateralized financing transactions and are carried at the amounts at which the securities will be subsequently reacquired or resold, including accrued interest, as specified in the respective agreements. The Corporation's policy is to take possession of securities purchased under agreements to resell. The market value of securities to be repurchased and resold is monitored, and additional collateral may be obtained where considered appropriate to protect against credit exposure.

TREASURY STOCK
The Corporation records common stock purchased for treasury at cost. At the date of subsequent reissue, the treasury stock account is reduced by the cost of such stock on the first-in, first-out basis.

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

Interest rate swaps are agreements with a counterparty to exchange periodic

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

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

As required, effective January 1, 2001, the Corporation implemented SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended. 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 accounting for changes in the fair value of a derivative instrument depends on whether it has been designated and qualifies as part of a hedging relationship. For derivatives not designated as hedges, the gain or loss is recognized in current earnings.

For those derivative instruments that are designated and qualify as hedging instruments, the Corporation must designate the hedging instrument, based on the exposure being hedged, as either a fair value hedge, a cash flow hedge or a hedge of a net investment in a foreign operation. The Corporation has no derivatives that hedge the net investment in a foreign operation.

For derivatives that are designated as fair value hedges (i.e., hedging the exposure to changes in the fair value of an asset or a liability attributable to a particular risk), the gain or loss on derivatives as well as the loss or gain on the hedged items are recognized in current earnings. An adjustment to the hedged item for the change in its fair value pertaining to the hedged risk is included in its carrying value. For derivatives designated as cash flow hedges (i.e., hedging the exposure to variability in expected future cash flows), the effective portions of the gain or loss on derivatives are reported as a component of accumulated other comprehensive income and recognized in earnings in the same period or periods during which the hedged transaction affects earnings. Any remaining gain or loss on these derivatives is recognized in current earnings. The Corporation will discontinue hedge accounting prospectively when it determines that the derivative is no longer an effective hedge, the derivative expires or is sold, or management discontinues the derivative's hedge designation. In those circumstances, amounts included in accumulated other comprehensive income regarding a cash flow hedge are recognized in earnings to match the earnings recognition pattern of the hedged item (e.g., level yield amortization if hedging an interest-bearing instrument). The Corporation terminated no cash flow hedges in 2002 or 2001 due to a determination that a forecasted transaction was no longer likely to occur.

FAIR VALUE HEDGING STRATEGIES

The Corporation enters into interest rate and total rate of return swaps, caps, floors and interest rate futures derivative contracts to hedge designated commercial mortgage loans held for sale, securities available for sale, commercial loans, bank notes, senior debt and subordinated debt for changes in fair value primarily due to changes in interest rates. Adjustments related to the ineffective portion of fair value hedging instruments are recorded in interest income, interest expense or noninterest income depending on the hedged item.

CASH FLOW HEDGING STRATEGY

The Corporation enters into interest rate swap contracts to modify the interest rate characteristics of designated commercial loans from variable to fixed in order to reduce the impact of interest rate changes on future interest income. The fair value of these derivatives is reported in other assets or other liabilities and offset in accumulated other comprehensive income for the effective portion of the derivatives. When the hedged transaction culminates, any unrealized gains or losses related to these swap contracts are removed from accumulated other comprehensive income and are included in interest income. Ineffectiveness of the strategy, as defined under SFAS No. 133, if any, is reported in interest income.

CUSTOMER AND OTHER DERIVATIVES
To accommodate customer needs, PNC also enters into financial derivative transactions primarily consisting of interest rate swaps, caps, floors and foreign exchange contracts. Market risk exposure from customer positions is managed through transactions with other dealers. The credit risk associated with derivatives executed with customers is essentially the same as that involved in extending loans and is subject to normal credit policies. Collateral may be obtained based on management's assessment of the customer. Additionally, the Corporation enters into other derivative transactions for risk management purposes that are not designated as accounting hedges, including credit default swaps which are used to mitigate credit risk and lower the required regulatory capital associated with commercial lending activities. The positions of customer and other derivatives are recorded at fair value and changes in value are included in noninterest income.

DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES - PRE-SFAS NO. 133
Prior to January 1, 2001, interest rate swaps, caps and floors that modified the interest rate characteristics (such as from fixed to variable, variable to fixed, or one variable index to another) of designated interest-bearing assets or liabilities were accounted for under the accrual method. The net amount payable or receivable from the derivative contract was accrued as an adjustment to interest income or interest expense of the designated instrument. Premiums on contracts were deferred and amortized over the life of the agreement as an adjustment to interest income or interest expense of the designated instruments. Unamortized premiums were included in other assets.

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

For credit default swaps that qualified for hedge accounting treatment, the premium paid to enter into the credit default swaps was recorded in other assets and deferred and amortized to noninterest expense over the life of the agreement. Changes in the fair value of credit default swaps qualifying for hedge accounting treatment were not reflected in the Corporation's financial position and had no impact on results of operations.

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

ASSET MANAGEMENT AND FUND SERVICING FEES
Asset management and fund servicing fees are recognized primarily as the services are performed. Asset management fees are primarily based on a percentage of the fair value of the assets under management and performance fees based on a percentage of the returns on such assets. Fund servicing fees are primarily based on a percentage of the fair value of the assets, and the number of shareholder accounts, administered by the Corporation.

INCOME TAXES
Income taxes are accounted for under the liability method. Deferred tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that are expected to be in effect when the differences are expected to reverse.

EARNINGS PER COMMON SHARE

Basic earnings per common share is calculated by dividing net income adjusted for preferred stock dividends declared by the weighted-average number of shares of common stock outstanding.

Diluted earnings per common share is based on net income adjusted for dividends declared on nonconvertible preferred stock. The weighted-average number of shares of common stock outstanding is increased by the assumed conversion of outstanding convertible preferred stock and debentures from the beginning of the year or date of issuance, if later, and the number of shares of common stock that would be issued assuming the exercise of stock options and the issuance of incentive shares. Such adjustments to net income and the

weighted-average number of shares of common stock outstanding are made only when such adjustments are expected to dilute earnings per common share.

STOCK-BASED COMPENSATION

At December 31, 2002, the Corporation has stock-based employee compensation plans, which are described more fully in Note 22 Stock-Based Compensation Plans. PNC accounts for these plans under APB Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations. No stock-based employee compensation expense has been reflected in net income for the Employee Stock Purchase Plan ("ESPP") and stock options as all rights and options to purchase PNC stock granted under these plans had an exercise price equal to the market value of the underlying stock on the date of grant. The following table illustrates the income from continuing operations and earnings per share as if the Corporation had applied the fair value recognition provisions of SFAS No. 123, "Accounting for Stock-Based Compensation," as amended, to stock-based employee compensation plans.

PRO FORMA INCOME FROM CONTINUING OPERATIONS AND EARNINGS PER SHARE

Year Ended December 31 In millions, except per share data	2002	2001	2000
Income from continuing operations, as reported	$1,200	$377	$1,214
Less: Total stock-based employee compensation expense determined under the fair value method for all awards, net of related tax effects	(47)	(33)	(18)
Pro forma income from continuing operations	$1,153	$344	$1,196
Earnings per share from continuing operations			
Basic-as reported	$4.23	$1.27	$4.12
Basic-pro forma	4.06	1.15	4.06
Diluted-as reported	4.20	1.26	4.09
Diluted-pro forma	4.04	1.14	4.02

RECENT ACCOUNTING PRONOUNCEMENTS

In July 2001, the FASB issued SFAS No. 142 which changed the accounting from amortizing 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 is required on at least an annual basis. The standard also addresses other accounting matters, disclosure requirements and financial statement presentation issues relating to goodwill and other intangible assets. The Corporation adopted SFAS No. 142 on January 1, 2002. As a result, during 2002 goodwill amortization decreased by approximately $117 million and net income increased by approximately $93 million. Refer to "Goodwill And Other Intangible Assets" herein and to Note 14 Goodwill And Other Intangible Assets for additional information.

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 did not have a material impact on the Corporation's consolidated financial statements.

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 adopted SFAS No. 146 prospectively as of January 1, 2003.

In October 2002, the FASB issued SFAS No. 147, "Acquisitions of Certain Financial Institutions." This statement clarified that, only if certain criteria are met, an acquisition of a less-than-whole financial institution (such as a branch acquisition) should be accounted for as a business combination. In addition, SFAS No. 147 amends SFAS No. 144 to include in its scope long-term customer-relationship intangible assets of financial institutions such as depositor- and borrower-relationship intangible assets. As a result, those intangible assets are subject to the same undiscounted cash flow recoverability test and impairment loss recognition and measurement provisions that SFAS No. 144 requires for other long-lived assets that are held and used by a company. SFAS No. 147 became effective October 1, 2002 and did not have a material impact on the Corporation's consolidated financial statements.

In November 2002, the FASB issued FIN 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others." FIN 45 elaborates on the existing disclosure requirements for most guarantees, including loan guarantees such as standby letters of credit and indemnifications. It also clarifies that at the time a company issues a guarantee, the company must recognize an initial liability for the fair or market value of the obligations it assumes under that guarantee and must disclose that information in its interim and annual financial statements. The provisions related to recognizing a liability at inception of the guarantee for the fair value of the guarantor's obligations would not apply to guarantees accounted for as derivatives. The initial recognition and measurement provisions apply on a prospective basis to guarantees issued or modified after December 31, 2002. See Note 29 Commitments And Guarantees for the disclosures currently required under FIN 45.

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation--Transition and Disclosure." This statement amends SFAS No. 123, to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, this statement amends the disclosure requirements of SFAS No. 123 to require disclosures in both annual and interim financial statements regarding the method of accounting for stock-based employee compensation and the effect of the method used on reported results. See "Stock-Based Compensation" herein and Note 22 Stock-Based Compensation Plans for additional information.

In January 2003, the FASB issued FIN 46, "Consolidation of Variable Interest Entities." See "Special Purpose Entities" herein for further information.

NOTE 2 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 loans outstanding 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 is being 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 the terms of this revised 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 may 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 net of recoveries ("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 is revalued on a quarterly basis by the independent valuation firm with changes in the value included in earnings. At December 31, 2002 the Put Option liability was approximately $57 million. A $28 million reduction from the acquisition date amount was recognized in earnings in 2002 as other noninterest income. In addition, $27 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 have 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 December 31, 2002, the independent valuation firm estimated that loans outstanding in the Serviced Portfolio at the put date would be $175 million. The total credit losses over the 18-month term of the servicing agreement are estimated to be $87 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 $114 million. Actual results may differ materially from these assumptions. See Note 29 Commitments And Guarantees.

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 reflecting 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 $5 million at December 31, 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 December 31, 2002, comparable amounts were $249 million, $183 million and $53 million, respectively.

NOTE 3 REGULATORY MATTERS

The Corporation is subject to the regulations of certain federal and state agencies and undergoes periodic examinations by such regulatory authorities.

In July 2002, the Corporation announced that in order to settle an inquiry by the Securities and Exchange Commission ("SEC") in connection with three 2001 transactions that gave rise to a financial statement restatement announced by the Corporation on January 29, 2002, PNC had consented to an SEC cease and desist order. The Corporation did not admit or deny the SEC's findings. At the same time, the Corporation 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, had entered into a written agreement

with the Office of the Comptroller of the Currency ("OCC"). These agreements address such issues as risk, management and financial controls. The Corporation and PNC Bank also entered into agreements with the Federal Reserve and the OCC, respectively, requiring the Corporation and PNC Bank to provide a plan for PNC Bank to meet the "well capitalized" and "well managed" criteria within a 180-day period.

As of December 19, 2002, the Federal Reserve and the OCC notified the Corporation and PNC Bank, respectively, that PNC Bank now met both the "well capitalized" and "well managed" criteria. This removed the limitations placed in July 2002 on the Corporation's engaging in new activities or making new investments and on PNC Bank's financial subsidiary activities. However, the written agreements remain in place, and the Corporation and PNC Bank in certain circumstances must continue to obtain prior approval from the Federal Reserve or the OCC, respectively, before making acquisitions or engaging in new activities. In addition, under applicable regulations, as long as the Corporation remains subject to the written agreement with the Federal Reserve, the Corporation must obtain prior regulatory approval to repurchase its common stock in amounts that exceed 10 percent of consolidated net worth in any 12-month period. The Corporation has incurred, and may continue to incur, additional operating costs in connection with compliance with these agreements including, among others, incremental staff and continued higher legal and consulting expenses. Further, the reputational risk created by the SEC cease and desist order and the written agreements with the Federal Reserve and the OCC could still have an impact on such matters as business generation and retention, the ability to attract and retain management, liquidity and funding.

The following table sets forth regulatory capital ratios for PNC and its only significant bank subsidiary, PNC Bank:

REGULATORY CAPITAL

December 31 Dollars in millions	Amount 2002	Amount 2001	Ratios 2002	Ratios 2001
Risk-based capital				
Tier I				
PNC	$5,121	$4,599	8.8%	7.8%
PNC Bank, N.A.	5,160	4,704	9.8	8.7
Total				
PNC	7,233	6,958	12.5	11.8
PNC Bank, N.A.	6,877	6,581	13.0	12.1
Leverage				
PNC	5,121	4,599	8.1	6.8
PNC Bank, N.A.	5,160	4,704	9.0	7.6

The access to and cost of funding new business initiatives including acquisitions, the ability to pay dividends, the level of deposit insurance costs, and the level and nature of regulatory oversight depend, in large part, on a financial institution's capital strength. The minimum regulatory capital ratios are 4% for Tier I risk-based, 8% for total risk-based and 3% for leverage. However, regulators may require higher capital levels when particular circumstances warrant. To qualify as "well capitalized," regulators require banks to maintain capital ratios of at least 6% for Tier I risk-based, 10% for total risk-based and 5% for leverage. At December 31, 2002, each bank subsidiary of the Corporation met the "well capitalized" capital ratio requirements.

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 statutory limitations on the ability of national banks to pay dividends or make other capital distributions. Without regulatory approval, the amount available for payment of dividends by PNC Bank was $460 million at December 31, 2002. Management expects that the parent company will have sufficient liquidity available to pay dividends at current rates through 2003.

Under federal law, bank subsidiaries generally may not extend credit to the parent company or its nonbank subsidiaries on terms and under circumstances that are not substantially the same as comparable extensions of credit to nonaffiliates. No extension of credit may be made to the parent company or a nonbank subsidiary which is in excess of 10% of the capital stock and surplus of such bank subsidiary or in excess of 20% of the capital and surplus of such bank subsidiary as to aggregate extensions of credit to the parent company and its subsidiaries. Such extensions of credit, with limited exceptions, must be fully

collateralized by certain specified assets. In certain circumstances, federal regulatory authorities may impose more restrictive limitations.

Federal Reserve Board regulations require depository institutions to maintain cash reserves with the Federal Reserve Bank. During 2002, subsidiary banks maintained reserves which averaged $112 million.

NOTE 4 DISCONTINUED OPERATIONS

In the first quarter of 2001, PNC closed the sale of its residential mortgage banking business. In January 2003, PNC and the buyer, Washington Mutual Bank, FA, agreed to a settlement of all issues in dispute between them in connection with the sale. The settlement has been reported in PNC's fourth quarter 2002 results in discontinued operations. The results of the residential mortgage banking business, which are presented on one line in the Consolidated Statement Of Income, are as follows:

INCOME (LOSS) FROM DISCONTINUED OPERATIONS

Year ended December 31 - in millions	2002	2001	2000
Income from operations, after tax		$15	$65
Net loss on sale of business, after tax	$(16)	(10)	
Total income (loss) from discontinued operations	$(16)	$5	$65

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

NOTE 5 FOURTH QUARTER 2001 ACTIONS

In the fourth quarter of 2001, PNC took several actions to accelerate the strategic repositioning of its lending businesses that began in 1998. The Corporation decided to exit approximately $7.9 billion of credit exposure including $3.1 billion of loan outstandings in the institutional lending portfolios. Of these amounts, approximately $5.2 billion of credit exposure and $2.9 billion of loans, respectively, were transferred to loans held for sale in 2001. In connection with the transfer to held for sale, $653 million of charge-offs and valuation adjustments were recognized in the fourth quarter of 2001. In addition, $90 million in charge-offs were taken against the allowance for credit losses specifically allocated to these loans in the fourth quarter of 2001. During 2002, actions were begun to liquidate the institutional held for sale portfolio resulting in net gains in excess of valuation adjustments totaling $147 million. Approximately $626 million of exposure and $298 million of loans remained to be liquidated at December 31, 2002.

Also in the fourth quarter of 2001, PNC decided to discontinue its vehicle leasing business due to continued depressed market conditions and the increased difficulty and cost of obtaining residual value insurance protection. The vehicle leasing business had assets of $1.4 billion and $1.9

billion at December 31, 2002 and December 31, 2001, respectively, that were designated for exit and will mature over a period of approximately four years. Costs incurred in 2001 to exit this business, including the impairment of goodwill associated with a prior acquisition and employee severance costs and additions to reserves related to insured residual value exposures, totaled $135 million and were charged to noninterest expense in 2001.

The Corporation also recorded charges of $65 million in the fourth quarter of 2001 for certain integration, severance and other costs related to other strategic initiatives. During 2002, the Corporation recognized a $19 million reduction of these charges that related to a PFPC facilities consolidation strategy that has been modified, as certain originally contemplated relocations will not occur.

NOTE 6 SALE OF SUBSIDIARY STOCK

PNC recognizes as income the gain from the sale of stock by its subsidiaries. The gain is the difference between PNC's basis in the stock and the proceeds per share received. PNC provides applicable taxes on the gain. Gains from the sale of stock by PNC's subsidiaries are recorded in other noninterest income in the Consolidated Statement Of Income and were not material for 2002, 2001 or 2000.

NOTE 7 CASH FLOWS

For the consolidated statement of cash flows, cash and cash equivalents are defined as cash and due from banks.

The following table sets forth information pertaining to acquisitions and divestitures that affected cash flows:

CASH FLOWS

Year ended December 31 - in millions	2002	2001	2000
Assets (acquired) divested	$(1,736)	$7,252	$(4)
Liabilities (acquired) divested	(60)	6,852	(4)
Cash paid	1,676	18	31
Cash and due from banks received		503	1

NOTE 8 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 in 2002, 2001 and 2000 included in noninterest income was as follows:

DETAILS OF TRADING ACTIVITIES

Year ended December 31 - in millions	2002	2001	2000
Corporate services	$1	$5	$7
Other noninterest income			
Securities underwriting and trading	55	55	42
Derivatives trading	11	61	20
Foreign exchange	25	26	22
Net trading income	$92	$147	$91

NOTE 9 SECURITIES

<TABLE>
<CAPTION>

In millions	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
DECEMBER 31, 2002				
SECURITIES AVAILABLE FOR SALE				
Debt securities				
U.S. Treasury and government agencies	$813	$13		$826
Mortgage-backed	8,916	189	$(2)	9,103
Asset-backed	2,699	83	(2)	2,780
State and municipal	61	2		63
Other debt	58	3		61
Total debt securities	12,547	290	(4)	12,833
Corporate stocks and other	597	1	(13)	585
Total securities available for sale	$13,144	$291	$(17)	$13,418
SECURITIES HELD TO MATURITY				
Debt securities				

	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
U.S. Treasury and government agencies	$276	$33		$309
Asset-backed	8			8
Other debt	61			61
Total debt securities	345	33		378
Total securities held to maturity	$345	$33		$378
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
December 31, 2000				
SECURITIES AVAILABLE FOR SALE				
Debt securities				
U.S. Treasury and government agencies	$313	$1	$(1)	$313
Mortgage-backed	4,197	14	(48)	4,163
Asset-backed	742		(10)	732
State and municipal	94	2		96
Other debt	73	1	(1)	73
Total debt securities	5,419	18	(60)	5,377
Corporate stocks and other	537	2	(14)	525
Total securities available for sale	$5,956	$20	$(74)	$5,902

</TABLE>

Total securities at December 31, 2002 were $13.8 billion compared with $13.9 billion at December 31, 2001 and $5.9 billion at December 31, 2000. Securities represented 21% of total assets at December 31, 2002 compared with 20% at December 31, 2001 and 8% at December 31, 2000.

The expected weighted-average life of securities available for sale was 2 years and 8 months at December 31, 2002 compared with 4 years at December 31, 2001 and 4 years and 5 months at December 31, 2000.

The securities classified as held to maturity are carried at amortized cost and were owned by companies formed with American International Group, Inc. ("AIG") in 2001 that were consolidated in PNC's financial statements. In January 2003, these securities were sold and these companies were liquidated. See Note 32 Subsequent Events.

The expected weighted-average life of securities held to maturity was 20 years and 2 months at December 31, 2002 and 18 years and 11 months at December 31, 2001. PNC had no securities held for maturity at December 31, 2000.

At December 31, 2002, the securities available for sale balance included a net unrealized gain of $274 million, which represented the difference between fair value and amortized cost. The comparable amounts at December 31, 2001 and December 31, 2000 were net unrealized losses of $132 million and $54 million, respectively. Net unrealized gains and losses in the securities available for sale portfolio are included in shareholders' equity as 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 $89 million in 2002, $128 million in 2001 and $29 million in 2000. Net securities gains for 2001 and 2000 included $3 million of net securities losses and $9 million of net securities gains, respectively, related to commercial mortgage banking activities that were reported in corporate services revenue. There were no comparable amounts in 2002.

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

SECURITIES SOLD

Year ended December 31 In millions	Proceeds	Gross Gains	Gross Losses	Net Gains	Taxes
2002	$16,395	$106	$17	$89	$31
2001	19,693	144	16	128	45
2000	7,630	37	8	29	10

The carrying value of securities pledged to secure public and trust deposits and repurchase agreements and for other purposes was $9.5 billion and $6.2 billion at December 31, 2002 and December 31, 2001, respectively. The fair value of securities accepted as collateral that the Corporation is permitted by contract or custom to sell or repledge was $582 million at December 31, 2002, and is included in short-term investments on the Consolidated Balance Sheet. Of this amount, $524 million was repledged to others.

The following table presents the amortized cost, fair value and weighted-average yield of debt securities at December 31, 2002, by remaining contractual maturity.

CONTRACTUAL MATURITY OF DEBT SECURITIES

<TABLE>
<CAPTION>

December 31, 2002 Dollars in millions	Within 1 Year	1 to 5 Years	5 to 10 Years	After 10 Years	Total
<S>	<C>	<C>	<C>	<C>	<C>
SECURITIES AVAILABLE FOR SALE					
U.S. Treasury and government agencies	$193	$606	$9	$5	$813
Mortgage-backed		38	555	8,323	8,916
Asset-backed		1,128	237	1,334	

					2,699
State and municipal	4	18	33	6	61
Other debt	4	28	23	3	58
Total securities available for sale	$201	$1,818	$857	$9,671	$12,547
Fair value	$202	$1,908	$876	$9,847	$12,833
Weighted-average yield	1.35%	5.34%	4.22%	4.65%	4.67%
SECURITIES HELD TO MATURITY					
U.S. Treasury and government agencies				$276	$276
Asset-backed		$8			8
Other debt	$33	22	$6		61
Total securities held to maturity	$33	$30	$6	$276	$345
Fair value	$33	$30	$6	$309	$378
Weighted-average yield	1.48%	1.57%	5.88%	5.77%	4.99%

</TABLE>

Based on current interest rates and expected prepayment speeds, the total weighted-average expected maturity of mortgage-backed securities was 2 years and 11 months and of asset-backed securities was 2 years and 2 months at December 31, 2002. Weighted-average yields are based on historical cost with effective yields weighted for the contractual maturity of each security.

NOTE 10 LOANS AND COMMITMENTS TO EXTEND CREDIT
Loans outstanding were as follows:

<TABLE>
<CAPTION>

December 31 - in millions	2002	2001	2000	1999	1998
<S>	<C>	<C>	<C>	<C>	<C>
Commercial	$14,987	$15,205	$21,207	$21,468	$25,177
Commercial real estate	2,267	2,372	2,583	2,730	3,449
Consumer	9,854	9,164	9,133	9,348	10,980
Residential mortgage	3,921	6,395	13,264	12,506	12,253
Lease financing	5,081	5,557	4,845	3,663	2,978
Credit card					2,958
Other	415	445	568	682	392
Total loans	36,525	39,138	51,600	50,397	58,187
Unearned income	(1,075)	(1,164)	(999)	(724)	(554)

Total loans, net of unearned income	$35,450	$37,974	$50,601	$49,673	$57,633

</TABLE>

Loans outstanding and related unfunded commitments are concentrated in PNC's primary geographic markets. At December 31, 2002, no specific industry concentration exceeded 7.5 % of total commercial loans outstanding and unfunded commitments.

NET UNFUNDED COMMITMENTS

December 31 - in millions	2002	2001
Commercial	$19,525	$20,233
Commercial real estate	718	711
Consumer	5,372	4,977
Lease financing	103	146
Other	125	139
Institutional lending repositioning	1,015	4,837
Total	$26,858	$31,043

Commitments to extend credit represent arrangements to lend funds subject to specified contractual conditions. At December 31, 2002, commercial commitments are reported net of $6.2 billion of participations, assignments and syndications, primarily to financial institutions. The comparable amount was $7.1 billion at December 31, 2001. Commitments generally have fixed expiration dates, may require payment of a fee, and contain termination clauses in the event the customer's credit quality deteriorates. Based on the Corporation's historical experience, most commitments expire unfunded, and therefore cash requirements are substantially less than the total commitment.

Net outstanding letters of credit totaled $3.7 billion at December 31, 2002 and $4.0 billion at December 31, 2001 and consisted primarily of standby letters of credit that commit the Corporation to make payments on behalf of customers if certain specified future events occur. Such instruments are typically issued to support industrial revenue bonds, commercial paper, and bid-or-performance related contracts. At year-end 2002, the largest industry concentration within standby letters of credit was for real estate projects, which accounted for approximately 8% of the total. Maturities for standby letters of credit ranged from 2003 to 2010. See Note 29 Commitments And Guarantees.

At December 31, 2002, $11.6 billion of loans were pledged to secure borrowings and for other purposes.

Certain directors and executive officers of the Corporation and its subsidiaries, as well as certain affiliated companies of these directors and officers, were customers of and had loans with subsidiary banks in the ordinary course of business. All such loans were on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other customers and did not involve more than a normal risk of collectibility or present other unfavorable features. The aggregate principal amounts of these loans were $18 million and $24 million at December 31, 2002 and 2001, respectively. During 2002, new loans of $52 million were funded and repayments totaled $58 million.

NOTE 11 NONPERFORMING ASSETS

The following table sets forth nonperforming assets and related information:

<TABLE>
<CAPTION>

December 31 - dollars in millions	2002	2001	2000	1999	1998
<S>	<C>	<C>	<C>	<C>	<C>
Nonaccrual loans	$308	$211	$323	$291	$286
Troubled debt restructured loan	1				
Total nonperforming loans	309	211	323	291	

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Nonperforming loans held for sale (a)	97	169	33	17	
Foreclosed assets	12	11	16	17	33
Total nonperforming assets (b)	$418	$391	$372	$325	$319
Nonperforming loans to total loans	.87%	.56%	.64%	.59%	.50%
Nonperforming assets to total loans, loans held for sale and foreclosed assets	1.13	.93	.71	.61	.55
Nonperforming assets to total assets	.63	.56	.53	.47	.45
Interest on nonperforming loans					
Computed on original terms	$23	$27	$42	$28	$25
Recognized	10	10	10	11	6
Past due loans					
Accruing loans past due 90 days or more	$130	$159	$113	$86	$263
As a percentage of total loans	.37%	.42%	.22%	.17%	.46%
Past due loans held for sale					
Accruing loans held for sale past due 90 days or more	$32	$33	$16	$24	
As a percentage of total loans held for sale	1.99%	.79%	.97%	.69%	

</TABLE>

(a) Includes $17 million and $6 million of troubled debt restructured loans held for sale at December 31, 2002 and 2001, respectively.

(b) Excludes $40 million (including $12 million of troubled debt restructured assets), $18 million, $18 million and $13 million of equity management assets at December 31, 2002, 2001, 2000 and 1999, respectively, that are carried at estimated fair value.

NOTE 12 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	2000
January 1	$560	$598	$600
Charge-offs	(267)	(985)	(186)
Recoveries	44	37	51
Net charge-offs	(223)	(948)	(135)
Provision for credit losses	309	903	136
Acquired allowance (NBOC acquisition)	41		
Net change in allowance for unfunded loan commitments and letters of credit	(14)	7	(3)
December 31	$673	$560	$598

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

In millions	2002	2001	2000
Allowance at January 1	$70	$77	$74
Net change in allowance for unfunded loan commitments			

and letters of credit	14	(7)	3
December 31	$84	$70	$77

Impaired loans totaling $234 million and $192 million at December 31, 2002 and 2001, respectively, had a corresponding specific allowance for credit losses of $80 million and $28 million. The average balance of impaired loans was $242 million in 2002, $319 million in 2001 and $277 million in 2000. There was no interest income recognized on impaired loans in 2002, 2001 or 2000.

NOTE 13 PREMISES, EQUIPMENT AND LEASEHOLD IMPROVEMENTS

Premises, equipment and leasehold improvements, stated at cost less accumulated depreciation and amortization, were as follows:

December 31 - in millions	2002	2001
Land	$88	$87
Buildings	452	448
Equipment	1,542	1,413
Leasehold improvements	398	321
Total	2,480	2,269
Accumulated depreciation and amortization	(1,238)	(1,141)
Net book value	$1,242	$1,128

Depreciation and amortization expense on premises, equipment and leasehold improvements totaled $183 million in 2002, $168 million in 2001 and $149 million in 2000.

Certain facilities and equipment are leased under agreements expiring at various dates through the year 2071. Substantially all such leases are accounted for as operating leases. Rental expense on such leases amounted to $180 million in 2002, $165 million in 2001 and $148 million in 2000.

At December 31, 2002 and 2001, required minimum annual rentals due on noncancelable leases having initial or remaining terms in excess of one year aggregated $1.0 billion and $908 million, respectively. Minimum annual rentals for each of the years 2003 through 2007 are $154 million, $137 million, $126 million, $106 million and $93 million, respectively.

In the fourth quarter of 2001, management of PFPC initiated a plan to consolidate certain facilities as a follow-up to the integration of the Investor Services Group acquisition. In connection with this initiative and other strategic actions, pretax charges to noninterest expense of $36 million were recognized in the fourth quarter of 2001. During 2002, these reserves were reduced by $19 million as the facilities strategy has been modified and certain originally contemplated relocations will not occur.

NOTE 14 GOODWILL AND OTHER INTANGIBLE ASSETS

Effective January 1, 2002, the Corporation implemented SFAS No. 142 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. During the fourth quarter of 2002, the Corporation performed the first step of its annual goodwill impairment test on its reporting units, using data as of September 30, 2002. Barring any adverse triggering events in the interim, the Corporation will perform its annual test during the fourth quarter of each year. The results of these tests during 2002 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 discounted cash flow and market comparability methodologies. 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.

A summary of the changes in goodwill by business during 2002 follows:

GOODWILL

In millions	January 1	Goodwill	Adjust-	Dec. 31

	2002	Acquired	ments	2002
Regional Community Banking	$438			$438
Corporate Banking	39			39
PNC Real Estate Finance	298		$4	302
PNC Business Credit	23	$277	(2)	298
PNC Advisors	151		1	152
BlackRock	175			175
PFPC	912		(3)	909
Total	$2,036	$277		$2,313

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

OTHER INTANGIBLE ASSETS

December 31 - in millions	2002	2001
Customer-related intangibles		
Gross carrying amount	$199	$185
Accumulated amortization	(67)	(47)
Net carrying amount	$132	$138
Mortgage and other loan servicing rights		
Gross carrying amount	$313	$286
Accumulated amortization	(112)	(87)
Net carrying amount	$201	$199
Total	$333	$337

The majority 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, on an accelerated basis. For customer-related intangibles, the estimated remaining useful lives range from one to fifteen years, with a weighted-average remaining useful life of approximately seven years. The Corporation's mortgage and other loan servicing rights are amortized primarily 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 during 2002 follows:

CHANGES IN GOODWILL AND OTHER INTANGIBLES

In millions	Goodwill	Customer -Related	Servicing Rights
Balance at December 31, 2001	$2,036	$138	$199
Additions/adjustments	277	14	27
Amortization		(20)	(25)
BALANCE AT DECEMBER 31, 2002	$2,313	$132	$201

In conjunction with the 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 2002 was approximately $45 million. Amortization expense on existing intangible assets for 2003, 2004, 2005, 2006 and 2007 is estimated to be $44 million, $43 million, $39 million, $36 million and $34 million, respectively.

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

PRO FORMA EFFECTS

Year ended December 31 In millions, except per share data	2002	2001	2000
Reported net income	$1,184	$377	$1,279
Goodwill amortization, net of taxes		93	93
Pro forma net income	$1,184	$470	$1,372

Basic earnings per share			
Reported, from net income	$4.18	$1.27	$4.35
Goodwill amortization, net of taxes		.33	.32
Pro forma basic earnings per share	$4.18	$1.60	$4.67
Diluted earnings per share			
Reported, from net income	$4.15	$1.26	$4.31
Goodwill amortization, net of taxes		.32	.32
Pro forma diluted earnings per share	$4.15	$1.58	$4.63

NOTE 15 SECURITIZATIONS

During 2002, PNC sold commercial mortgage loans totaling $239 million and other loans totaling $38 million in secondary market securitizations. These securitization transactions resulted in pretax gains of $4 million and $2 million, respectively, for the year ended December 31, 2002.

During 2001, the Corporation sold residential mortgage loans, commercial mortgage loans and other loans totaling $1.0 billion, $374 million, and $82 million, respectively, in secondary market securitization transactions. These securitization transactions resulted in pretax gains of $9.6 million, $1 million, and $2 million, respectively, for the year ended December 31, 2001.

In addition to the sale of loans discussed above, in March 2001 PNC securitized $3.8 billion of residential mortgage loans by selling the loans into a trust with PNC retaining 99%, or $3.7 billion, of the certificates. PNC also securitized $175 million of commercial mortgage loans by selling the loans into a trust with PNC retaining 99%, or $173 million, of the certificates. In each case, the 1% interest in the trust was purchased by a publicly-traded entity managed by a subsidiary of PNC. A substantial portion of the entity's purchase price was financed by PNC. The reclassification of these loans to

securities increased the liquidity of the assets and was consistent with PNC's on-going balance sheet restructuring.

At the time of the residential mortgage securitization, gains of $25.9 million were deferred and were recognized when principal payments were received or the securities sold to third parties. At December 31, 2001, these securities had been reduced to $1.3 billion through sales and principal payments and the remaining deferred gains were $7.8 million. In the first quarter of 2002, the remaining securities were sold. The deferred gain remaining at the time of sale of $6.0 million was recognized as other noninterest income.

No gain was recognized at the time of the commercial mortgage loan securitization and none of the securities retained at the time of the securitization remained on the balance sheet at December 31, 2001.

In addition to the securities discussed above, the Corporation retained certain interest-only strips and servicing rights that were created in the sale of certain loans and securities. Additional information on these items is contained below.

Key economic assumptions used in measuring the fair value of the interest-only strips and servicing rights at the date of the securitization resulting from securitizations completed during the year and related information were as follows:

KEY ECONOMIC ASSUMPTIONS

Dollars in millions	Fair Value	Weighted Average Life (Years)	Prepayment Speed (CPR)(a)	Discount Rate
During 2002				
Residential mortgage	$7	1.2 - 1.5	60.0%	7.50%
Commercial mortgage	3	30.0	10.0	10.00 - 12.00
Other	2	2.4	(b)	4.14
During 2001				
Residential				

mortgage	$38	1.2 - 1.7	36.0%	10.00%
Commercial mortgage	5	9.4	10.0	10.00
Other	2	1.9	(b)	4.14

(a) Constant Prepayment Rate ("CPR").

(b) Historically, there have been no prepayments on these loans, which are guaranteed by an agency of the U. S. Government.

Quantitative information about managed securitized loan portfolios in which the Corporation had interest-only strips outstanding at December 31, 2002 and related delinquencies follows:

INTEREST-ONLY STRIPS

December 31 - in millions	Managed		Delinquencies	
	2002	2001	2002	2001
Residential loans	$650	$1,058	$22	$24
Student loans	338	453	39	49
Total managed loans	$988	$1,511	$61	$73

Certain cash flows received from and paid to securitization trusts or other entities in which the Corporation had retained interests outstanding during the period follows:

SECURITIZATION CASH FLOWS

Year ended December 31 - in millions	2002	2001
Proceeds from new securitizations	$278	$1,040
Servicing revenue	5	8
Other cash flows received on retained interests	12	16

Proceeds from new securitizations are limited to cash proceeds received from third parties. It excludes the value of securities generated as a result of the recharacterization of loans to securities. During 2002 and 2001, there were no purchases of delinquent or foreclosed assets, and servicing advances and repayments of servicing advances related to these securitizations were not significant.

Changes in the Corporation's commercial mortgage servicing assets are as follows:

COMMERCIAL MORTGAGE SERVICING ASSET ACTIVITY

In millions	2002	2001
Balance at January 1	$199	$156
Additions	27	70
Amortization	(25)	(27)
Balance at December 31	$201	$199

Assuming a prepayment speed of 10% and weighted average life of 10.7 years discounted at 8.5%, the estimated fair value of commercial mortgage servicing rights was $227 million at December 31, 2002. A 10% and 20% adverse change in all assumptions used to determine fair value at December 31, 2002, results in a $23 million and $46 million decrease in fair value, respectively. No valuation allowance was necessary at December 31, 2002 or December 31, 2001.

At December 31, 2002, key economic assumptions and the sensitivity of the current fair value of residual cash flows to an immediate 10% or 20% adverse change in those assumptions are as follows:

FAIR VALUE ASSUMPTIONS

December 31, 2002 Dollars in millions	Residential Mortgages	Student Loans	Other
Fair value of retained interest (carrying value)	$9	$65	$3

Weighted-average life (in years)	1.1	1.6	1.8
Residual cash flows discount rate	7.50%	3.6	4.14%
Impact on fair value of 10% adverse change		$(.9)	
Impact on fair value of 20% adverse change	$(.1)	(1.7)	
Prepayment speed assumption (CPR)	60.0%	20.8%	(a)
Impact on fair value of 10% adverse change	$(.8)	$(.8)	(a)
Impact on fair value of 20% adverse change	(1.4)	(1.6)	(a)

(a) Historically, there have been no prepayments on these loans, which are guaranteed by an agency of the U. S. Government.

These sensitivities are hypothetical and should be used with caution. As the figures indicate, changes in fair value based on a 10% variation in assumptions generally cannot be extrapolated because the relationship of the change in assumption to the change in fair value may not be linear. Also, the effect of a variation in a particular assumption on fair value is calculated independently of variations in other assumptions, whereas a change in one factor may realistically have an impact on another, which might magnify or counteract the sensitivities.

NOTE 16 DEPOSITS

The aggregate amount of time deposits with a denomination greater than $100,000 was $2.7 billion and $4.0 billion at December 31, 2002 and 2001, respectively. Remaining contractual maturities of time deposits for the years 2003 through 2007 and thereafter are $5.7 billion, $2.4 billion, $947 million, $473 million and $1.1 billion, respectively.

NOTE 17 BORROWED FUNDS

Bank notes have interest rates ranging from 1.46% to 6.14% with approximately 60% maturing in 2003. Senior and subordinated notes consisted of the following:

December 31, 2002 Dollars in millions	Outstanding	Stated Rate	Maturity
Senior	$2,546	1.93% - 7.00%	2003 - 2006
Subordinated			
Nonconvertible	2,423	6.13 - 8.25	2003 - 2009
Total	$4,969		

Borrowed funds have scheduled repayments for the years 2003 through 2007 and thereafter of $3.1 billion, $2.1 billion, $1.1 billion, $1.2 billion and $1.6 billion, respectively. Included in borrowed funds are Federal Home Loan Bank advances of $1.3 billion at December 31, 2002 which are collateralized by a blanket lien.

Included in outstandings for the senior and subordinated notes in the table above are basis adjustments of $93 million and $212 million, respectively, related to SFAS No. 133.

NOTE 18 CAPITAL SECURITIES OF SUBSIDIARY TRUSTS

Mandatorily Redeemable Capital Securities of Subsidiary Trusts ("Capital Securities") include nonvoting preferred beneficial interests in the assets of PNC Institutional Capital Trust A, Trust B and Trust C. Trust A, formed in December 1996, holds $350 million of 7.95% junior subordinated debentures, due December 15, 2026, and redeemable after December 15, 2006, at a premium that declines from 103.975% to par on or after December 15, 2016. Trust B, formed in May 1997, holds $300 million of 8.315% junior subordinated debentures due May 15, 2027, and redeemable after May 15, 2007, at a premium that declines from 104.1575% to par on or after May 15, 2017. Trust C, formed in June 1998, holds $200 million of junior subordinated debentures due June 1, 2028, bearing interest at a floating rate per annum equal to 3-month LIBOR plus 57 basis points. The rate in effect at December 31, 2002 was 1.99%. Trust C Capital Securities are redeemable on or after June 1, 2008 at par.

Cash distributions on the Capital Securities are made to the extent interest on the debentures is received by the Trusts. In the event of certain changes or amendments to regulatory requirements or federal tax rules, the Capital Securities are redeemable in whole.

Trust A is a wholly owned finance subsidiary of PNC Bank, N.A., PNC's principal bank subsidiary, and Trusts B and C are wholly owned finance subsidiaries of the Corporation.

The respective parents of the Trusts have, through the agreements governing the Capital Securities, taken together, fully, irrevocably and unconditionally guaranteed all of the obligations of the Trusts under the Capital Securities. See Note 3 Regulatory Matters for a discussion of certain dividend restrictions.

NOTE 19 SHAREHOLDERS' EQUITY

Information related to preferred stock is as follows:

December 31 Shares in thousands	Liquidation value per share	Preferred Shares 2002	Preferred Shares 2001
Authorized			
$1 par value		17,135	17,172
Issued and outstanding			
Series A	40	9	10
Series B	40	3	3
Series C	20	187	204
Series D	20	273	293
Total		472	510

Series A through D are cumulative and, except for Series B, are redeemable at the option of the Corporation. Annual dividends on Series A, B and D preferred stock total $1.80 per share and on Series C preferred stock total $1.60 per share. Holders of Series A through D preferred stock are entitled to a number of votes equal to the number of full shares of common stock into which such preferred stock is convertible. Series A through D preferred stock have the following conversion privileges: (i) one share of Series A or Series B is convertible into eight shares of common stock; and (ii) 2.4 shares of Series C or Series D are convertible into four shares of common stock.

During 2000, the Board of Directors adopted a shareholder rights plan providing for issuance of share purchase rights. Except as provided in the plan, if a person or group becomes beneficial owner of 10% or more of PNC's outstanding common stock, all holders of the rights, other than such person or group, may purchase PNC common stock or equivalent preferred stock at half of market value.

The Corporation has a dividend reinvestment and stock purchase plan. Holders of preferred stock and common stock may participate in the plan, which provides that additional shares of common stock may be purchased at market value with reinvested dividends and voluntary cash payments. Common shares issued pursuant to this plan were: 796,140 shares in 2002, 472,015 shares in 2001, and 649,334 shares in 2000.

At December 31, 2002, the Corporation had reserved approximately 30.7 million common shares to be issued in connection with certain stock plans and the conversion of certain debt and equity securities.

In January 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 in privately negotiated transactions. This authorization terminated any prior authorization. During 2002, a total of 320,000 shares were repurchased under this program, all in the first quarter. Under this program, the Corporation currently expects to purchase between $250 million and $1 billion of its common stock during 2003. The extent and timing of any future share repurchases will depend on a number of factors including, among others, market and general economic conditions, regulatory capital considerations, alternative uses of capital and the potential impact on PNC's credit rating. Under applicable regulations, as long as PNC remains subject to its written agreement with the Federal Reserve, it must obtain prior regulatory approval to repurchase its common stock in amounts that exceed 10 percent of consolidated net worth in any 12-month period.

NOTE 20 FINANCIAL DERIVATIVES

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

Earnings adjustments resulting from cash flow and fair value hedge

ineffectiveness were not significant to the results of operations of the Corporation during 2002 or 2001.

During the next twelve months, the Corporation expects to reclassify to earnings $138 million of pretax net gains, or $90 million after tax, on cash flow hedge derivatives currently reported in accumulated other comprehensive income. These net gains are anticipated to result from net cash flows on receive fixed interest rate swaps and would mitigate reductions in interest income recognized on the related floating rate commercial loans.

The Corporation generally has established agreements with its major derivative dealer counterparties that provide for exchanges of marketable securities or cash to collateralize either party's positions. At December 31, 2002 the Corporation held cash and U.S. government securities with a fair value of $377 million and pledged mortgage-backed securities with a fair value of $149 million under these agreements.

NOTE 21 EMPLOYEE BENEFIT PLANS

PENSION AND POST-RETIREMENT PLANS
The Corporation has a noncontributory, qualified defined benefit pension plan covering most employees. Retirement benefits are derived from a cash balance formula based on compensation levels, age and length of service. Pension contributions are based on an actuarially determined amount necessary to fund total benefits payable to plan participants.

The Corporation also maintains nonqualified supplemental retirement plans for certain employees. All retirement benefits provided under these plans are unfunded and any payments to plan participants are made by the Corporation. The Corporation also provides certain health care and life insurance benefits for retired employees ("post-retirement benefits") through various plans.

A reconciliation of the changes in the benefit obligation for qualified and nonqualified pension plans and post-retirement benefit plans as well as the change in plan assets for the qualified pension plan is as follows:

<TABLE>
<CAPTION>

	Qualified Pension		Nonqualified Pension		Post-retirement Benefits	
December 31 - in millions	2002	2001	2002	2001	2002	2001
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Benefit obligation at beginning of year	$854	$798	$66	$58	$211	$203
Service cost	33	30	1	2	2	2
Interest cost	61	61	5	5	15	14
Actuarial loss	38	35	2	6	38	12
Participant contributions					5	4
Benefits paid	(68)	(70)	(4)	(5)	(26)	(24)
Benefit obligation at end of year	$918	$854	$70	$66	$245	$211
Fair value of plan assets at beginning of year	$928	$952				
Actual loss on plan assets	(104)	(89)				
Employer contribution	210	135	$5	$5		
Benefits paid	(68)	(70)	(5)	(5)		
Fair value of plan assets at end of year	$966	$928				
Funded status	$48	$73	$(70)	$(65)	$(245)	$(211)

	Qualified 2002	Qualified 2001	Nonqualified 2002	Nonqualified 2001	Post-retirement 2002	Post-retirement 2001
Unrecognized net actuarial loss	485	266	25	23	85	50
Unrecognized prior service cost (credit)	(5)	(6)	2	3	(48)	(54)
Net amount recognized on the balance sheet	$528	$333	$(43)	$(39)	$(208)	$(215)
Prepaid pension cost	$528	$333	$(43)	$(39)		
Additional minimum liability			(23)	(21)		
Intangible asset			2	3		
Accumulated other comprehensive loss			21	18		
Net amount recognized on the balance sheet	$528	$333	$(43)	$(39)		

</TABLE>

Plan assets primarily consist of listed common stocks, U.S. government and agency securities and various mutual funds managed by BlackRock from which BlackRock and PFPC receive compensation for providing investment advisory, custodial and transfer agency services. Plan assets are managed by BlackRock and do not include common or preferred stock of the Corporation.

The components of net periodic pension and post-retirement benefit cost were as follows:

<TABLE>
<CAPTION>

	Qualified Pension Plans			Nonqualified Pension Plans			Post-retirement Benefits		
Year ended December 31 - in millions	2002	2001	2000	2002	2001	2000	2002	2001	2000
Service cost	$33	$30	$31	$1	$2	$2	$2	$2	$2
Interest cost	61	61	60	5	5	5	15	14	14
Expected return on plan assets	(97)	(97)	(93)						
Transition amount amortization			(5)			1			
Curtailment gain								(3)	
Amortization of prior service cost	(1)	(1)	(1)				(6)	(6)	(6)
Recognized net actuarial loss	19			2	2	(1)	2		
Losses due to settlements						7			
Net periodic cost	$15	$(7)	$(8)	$8	$9	$14	$13	$7	$10

</TABLE>

Weighted-average assumptions were as follows:

	Qualified and Nonqualified Pensions		
As of December 31	2002	2001	2000
Discount rate	6.75%	7.25%	7.50%
Rate of compensation increase	4.00	4.50	4.50

The assumption for the expected long-term return on plan assets was 9.50% for the determination of net periodic pension cost for the 2002, 2001 and 2000 fiscal years. The Corporation intends to change this assumption to 8.50% for determining pension cost in fiscal 2003 to reflect a more conservative view of long-term future trust returns.

	Post-retirement Benefits		
As of December 31	2002	2001	2000
Discount rate	6.75%	7.25%	7.50%
Expected health care cost trend rate			
Following year	11.00	7.75	7.75
Ultimate	5.25	5.50	5.00
Year to Reach Ultimate	2009	2005	2005

The health care cost trend rate declines until it stabilizes at 5.25% beginning in 2009. A one-percentage-point change in assumed health care cost trend rates would have the following effects:

Year ended December 31, 2002 - in millions	Increase	Decrease
Effect on total service and interest cost	$1	$(1)
Effect on post-retirement benefit obligation	13	(11)

INCENTIVE SAVINGS PLAN

The Corporation sponsors an incentive savings plan that covers substantially all employees. Under this plan, employee contributions up to 6% of biweekly compensation as defined by the plan are matched, subject to Internal Revenue Code limitations. Contributions to the plan for 2002 are matched primarily by shares of PNC common stock held in treasury, except for participants who have exercised their diversification election rights. Contributions to the Plan for prior years were matched primarily by shares of PNC common stock held in treasury, or by the Corporation's employee stock ownership plan ("ESOP"). The Corporation also maintains a nonqualified supplemental savings plan for certain employees.

Prior to 2002, the Corporation made annual contributions to the ESOP that were at least equal to the debt service requirements on the ESOP's borrowings less dividends received by the ESOP. All dividends received by the ESOP were used to pay debt service. Dividends used for debt service totaled $8 million in 2001 and $9 million in 2000. To satisfy additional debt service requirements, PNC contributed $1 million in 2001. No contributions were made in 2000. As of December 31, 2001 the ESOP's borrowings were paid off and fully extinguished.

As the ESOP's borrowings were repaid, shares were allocated to employees who made contributions during the year based on the proportion of annual debt service to total debt service. The Corporation includes all ESOP shares as common shares outstanding in the earnings per share computation.

COMPONENTS OF ESOP SHARES

As of or for the year ended December 31 In thousands	2002	2001
Unallocated		
Allocated	4,008	4,134
Released for allocation		364
Retired		(490)
Total	4,008	4,008

Compensation expense related to the portion of contributions matched with ESOP shares is determined based on the number of ESOP shares allocated. Compensation expense related to these plans was $47 million, $28 million and $30 million for 2002, 2001 and 2000, respectively.

NOTE 22 STOCK-BASED COMPENSATION PLANS

The Corporation has a long-term incentive award plan ("Incentive Plan") that provides for the granting of incentive stock options, nonqualified stock options, stock appreciation rights, performance units, restricted stock and other incentive shares to executives and directors. In any given year, the number of shares of common stock available for grant under the Incentive Plan may range from 1.5% to 3% of total issued shares of common stock determined at the end of the preceding calendar year. Of this amount, no more than 20% is available for restricted stock and other incentive share awards.

As of December 31, 2002 no incentive stock options, stock appreciation rights or performance unit awards were outstanding.

NONQUALIFIED STOCK OPTIONS

Options are granted at exercise prices not less than the market value of common stock on the date of grant. Generally, options granted since 1999 become exercisable in installments after the grant date. Options granted prior to 1999 are mainly exercisable twelve months after the grant date. Payment of the option price may be in cash or previously owned shares of common stock at market value on the exercise date.

A summary of stock option activity follows:

	Per Option		
Shares in thousands	Exercise Price	Weighted-Average Exercise Price	Shares
January 1, 2000	$11.38 - $76.00	$44.83	11,075
Granted	42.19 - 66.22	44.20	4,171
Exercised	11.38 - 59.31	37.77	(2,952)
Terminated	31.13 - 61.75	48.10	(496)
December 31, 2000	21.63 - 76.00	46.25	11,798
Granted	53.74 - 74.70	73.14	3,996
Exercised	21.63 - 59.31	43.46	(2,737)
Terminated	42.19 - 74.59	53.22	(580)
December 31, 2001	21.75 - 76.00	55.15	12,477
Granted	37.42 - 60.65	54.91	4,514
Exercised	21.75 - 55.59	40.05	(495)
Terminated	27.56 - 74.59	58.98	(955)
December 31, 2002	21.75 - 76.00	55.33	15,541

Information about stock options outstanding at December 31, 2002 follows:

<TABLE>
<CAPTION>

December 31, 2002 Shares in thousands	Options Outstanding			Options Exercisable	
Range of exercise prices	Shares	Weighted-average exercise price	Weighted-average remaining contractual life (in years)	Shares	Weighted-average exercise price
<C>	<C>	<C>	<C>	<C>	<C>
$21.75 - $32.99	681	$29.11	2.4	681	$29.11
33.00 - 49.99	3,618	42.24	7.0	1,888	42.85
50.00 - 76.00	11,242	61.12	7.5	5,341	58.85
Total	15,541	$55.33	7.1	7,910	$52.47

</TABLE>

Options granted in 2002 and 2001 include options for 52,000 shares in each year granted to non-employee directors.

The weighted-average grant-date fair value of options granted in 2002, 2001 and 2000 was $11.40, $15.87 and $9.86 per option, respectively. At December 31, 2001 and 2000 options for 5,279,000 and 5,834,898 shares of common stock, respectively, were exercisable at a weighted-average price of $48.01 and $45.96, respectively.

There were no options granted in excess of market value in 2002, 2001 or 2000. Shares of common stock available for the granting of options and other awards under the Incentive Plan were 10,584,683 at December 31, 2002, 2001 and 2000.

INCENTIVE SHARE AND RESTRICTED STOCK AWARDS

In 1998, incentive share awards potentially representing 362,250 shares of common stock were granted to certain senior executives pursuant to the Incentive Plan. Issuance of restricted shares pursuant to these incentive awards was subject to the market price of PNC's common stock equaling or exceeding specified levels for defined periods. In 2001, 104,250 of these shares were issued. The remaining shares expired and will not be issued under this award. The restricted period ends July 1, 2003. During the restricted period, the recipient receives dividends and can vote the shares. Generally, if the recipient leaves the Corporation before the end of the restricted period, the shares will be forfeited.

In 2000, 606,000 incentive shares of common stock were granted to certain senior executives pursuant to the Incentive Plan. One-half of any shares of restricted stock issued pursuant to these awards will vest after three years and the remainder after four years if certain performance targets are met. Shares awarded under this grant will be offset on a share-for-share basis by shares received, if any, by the executive from the 1998 grant.

There were 239,250, 39,000 and 66,000 incentive shares forfeited during 2002, 2001 and 2000, respectively.

In addition, 52,000, 33,600 and 53,100 shares of restricted stock were granted to certain key employees in 2002, 2001 and 2000, respectively. These shares vest 25% after three years, 25% after four years and 50% after five years. Shares forfeited were 6,800, 22,725, and 8,438 in 2002, 2001, and 2000, respectively.

In 2002, a total of 109,138 shares of restricted stock were granted to senior executives with vesting periods ranging from 24 months to 50 months. Of these, 1,551 shares were forfeited in 2002.

There were 13,000 shares of restricted stock granted to non-employee directors in 2001. One half of these shares vest after one year and the remainder after two years. In 2002, 1,000 of these shares were forfeited. In 2000, 245,000 shares of restricted stock were granted to senior executives with a three-year vesting period. Of these, 35,000 shares were forfeited in 2002.

Compensation expense recognized for incentive share and restricted stock awards totaled ($1 million), $10 million and $8 million in 2002, 2001 and 2000, respectively. The net credit to expense in 2002 was due to forfeitures and adjustments of accruals related to performance-based awards under the Incentive Plan.

EMPLOYEE STOCK PURCHASE PLAN

The Corporation's ESPP has approximately 2.2 million shares available for issuance. Persons who have been continuously employed for at least one year are eligible to participate. Participants purchase the Corporation's common stock at 85% of the lesser of fair market value on the first or last day of each offering period. No charge to earnings is recorded with respect to the ESPP.

Shares issued pursuant to the ESPP were as follows:

Year ended December 31	Shares	Price Per Share
2002	449,222	$47.81 and $35.87
2001	395,217	55.57 and 49.26
2000	504,988	42.82 and 45.53

PRO FORMA EFFECTS

A table that sets forth pro forma income from continuing operations and basic and diluted earnings per share as if compensation expense was recognized under SFAS 123 for stock options and the ESPP for 2002, 2001 and 2000 is included in Note 1 Accounting Policies.

For purposes of computing pro forma results, PNC estimated the fair value of stock options and ESPP shares using the Black-Scholes option pricing model.

The model requires the use of numerous assumptions, many of which are highly subjective in nature. Therefore, the pro forma results are estimates of results of operations as if compensation expense had been recognized for all stock-based compensation plans and are not indicative of the impact on future periods. The following assumptions were used in the option pricing model for purposes of estimating pro forma results. The dividend yield represents average yields over the previous three-year period. Volatility is measured using the fluctuation in quarter-end closing stock prices over a five-year period.

OPTION PRICING ASSUMPTIONS

Year ended December 31	2002	2001	2000
Risk-free interest rate	4.4%	4.9%	6.6%
Dividend yield	3.5	3.2	3.1
Volatility	26.7	25.7	21.8
Expected life	5 yrs.	5 yrs.	5 yrs.

NOTE 23 INCOME TAXES

The components of income taxes were as follows:

Year ended December 31 In millions	2002	2001	2000
Current			
Federal	$86	$195	$226
State	48	40	32
Total current	134	235	258
Deferred			
Federal	463	(51)	363
State	24	3	13
Total deferred	487	(48)	376
Total	$621	$187	$634

Significant components of deferred tax assets and liabilities are as follows:

December 31 - in millions	2002	2001
Deferred tax assets		
Allowance for credit losses	$297	$225
Compensation and benefits		31
Net unrealized securities losses		75
Loan valuations related to institutional lending repositioning	135	330
Other	171	163
Total deferred tax assets	603	824
Deferred tax liabilities		
Leasing	1,372	1,182
Depreciation	66	53
Net unrealized securities gains	87	
Compensation and benefits	26	
Other	155	89
Total deferred tax liabilities	1,706	1,324
Net deferred tax liability	$1,103	$500

A reconciliation between the statutory and effective tax rates follows:

Year ended December 31	2002	2001	2000
Statutory tax rate	35.0%	35.0%	35.0%
Increases (decreases) resulting from			
State taxes	2.5	4.6	1.6
Tax-exempt interest	(.4)	(1.7)	(.6)

Goodwill		2.9	.9
Life insurance	(1.1)	(3.3)	(1.0)
Tax credits	(2.4)	(7.2)	(1.8)
Other	(.2)	1.0	(.3)
Effective tax rate	33.4%	31.3%	33.8%

At December 31, 2002 the Corporation had available $3.8 million of federal income tax credit carryforwards which expire in 2022.

NOTE 24 LEGAL PROCEEDINGS

The several putative class action complaints filed during 2002 were consolidated in a consolidated class action complaint brought on behalf of purchasers of the Corporation's common stock between July 19, 2001 and July 18, 2002. The consolidated class action complaint names the Corporation, the Chairman and Chief Executive Officer, the former Chief Financial Officer, the Controller and the Corporation's independent auditors for 2001 as defendants and seeks unquantified damages, interest, attorneys' fees and other expenses. The consolidated class action complaint alleges violations of federal securities laws related to disclosures regarding the three 2001 transactions that gave rise to a financial statement restatement announced by the Corporation on January 29, 2002 and related matters. The Corporation and all other defendants have filed a motion to dismiss this lawsuit. Management believes there are substantial defenses to this lawsuit and intends to defend it vigorously. The impact of the final disposition of this lawsuit cannot be assessed at this time.

Also, in August 2002, the United States Department of Labor began a formal investigation of the Administrative Committee of the Corporation's Incentive Savings Plan ("Plan") in connection with the Committee's conduct relating to the Corporation's common stock held by the Plan and the Corporation's restatement of earnings for 2001. Both the Administrative Committee and the Corporation are cooperating fully with the investigation. The impact of the final disposition of this investigation cannot be assessed at this time.

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. 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, although at the present time, 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.

NOTE 25 EARNINGS PER SHARE

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

<TABLE>
<CAPTION>

Year ended December 31 - in millions, except share and per share data	2002	2001	2000
<S>	<C>	<C>	<C>
CALCULATION OF BASIC EARNINGS PER COMMON SHARE			
Income from continuing operations	$1,200	$377	$1,214
Less: Preferred dividends declared (a)	1	13	19
Income from continuing operations applicable to basic earnings per common share	1,199	364	1,195
Income (loss) from discontinued operations applicable to basic earnings per common share	(16)	5	65
Cumulative effect of accounting change applicable to basic earnings per common share		(5)	
Net income applicable to basic earnings per common share	$1,183	$364	$1,260
Basic weighted-average common shares outstanding (in thousands)	283,449	286,726	289,958

Basic earnings per common share from continuing operations	$4.23	$1.27	$4.12
Basic earnings (loss) per common share from discontinued operations	(.05)	.02	.23
Basic earnings (loss) per common share from cumulative effect of accounting change		(.02)	
Basic earnings per common share	$4.18	$1.27	$4.35
CALCULATION OF DILUTED EARNINGS PER COMMON SHARE			
Income from continuing operations	$1,200	$377	$1,214
Less: Dividends declared on nonconvertible Series F preferred stock (a)	1	13	18
Income from continuing operations applicable to diluted earnings per common share	1,199	364	1,196
Income (loss) from discontinued operations applicable to diluted earnings per common share	(16)	5	65
Cumulative effect of accounting change applicable to diluted earnings per common share		(5)	
Net income applicable to diluted earnings per common share	$1,183	$364	$1,261
Basic weighted-average common shares outstanding (in thousands)	283,449	286,726	289,958
Weighted-average common shares to be issued using average market price and assuming:			
Conversion of preferred stock Series A and B	98	106	118
Conversion of preferred stock Series C and D	795	870	986
Conversion of debentures	16	17	20
Exercise of stock options	496	1,661	1,531
Incentive share awards	299	368	173
Diluted weighted-average common shares outstanding (in thousands)	285,153	289,748	292,786
Diluted earnings per common share from continuing operations	$4.20	$1.26	$4.09
Diluted earnings (loss) per common share from discontinued operations	(.05)	.02	.22
Diluted earnings (loss) per common share from cumulative effect of accounting change		(.02)	
Diluted earnings per common share	$4.15	$1.26	$4.31

</TABLE>

(a) Adjustment for year ended December 31, 2001 includes $1 million of cost incurred due to tender offer of Series F preferred stock.

NOTE 26 SEGMENT REPORTING

PNC operates seven major businesses engaged in regional community banking; wholesale banking, including corporate banking, real estate finance and asset-based lending; wealth management; asset management and global fund processing services. Assets, revenue and earnings attributable to foreign activities were not material for the years ended December 31, 2002, 2001 or 2000.

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, PNC's 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.

The management accounting process uses various balance sheet and income statement assignments and transfers to measure performance of the businesses. Methodologies are refined from time to time as management accounting practices are enhanced and businesses change. There were no significant methodology changes made during 2002 other than the impact of refinements to the Corporation's reserve methodology related to loans and unfunded credit facilities. 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 financial results differ from consolidated results from continuing operations. This is primarily due to differences between management accounting practices and generally accepted accounting principles, such as economic capital assignments rather than legal entity shareholders' equity, unit cost allocations rather than actual expense assignments, and policies that do not fully allocate holding company expenses; minority interest in income of consolidated entities; eliminations and other corporate items. The impact these differences is reflected in the "Other" category. Other also includes equity management activities and residual asset and liability management activities which do not meet the criteria for disclosure as a separate reportable segment.

The impact of the institutional lending repositioning and other strategic actions that occurred during 2001 and 2000 is reflected in the business results.

BUSINESS SEGMENT PRODUCTS AND SERVICES

Regional Community Banking provides deposit, lending, cash management and investment services to two million consumer and small business customers within PNC's geographic footprint.

Wholesale Banking includes the results for Corporate Banking, PNC Real Estate Finance and PNC Business Credit.

Corporate Banking provides credit, equipment leasing, treasury management and capital markets products and services to mid-sized corporations, government entities and selectively to large corporations primarily within PNC's geographic region. Treasury management activities, which include cash and investment management, receivables management, disbursement services and global trade services; capital markets products, which include foreign exchange, derivatives trading and loan syndications; and equipment leasing products are offered through Corporate Banking and sold by several businesses across the Corporation.

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. Columbia Housing Partners, LP is a national syndicator of affordable housing.

PNC Business Credit provides asset-based lending, treasury management and capital markets 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, trust and banking products and services to affluent individuals and families, including full-service brokerage through J.J.B. Hilliard, W.L. Lyons, Inc. and investment consulting and trust 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 and provides defined contribution plan services and investment options through its Vested Interest(R) product.

BlackRock is one of the largest publicly traded investment management firms in the United States with approximately $273 billion of assets under management at December 31, 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, offering 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.

RESULTS OF BUSINESSES

<TABLE>
<CAPTION>

Year ended December 31 In millions	Regional Community Banking	Corporate Banking	PNC Real Estate Finance	PNC Business Credit	PNC Advisors	BlackRock	PFPC	Other	Consolidated
2002									
INCOME STATEMENT									
Net interest income	$1,403	$344	$116	$134	$100	$9	$(71)	$162	$2,197
Noninterest income	773	437	112	48	554	577	810	(114)	3,197
Total revenue	2,176	781	228	182	654	586	739	48	5,394
Provision for credit losses	52	203	(10)	64	4			(4)	309
Depreciation and amortization	35	11	7	1	10	20	12	73	169
Other noninterest expense	1,026	348	153	52	487	342	619	31	3,058
Earnings before minority interest and income taxes	1,063	219	78	65	153	224	108	(52)	1,858
Minority interest in income of consolidated entities			(2)					39	37
Income taxes	366	69	(10)	25	56	91	43	(19)	621
Earnings	$697	$150	$90	$40	$97	$133	$65	$(72)	$1,200
Inter-segment revenue	$20	$7			$38	$16	$8	$(89)	
AVERAGE ASSETS	$38,976	$13,807	$5,018	$3,837	$2,929	$864	$1,888	$(730)	$66,589
2001									
INCOME STATEMENT									
Net interest income	$1,460	$501	$116	$104	$128	$11	$(66)	$8	$2,262
Noninterest income	758	32	89	(8)	607	533	834	(193)	2,652
Total revenue	2,218	533	205	96	735	544	768	(185)	4,914
Provision for credit losses	50	733	44	29	2			45	903
Depreciation and amortization	71	13	22	2	17	26	45	77	273
Other noninterest expense	1,169	374	136	29	487	337	662	(53)	3,141

Earnings before minority interest and income taxes	928	(587)	3	36	229	181	61	(254)	597
Minority interest in income of consolidated entities								33	33
Income taxes	332	(212)	(35)	14	86	74	25	(97)	187
Earnings	$596	$(375)	$38	$22	$143	$107	$36	$(190)	$377
Inter-segment revenue	$11	$4			$61	$16	$6	$(98)	
AVERAGE ASSETS	$40,285	$16,685	$5,290	$2,463	$3,330	$684	$1,771	$(74)	$70,434
2000									
INCOME STATEMENT									
Net interest income	$1,408	$582	$118	$99	$136	$7	$(46)	$(140)	$2,164
Noninterest income	619	254	108	20	656	477	715	101	2,950
Total revenue	2,027	836	226	119	792	484	669	(39)	5,114
Provision for credit losses	45	79	(7)	12	5			2	136
Depreciation and amortization	71	13	20	2	14	20	49	70	259
Other noninterest expense	1,000	381	125	28	497	314	542	(43)	2,844
Earnings before minority interest and income taxes	911	363	88	77	276	150	78	(68)	1,875
Minority interest in income of consolidated entities								27	27
Income taxes	321	122	4	28	103	63	31	(38)	634
Earnings	$590	$241	$84	$49	$173	$87	$47	$(57)	$1,214
Inter-segment revenue	$3	$5			$79	$13	$5	$(105)	
AVERAGE ASSETS	$38,958	$17,746	$5,889	$2,271	$3,500	$537	$1,578	$(1,913)	$68,566

</TABLE>

Certain revenue and expense amounts shown above differ from amounts included in the "Review of Business" section of the Financial Review portion of this Annual Report due to classification differences and the presentation in the Financial Review of business revenues on a taxable-equivalent basis (except for BlackRock and PFPC).

NOTE 27 COMPREHENSIVE INCOME

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

Year ended December 31	Pretax	Tax Benefit	After-tax

In millions	Amount	(Expense)	Amount
2002			
Unrealized securities gains	$349	$(121)	$228
Less: Reclassification adjustment for losses realized in net income	(57)	20	(37)
Net unrealized securities gains	406	(141)	265
Unrealized gains on cash flow hedge derivatives	136	(48)	88
Less: Reclassification adjustment for gains realized in net income	79	(28)	51
Net unrealized gains on cash flow hedge derivatives	57	(20)	37
Minimum pension liability adjustment	(3)	1	(2)
Other	24	(8)	16
Other comprehensive income from continuing operations	$484	$(168)	$316
2001			
Unrealized securities losses	$(86)	$30	$(56)
Less: Reclassification adjustment for losses realized in net income	(8)	3	(5)
Net unrealized securities losses	(78)	27	(51)
SFAS No. 133 transition adjustment	(6)	2	(4)
Unrealized gains on cash flow hedge derivatives	102	(36)	66
Less: Reclassification adjustment for losses realized in net income	(55)	19	(36)
Net unrealized gains on cash flow hedge derivatives	151	(53)	98
Minimum pension liability adjustment	(2)	1	(1)
Other	3	(1)	2
Other comprehensive income from continuing operations	$74	$(26)	$48
2000			
Unrealized securities gains	$124	$(40)	$84
Less: Reclassification adjustment for losses realized in net income	(3)	1	(2)
Net unrealized securities gains	127	(41)	86
Minimum pension liability adjustment	2	(1)	1
Other	3	(1)	2
Other comprehensive income from continuing operations	$132	$(43)	$89

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

December 31 - in millions	2002	2001
Net unrealized securities gains (losses)	$179	$(86)
Net unrealized gains on cash flow hedge derivatives	135	98
Minimum pension liability adjustment	(14)	(12)
Other	21	5

Accumulated other comprehensive income from continuing operations	$321	$5

NOTE 28 FAIR VALUE OF FINANCIAL INSTRUMENTS

	2002		2001	
December 31 - in millions	CARRYING AMOUNT	FAIR VALUE	Carrying Amount	Fair Value
ASSETS				
Cash and short-term assets	$7,295	$7,295	$6,200	$6,200
Securities	13,763	13,796	13,908	13,905
Loans held for sale	1,607	1,607	4,189	4,189
Net loans (excludes leases)	30,766	31,718	33,011	33,588
Other assets	791	791	966	966
Commercial mortgage servicing rights	201	227	199	240
Financial derivatives				
Interest rate risk management	519	519	278	278
Commercial mortgage banking risk management			5	5
Customer/other derivatives	762	762	497	497
LIABILITIES				
Demand, savings and money market deposits	34,363	34,363	34,531	34,531
Time deposits	10,619	10,946	12,773	12,942
Borrowed funds	9,383	9,544	12,390	12,579
Financial derivatives				
Interest rate risk management	8	8	16	16
Commercial mortgage banking risk management	16	16	4	4
Customer/other derivatives	766	766	476	476
OFF-BALANCE-SHEET				
Unfunded loan commitments and letters of credit	(71)	(85)	(57)	(71)

Real and personal property, lease financing, loan customer relationships, deposit customer intangibles, retail branch networks, fee-based businesses, such

as asset management and brokerage, trademarks and brand names are excluded from the amounts set forth in the previous table. Accordingly, the aggregate fair value amounts presented do not represent the underlying value of the Corporation.

Fair value is defined as the estimated amount at which a financial instrument could be exchanged in a current transaction between willing parties, or other than in a forced or liquidation sale. However, it is not management's intention to immediately dispose of a significant portion of such financial instruments, and unrealized gains or losses should not be interpreted as a forecast of future earnings and cash flows. The derived fair values are subjective in nature, involve uncertainties and significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly impact the derived fair value estimates.

The following methods and assumptions were used in estimating fair value amounts for financial instruments.

GENERAL
For short-term financial instruments realizable in three months or less, the carrying amount reported in the consolidated balance sheet approximates fair value. Unless otherwise stated, the rates used in discounted cash flow analyses are based on market yield curves.

CASH AND SHORT-TERM ASSETS
The carrying amounts reported in the consolidated balance sheet for cash and short-term investments approximate fair values primarily due to their short-term nature. For purposes of this disclosure only, short-term assets include due from banks, interest-earning deposits with banks, federal funds sold and resale agreements, trading securities, customer's acceptance liability and accrued interest receivable.

SECURITIES
The fair value of securities is based on quoted market prices, where available. If quoted market prices are not available, fair value is estimated using the quoted market prices of comparable instruments.

NET LOANS AND LOANS HELD FOR SALE
Fair values are estimated based on the discounted value of expected net cash flows incorporating assumptions about prepayment rates, credit losses and servicing fees and costs. For revolving home equity loans, this fair value does not include any amount for new loans or the related fees that will be generated from the existing customer relationships. In the case of nonaccrual loans, scheduled cash flows exclude interest payments. The carrying value of loans held for sale approximates fair value.

OTHER ASSETS Other Assets as shown in the accompanying table include noncertificated interest only strips, Federal Home Loan Bank ("FHLB") and Federal Reserve Bank ("FRB") stock, equity investments carried at cost, and private equity investments. The fair value is estimated based on the discounted value of expected net cash flows. The carrying amounts of the venture capital, and private equity investments are recorded at fair value. The equity investments carried at cost, including the FHLB and FRB stock, have a carrying value which approximate fair value.

COMMERCIAL MORTGAGE SERVICING RIGHTS
Fair value is based on the present value of the future cash flows, including assumptions as to prepayment speeds, discount rate, interest rates, cost to service and other factors.

DEPOSITS
The carrying amounts of noninterest-bearing demand and interest-bearing money market and savings deposits approximate fair values. For time deposits, which include foreign deposits, fair values are estimated based on the discounted value of expected net cash flows assuming current interest rates.

BORROWED FUNDS
The carrying amounts of federal funds purchased, commercial paper, acceptances outstanding and accrued interest payable are considered to be their fair value because of their short-term nature. For all other borrowed funds, fair values are estimated based on the discounted value of expected net cash flows assuming current interest rates.

UNFUNDED LOAN COMMITMENTS AND LETTERS OF CREDIT
The fair value of unfunded loan commitments and letters of credit is PNC's estimate of the cost to terminate them. For purposes of this disclosure, this fair value is the sum of the deferred fees currently recorded by PNC on these facilities and the liability established on these facilities related to their creditworthiness.

FINANCIAL AND OTHER DERIVATIVES
The fair value of derivatives is based on the discounted value of the expected net cash flows. These fair values represent the amounts the Corporation would receive or pay to terminate the contracts, assuming current interest rates.

NOTE 29 COMMITMENTS AND GUARANTEES

EQUITY FUNDING COMMITMENTS
The Corporation has commitments to make additional equity investments in certain equity management entities and

affordable housing limited partnerships. These commitments totaled $273 million at December 31, 2002.

STANDBY LETTERS OF CREDIT
PNC issues standby letters of credit and has risk participation in standby letters of credit issued by other financial institutions, in each case to support obligations of its customers to third parties. If the customer fails to meet its financial or performance obligation to the third party under the terms of the contract, then upon their request PNC would be obligated to make payment to the guaranteed party. Standby letters of credit and risk participations in standby letters of credit outstanding on December 31, 2002 had terms ranging from less than 1 year to 8 years. The aggregate maximum amount of future payments PNC could be required to make under outstanding standby letters of credit and risk participations in standby letters of credit was $4.6 billion at December 31, 2002. Assets valued, as of December 31, 2002, at approximately $1.3 billion secured certain specifically identified standby letters of credit and letter of credit risk participations having aggregate future payments of approximately $1.3 billion. In addition, a substantial portion of the remaining standby letters of credit and letter of credit risk participations issued on behalf of a specific customer are also secured by collateral or guarantees which secure that customer's other obligations to PNC.

LIQUIDITY FACILITIES AND STANDBY BOND PURCHASE AGREEMENTS
PNC enters into liquidity facilities primarily to support individual pools of receivables acquired by commercial paper conduits including Market Street. At December 31, 2002, the aggregate commitments under these facilities was $3.6 billion, of which $3.2 billion was related to Market Street. Collateral or third party insurance secures PNC's exposure under these facilities. PNC also enters into Standby Bond Purchase Agreements to support municipal bond obligations. At December 31, 2002, the aggregate of PNC's commitments under these facilities was $299 million.

INDEMNIFICATIONS
PNC is a party to numerous acquisition or divestiture agreements, under which it has purchased or sold, or agreed to purchase or sell, various types of assets. These agreements can cover the purchase or sale of entire businesses, loan portfolios, branch banks, partial interests in companies, or other types of assets. They generally include indemnification provisions under which PNC indemnifies the other parties to these agreements against a variety of risks to the other parties as a result of the transaction in question; when PNC is the seller, the indemnification provisions will generally also provide protection relating to the quality of the assets being sold and the extent of any liabilities being assumed. Due to the nature of these indemnification provisions, it is not possible to quantify the aggregate exposure to PNC resulting from them.

PNC provides indemnification in connection with securities offering transactions in which it is involved. When PNC is the issuer of the securities, it provides indemnification to the underwriter or placement agents analogous to the indemnification provided purchasers of businesses from it, as described above. When PNC is an underwriter or placement agent, it provides a limited indemnification to the issuer related to its actions in connection with the offering and, if there are other underwriters, indemnification to the other underwriters intended to result in an appropriate sharing of the risk of participating in the offering. Due to the nature of these indemnification provisions, it is not possible to quantify the aggregate exposure to PNC resulting from them.

PNC enters into certain types of agreements such as (i) agreements relating to providing various servicing and processing functions to third parties, (ii) agreements relating to the creation of trusts or other legal entities to facilitate leasing transactions, CMBS transactions (loan securitizations) and certain other off-balance sheet transactions, (iii) syndicated credit agreements, as a syndicate member, and (iv) sales of individual loans, which provide indemnification to third parties. Due to the nature of these indemnification provisions, it is not possible to calculate potential exposure under them.

PNC enters into certain types of agreements, such as leases with tenants, in which PNC indemnifies third parties for acts by PNC's agents. While PNC does not believe these indemnification liabilities are material, either individually or in the aggregate, it is not possible to calculate potential exposure.

PNC enters into contracts for the delivery of technology service in which PNC indemnifies the other party against claims of patent infringement by third

parties. Due to the nature of these indemnification provisions, it is not possible to calculate potential exposure under this type of indemnification.

In the ordinary course of business PNC enters into contracts with third parties pursuant to which the third parties provide services on behalf of PNC. In many of the contracts PNC agrees to indemnify the third party service provider under certain circumstances. The terms of the indemnity vary from contract to contract and the amount of the indemnification liability, if any, cannot be determined.

PNC is a general or limited partner in certain asset management and investment limited partnerships, many of which contain indemnification provisions which would require PNC to make payments in excess of its remaining funding commitments. While in certain of these partnerships the maximum liability to PNC is limited to the sum of PNC's unfunded commitments and partnership distributions received by PNC, in the others the indemnification liability is unlimited. As a result, it is not possible to determine the aggregate potential exposure for these indemnifications.

Pursuant to their bylaws, the Corporation and its subsidiaries provide indemnification to directors, officers and, in some cases, employees and agents against certain liabilities incurred as a result of their service on behalf of or at the request of the Corporation and its subsidiaries and also advance on behalf of covered individuals costs incurred in defending against certain claims, subject to written undertakings by each such individual to repay all amounts so advanced if it is ultimately determined that the individual is not entitled to indemnification. The Corporation advanced such defense costs on behalf of several such individuals during 2002 with respect to pending litigation or investigations. It is not possible to determine the aggregate potential exposure resulting from the obligation to provide this indemnity or to advance such costs.

In connection with the lending of securities held by its mutual fund processing services business on behalf of certain of its customers, PNC provides indemnification to those customers against the failure of the borrower to return the securities. Each borrower's obligation to return the securities is fully secured on a daily basis, and thus the exposure to the Corporation is limited to temporary shortfalls in the collateral as a result of short-term fluctuations in trading prices of the borrowed securities. At December 31, 2002, the aggregate maximum potential exposure as a result of these indemnity obligations was $6.0 billion, although PNC held cash collateral at the time in excess of that amount.

CONTINGENT PAYMENTS IN CONNECTION WITH CERTAIN ACQUISITIONS

A number of the acquisition agreements to which PNC is a party and under which it has purchased various types of assets, including the purchase of entire businesses, partial interests in companies, or other types of assets, require PNC to make additional payments in future years if certain predetermined goals, such as revenue targets, are achieved or if other contingencies, such as specified declines in the value of the consideration paid, occur within a specified time. As certain of these provisions do not specify dollar limitations, it is not possible to quantify the aggregate exposure to PNC resulting from these agreements.

NBOC ACQUISITION PUT OPTION

See Note 2 NBOC Acquisition for a description of the Put Option, which represents NBOC's right to transfer the then remaining Serviced Portfolio, as defined, to PNC at the end of the loan servicing term. At December 31, 2002, the Put Option liability was approximately $57 million. Based upon a third party valuation, the estimated purchase price of the discontinued loan portfolio at the Put Option exercise date is $175 million. While there is no recourse to third parties for amounts that may be paid under this arrangement, the amount paid under the Put Option is supported by a portfolio of loans which in turn are supported by specific collateral. The loans would be liquidated in due course to recover some or all of the amounts that may ultimately be paid in connection with this Put Option.

NOTE 30 UNUSED LINE OF CREDIT

At December 31, 2002, the Corporation's parent company maintained a line of credit in the amount of $460 million, none of which was drawn. This line is available for general corporate purposes and expires in 2003.

NOTE 31 PARENT COMPANY

Summarized financial information of the parent company is as follows:

STATEMENT OF INCOME

Year ended December 31 - in millions	2002	2001	2000

OPERATING REVENUE			
Dividends from:			
Bank subsidiaries	$525	$1,116	$690
Nonbank subsidiaries	71	60	55
Interest income	3	6	9
Noninterest income	1	2	1
Total operating revenue	600	1,184	755
OPERATING EXPENSE			
Interest expense	50	50	54
Other expense	77	6	(6)
Total operating expense	127	56	48
Income before income taxes and equity in undistributed net income of subsidiaries	473	1,128	707
Income tax benefits	(52)	(17)	(21)
Income before equity in undistributed net income of subsidiaries	525	1,145	728
Bank subsidiaries	631	(531)	386
Nonbank subsidiaries	28	(237)	165
Net income	$1,184	$377	$1,279

BALANCE SHEET

December 31 - in millions	2002	2001
ASSETS		
Cash and due from banks	$1	$1
Securities available for sale	192	94
Investments in:		
Bank subsidiaries	6,285	5,324
Nonbank subsidiaries	1,696	1,555
Other assets	160	152
Total assets	$8,334	$7,126
LIABILITIES		
Nonbank affiliate borrowings	$1,256	$1,086
Accrued expenses and other liabilities	219	217
Total liabilities	1,475	1,303
SHAREHOLDERS' EQUITY	6,859	5,823
Total liabilities and shareholders' equity	$8,334	$7,126

Commercial paper and all other debt issued by PNC Funding Corp., a wholly owned finance subsidiary, is fully and unconditionally guaranteed by the parent company. In addition, in connection with certain affiliates' commercial mortgage servicing operations, the parent company has committed to maintain such affiliates' net worth above minimum requirements.

During 2002, 2001 and 2000, the parent company received net income tax refunds of $36 million, $37 million and $36 million, respectively. Such refunds represent the parent company's portion of consolidated income taxes. During 2002, 2001 and 2000, the parent company paid interest of $45 million, $49 million and $56 million, respectively.

STATEMENT OF CASH FLOWS

Year ended December 31 - in millions	2002	2001	2000
OPERATING ACTIVITIES			
Net income	$1,184	$377	$1,279
Adjustments to reconcile net income to net cash provided			

(used) by operating activities:			
Equity in undistributed net earnings of subsidiaries	(659)	768	(551)
Other	10	44	(24)
Net cash provided by operating activities	535	1,189	704
INVESTING ACTIVITIES			
Net change in short-term investments with subsidiary bank			16
Net capital (contributed to) returned from subsidiaries	(125)	(237)	258
Securities available for sale			
Sales and maturities	1,556	1,206	372
Purchases	(1,655)	(1,247)	(425)
Other	(1)	(14)	(13)
Net cash (used) provided by investing activities	(225)	(292)	208
FINANCING ACTIVITIES			
Borrowings from nonbank subsidiary	393	763	314
Repayments on borrowings from nonbank subsidiary	(223)	(190)	(440)
Acquisition of treasury stock	(62)	(681)	(428)
Cash dividends paid to shareholders	(546)	(569)	(546)
Issuance of stock	128	181	189
Series F preferred stock tender offer/maturity		(301)	
Repayments on borrowings		(100)	
Net cash used by financing activities	(310)	(897)	(911)
Increase in cash and due from banks			1
Cash and due from banks at beginning of year	1	1	
Cash and due from banks at end of year	$1	$1	$1

NOTE 32 SUBSEQUENT EVENT

In January 2003, PNC took actions to convert its preferred shares and subsequently requested liquidation of the three companies formed in 2001 in transactions with AIG. These companies had been consolidated into the financial statements of PNC since 2001.

Prior to the distribution of assets, the companies sold debt securities previously classified as held to maturity in their financial statements and incurred liquidation costs as required by the operating agreements. Liquidating distributions of cash and interests in subsidiaries of the three companies that held loan and venture capital assets were made. These assets had been transferred from PNC subsidiaries to the companies as part of the original transactions in 2001. The net impact on PNC's consolidated financial condition or results of operations was not material.

STATISTICAL INFORMATION (UNAUDITED)
THE PNC FINANCIAL SERVICES GROUP, INC.

SELECTED QUARTERLY FINANCIAL DATA
<TABLE>
<CAPTION>

Dollars in millions, except per share data	2002	2001(a)

	Fourth	Third	Second	First	Fourth	Third	Second	First
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
SUMMARY OF OPERATIONS								
Interest income	$741	$769	$804	$858	$902	$984	$1,079	$1,172
Interest expense	217	241	249	268	324	419	514	618
Net interest income	524	528	555	590	578	565	565	554
Provision for credit losses	65	73	89	82	668	110	45	80
Noninterest income before net securities gains (losses)	765	703	854	786	446	646	729	700
Net securities gains(losses)	1	68	16	4	(3)	88	17	29
Noninterest expense	791	790	839	807	1,007	805	807	795
Income (loss) from continuing operations before minority interest and income taxes	434	436	497	491	(654)	384	459	408
Minority interest in income of consolidated entities	11	4	12	10	8	9	8	8
Income taxes	145	147	165	164	(232)	128	156	135
Income (loss) from continuing operations	278	285	320	317	(430)	247	295	265
(Loss) income from discontinued operations	(16)							5
Income (loss) before cumulative effect of accounting change	262	285	320	317	(430)	247	295	270
Cumulative effect of accounting change								(5)
Net income (loss)	$262	$285	$320	$317	$(430)	$247	$295	$265
PER COMMON SHARE DATA								
Book value	$24.03	$23.62	$22.46	$21.02	$20.54	$23.09	$22.60	$22.39
Basic earnings (loss) (b)								
Continuing operations	.97	1.00	1.13	1.12	(1.52)	.85	1.01	.90
Discontinued operations	(.05)							.02
Before cumulative effect of accounting change	.92	1.00	1.13	1.12	(1.52)	85	1.01	.92
Cumulative effect of accounting change								(.02)
Net income (loss)	.92	1.00	1.13	1.12	(1.52)	.85	1.01	.90
Diluted earnings (loss) (c) (d)								
Continuing operations	.97	1.00	1.12	1.11	(1.52)	.84	1.00	.89
Discontinued operations	(.05)							.02

Before cumulative effect of accounting change	.92	1.00	1.12	1.11	(1.52)	.84	1.00	.91
Cumulative effect of accounting change								(.02)
Net income (loss)	.92	1.00	1.12	1.11	(1.52)	.84	1.00	.89

</TABLE>

(a) See Note 5 Fourth Quarter 2001 Actions for further information regarding items impacting the comparability of fourth quarter 2001 amounts with other quarterly data presented.
(b) The sum of the quarterly amounts for each year do not equal the respective year's amount because the quarterly calculations are based on a changing number of average shares.
(c) The sum of the quarterly amounts in 2001 does not equal the year's amount because the quarterly calculations are based on a changing number of average shares.
(d) Additional shares were excluded from fourth quarter 2001 EPS calculations since they were antidilutive.

The Statistical Information (unaudited) presented on pages 108 through 113 reflects the residential mortgage business, which was sold on January 31, 2001, in discontinued operations, unless otherwise noted.

ANALYSIS OF YEAR-TO-YEAR CHANGES IN NET INTEREST INCOME

<TABLE>
<CAPTION>

	2002/2001			2001/2000		
	INCREASE/(DECREASE) IN INCOME/EXPENSE			Increase/(Decrease) in Income/Expense		
	DUE TO CHANGES IN:			Due to Changes in:		
Taxable-equivalent basis - in millions	VOLUME	RATE	TOTAL	Volume	Rate	Total
INTEREST-EARNING ASSETS						
Loans held for sale	$45	$(29)	$16	$(35)	$(50)	$(85)
Securities						
Securities available for sale						
U.S. Treasury, government agencies and corporations	(34)	(20)	(54)	117	(5)	112
Other debt	76	(46)	30	181	(25)	156
State and municipal	(1)		(1)	(3)		(3)
Corporate stocks and other	5		5	(15)	(18)	(33)
Total securities available for sale	48	(68)	(20)	276	(44)	232
Securities held to maturity	13	(2)	11	6		6
Total securities	62	(71)	(9)	281	(43)	238
Loans, net of unearned income						
Commercial	(245)	(221)	(466)	(162)	(259)	(421)
Commercial real estate	(9)	(46)	(55)	(9)	(47)	

						(56)
Consumer	34	(136)	(102)	(7)	(52)	(59)
Residential mortgage	(281)	(43)	(324)	(275)	10	(265)
Lease financing	(3)	(25)	(28)	70	(12)	58
Other	(4)	(9)	(13)	(14)	(11)	(25)
Total loans, net of unearned income	(521)	(467)	(988)	(399)	(369)	(768)
Other	81	(68)	13	24	(6)	18
Total interest-earning assets	$(265)	$(703)	$(968)	$(42)	$(555)	$(597)
INTEREST-BEARING LIABILITIES						
Interest-bearing deposits						
Demand and money market	$17	$(282)	$(265)	$82	$(234)	$(152)
Savings	1	(9)	(8)	(2)	(16)	(18)
Retail certificates of deposit	(91)	(168)	(259)	(124)	(68)	(192)
Other time	4	(11)	(7)	(6)		(6)
Deposits in foreign offices	(12)	(19)	(31)	(34)	(22)	(56)
Total interest-bearing deposits	(45)	(525)	(570)	(27)	(397)	(424)
Borrowed funds						
Federal funds purchased	(44)	(38)	(82)	(5)	(39)	(44)
Repurchase agreements	(1)	(18)	(19)	11	(23)	(12)
Bank notes and senior debt	(16)	(111)	(127)	(60)	(106)	(166)
Federal Home Loan Bank borrowings	(19)	(61)	(80)	48	(33)	15
Subordinated debt	(9)	(28)	(37)	(3)	(38)	(41)
Other borrowed funds	(9)	24	15	(36)	15	(21)
Total borrowed funds	(115)	(215)	(330)	(18)	(251)	(269)
Total interest-bearing liabilities	(144)	(756)	(900)	(43)	(650)	(693)
Change in net interest income	$(156)	$88	$(68)	$(20)	$116	$96

</TABLE>

Changes attributable to rate/volume are prorated into rate and volume components.

AVERAGE CONSOLIDATED BALANCE SHEET AND NET INTEREST ANALYSIS

<TABLE>
<CAPTION>

	2002	2001

Dollars in millions Taxable-equivalent basis	Average Balances	Interest	Average Yields/Rates	Average Balances	Interest	Average Yields/Rates
<S>	<C>	<C>	<C>	<C>	<C>	<C>
ASSETS						
Interest-earning assets						
Loans held for sale	$2,897	$135	4.66%	$2,021	$119	5.89%
Securities						
Securities available for sale						
U.S. Treasury and government agencies and corporations	3,182	162	5.09	3,833	216	5.64
Other debt	7,916	420	5.31	6,549	390	5.96
State and municipal	61	5	8.20	74	6	8.11
Corporate stocks and other	488	14	2.87	319	9	2.82
Total securities available for sale	11,647	601	5.16	10,775	621	5.76
Securities held to maturity	352	17	4.83	92	6	6.52
Total securities	11,999	618	5.15	10,867	627	5.77
Loans, net of unearned income						
Commercial	15,922	952	5.98	19,658	1,418	7.21
Commercial real estate	2,451	129	5.26	2,580	184	7.13
Consumer	9,545	630	6.60	9,099	732	8.04
Residential mortgage	4,639	311	6.70	8,801	635	7.22
Lease financing	4,173	265	6.35	4,223	293	6.94
Credit card						
Other	393	17	4.33	460	30	6.52
Total loans, net of unearned income	37,123	2,304	6.21	44,821	3,292	7.34
Other	3,326	128	3.85	1,632	115	7.05
Total interest-earning assets/interest income	55,345	3,185	5.75	59,341	4,153	7.00
Noninterest-earning assets						
Investment in discontinued operations				51		
Allowance for credit losses	(628)			(614)		
Cash and due from banks	2,729			2,939		
Other assets	9,143			8,768		
Total assets	$66,589			$70,485		
LIABILITIES, MINORITY INTEREST, CAPITAL SECURITIES AND SHAREHOLDERS' EQUITY						
Interest-bearing liabilities						
Interest-bearing deposits						
Demand and money market	$22,086	241	1.09	$21,322	506	2.37
Savings	2,033	10	.49	1,928	18	.93
Retail certificates of deposit	10,361	375	3.62	12,313	634	5.15
Other time	596	27	4.53	522	34	6.51
Deposits in foreign offices	443	6	1.35	829	37	4.46
Total interest-bearing deposits	35,519	659	1.86	36,914	1,229	3.33
Borrowed funds						
Federal funds purchased	551	9	1.63	2,057	91	4.42
Repurchase agreements	956	14	1.46	980	33	3.37

Bank notes and senior debt	5,168	138	2.67	5,521	265	4.80
Federal Home Loan Bank borrowings	1,528	3	.20	2,178	83	3.81
Subordinated debt	2,210	101	4.57	2,362	138	5.84
Other borrowed funds	299	51	17.06	384	36	9.38
Total borrowed funds	10,712	316	2.95	13,482	646	4.79
Total interest-bearing liabilities/interest expense	46,231	975	2.11	50,396	1,875	3.72
Noninterest-bearing liabilities, minority interest, capital securities and shareholders' equity						
Demand and other noninterest-bearing deposits	8,599			8,297		
Allowance for unfunded loan commitments and letters of credit	80			79		
Accrued expenses and other liabilities	4,326			4,096		
Minority interest	212			136		
Mandatorily redeemable capital securities of subsidiary trusts	848			848		
Shareholders' equity	6,293			6,633		
Total liabilities, minority interest, capital securities and shareholders' equity	$66,589			$70,485		
Interest rate spread			3.64			3.28
Impact of noninterest-bearing sources			.35			.56
Net interest income/margin		$2,210	3.99%		$2,278	3.84%

</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 and average yields/rates of the related assets and liabilities. Average balances of securities available for sale are based on amortized historical cost (excluding SFAS No. 115 adjustments to fair value).

<TABLE>
<CAPTION>

2000			1999			1998		
Average Balances	Interest	Average Yields/Rates	Average Balances	Interest	Average Yields/Rates	Average Balances	Interest	Average Yields/Rates
$2,507	$204	8.14%	$1,392	$104	7.47%	$436	$31	7.11%
1,760	104	5.91	1,970	108	5.48	3,665	208	5.68
3,545	234	6.60	3,307	209	6.32	1,770	114	6.44
114	9	7.89	135	12	8.89	141	14	9.93
642	42	6.54	672	37	5.51	553	30	5.42
6,061	389	6.42	6,084	366	6.02	6,129	366	

								5.97
6,061	389	6.42	6,084	366	6.02	6,129	366	5.97
21,685	1,839	8.48	23,082	1,792	7.76	22,768	1,794	7.88
2,685	240	8.94	3,362	265	7.88	3,279	277	8.45
9,177	791	8.62	10,310	844	8.19	11,073	940	8.49
12,599	900	7.14	12,258	859	7.01	12,421	900	7.25
3,222	235	7.29	2,564	182	7.10	2,028	143	7.05
			672	100	14.88	3,849	538	13.98
650	55	8.46	532	40	7.52	195	14	7.18
50,018	4,060	8.12	52,780	4,082	7.73	55,613	4,606	8.28
1,289	97	7.53	1,045	53	5.07	899	47	5.23
59,875	4,750	7.93	61,301	4,605	7.51	63,077	5,050	8.01
487			449			348		
(608)			(619)			(772)		
2,718			2,082			2,211		
6,581			5,226			4,851		
$69,053			$68,439			$69,715		
$18,735	658	3.51	$16,921	493	2.91	$14,285	439	3.07
2,050	36	1.76	2,390	39	1.63	2,620	51	1.95
14,642	826	5.64	14,220	708	4.98	15,420	826	5.36
621	40	6.44	1,515	85	5.61	1,786	103	5.77
1,473	93	6.31	872	44	5.05	935	52	5.56
37,521	1,653	4.41	35,918	1,369	3.81	35,046	1,471	4.20
2,139	135	6.31	1,662	84	5.05	2,526	139	5.50
754	45	5.97	621	31	4.99	791	42	5.31
6,532	431	6.60	8,517	457	5.37	10,657	605	5.68
1,113	68	6.11	1,929	105	5.44	1,026	60	5.85
2,406	179	7.44	2,051	154	7.51	1,799	140	7.78
802	57	7.11	686	39	5.69	1,109	79	7.12
13,746	915	6.66	15,466	870	5.63	17,908	1,065	5.95
51,267	2,568	5.01	51,384	2,239	4.36	52,954	2,536	4.79
8,151			8,234			8,848		
75			76			91		
2,479			1,995			1,465		
96			32			14		
848			848			762		
6,137			5,870			5,581		
$69,053			$68,439			$69,715		
		2.92			3.15			

3.22	.72			.71			.77
	$2,182	3.64%		$2,366	3.86%	$2,514	3.99%

</TABLE>

Loan fees for each of the years ended December 31, 2002, 2001, 2000, 1999 and 1998 were $106 million, $119 million, $115 million, $120 million and $107 million, respectively.

SUMMARY OF LOAN LOSS EXPERIENCE

<TABLE>
<CAPTION>

Year ended December 31 - dollars in millions	2002	2001	2000	1999	1998
<S>	<C>	<C>	<C>	<C>	<C>
Allowance at beginning of year	$560	$598	$600	$678	$882
Charge-offs					
Commercial	(194)	(876)	(121)	(72)	(122)
Commercial real estate	(3)	(37)	(3)	(4)	(8)
Consumer	(40)	(42)	(46)	(63)	(83)
Residential mortgage	(5)	(2)	(8)	(8)	(7)
Lease financing	(25)	(28)	(8)	(9)	(7)
Credit card				(60)	(297)
Total charge-offs	(267)	(985)	(186)	(216)	(524)
Recoveries					
Commercial	26	17	21	22	20
Commercial real estate	1	1	4	4	3
Consumer	14	16	22	25	34
Residential mortgage	1	1	2	1	1
Lease financing	2	2	2	1	2
Credit card				2	17
Total recoveries	44	37	51	55	77
Net charge-offs	(223)	(948)	(135)	(161)	(447)
Provision for credit losses	309	903	136	163	225
Acquisitions/(divestitures)	41			(81)	3
Net change in allowance for unfunded loan commitments and letters of credit	(14)	7	(3)	1	

Allowance at end of year	$673	$560	$598	$600	$678
Allowance as a percent of period-end Loans	1.90%	1.47%	1.18%	1.21%	1.18%
Nonperforming loans	218	265	185	206	237
As a percent of average loans					
Net charge-offs (a)	.60	2.12	.27	.31	.80
Provision for credit losses (b)	.83	2.01	.27	.31	.40
Allowance for credit losses	1.81	1.25	1.20	1.14	1.22
Allowance as a multiple of net charge-offs (a)	3.02X	.59x	4.43x	3.73x	1.52x

</TABLE>

(a) Excluding $804 million of net charge-offs in 2001 related to the institutional lending repositioning initiative, net charge-offs would be .32% of average loans and the allowance as a multiple of net charge-offs would be 3.89x.
(b) Excluding $714 million of provision in 2001 related to the institutional lending repositioning initiative, provision for credit losses would be .42% of average loans.

The following table presents the allocation of allowance for credit losses and the categories of loans as a percentage of total loans. Changes in the allocation over time reflect the changes in loan portfolio composition, risk profile and refinements to reserve methodologies. For purposes of this presentation, the unallocated portion of the allowance for credit losses has been assigned to loan categories based on the relative specific and pool allocation amounts. At December 31, 2002, the unallocated portion was $112 million.

<TABLE>
<CAPTION>
ALLOCATION OF ALLOWANCE FOR CREDIT LOSSES

	2002		2001		2000		1999		1998	
December 31 Dollars in millions	Allowance	Loans to Total Loans	Allowance	Loans to Total Loans	Allowance	Loans to Total Loans	Allowance	Loans to Total Loans	Allowance	Loans
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Commercial	$504	42.3%	$392	40.0%	$467	41.9%	$447	43.2%	$393	43.7%
Commercial real estate	52	6.4	63	6.3	44	5.1	52	5.5	50	6.0
Consumer	28	27.8	39	24.1	43	18.0	51	18.8	65	19.0
Residential mortgage	10	11.0	8	16.8	9	26.2	11	25.2	9	21.3
Credit card									136	5.1
Lease financing and other	79	12.5	58	12.8	35	8.8	39	7.3	25	

										4.9
Total	$673	100.0%	$560	100.0%	$598	100.0%	$600	100.0%	$678	100.0%

</TABLE>

SHORT-TERM BORROWINGS

Federal funds purchased include overnight borrowings and term federal funds, which are payable on demand. Repurchase agreements generally have maturities of 18 months or less. Approximately 60% of the total bank notes of the Corporation mature in 2003. Other short-term borrowings primarily consist of U.S. Treasury, tax and loan borrowings, which are payable on demand and commercial paper, which is issued in maturities not to exceed nine months. At December 31, 2002, 2001 and 2000, $2.4 billion, $2.4 billion and $3.4 billion, respectively, notional value of interest rate swaps were designated to borrowed funds. The effect of these swaps is included in the rates set forth in the following table.

SHORT-TERM BORROWINGS

<TABLE>
<CAPTION>

	2002		2001		2000	
Dollars in millions	Amount	Rate	Amount	Rate	Amount	Rate
Federal funds purchased						
Year-end balance	$38	1.06%	$167	1.52%	$1,445	4.89%
Average during year	551	1.63	2,057	4.42	2,139	6.31
Maximum month-end balance during year	3,563		2,817		2,778	
Repurchase agreements						
Year-end balance	814	1.28	954	1.56	607	5.77
Average during year	956	1.46	980	3.37	754	5.97
Maximum month-end balance during year	1,121		1,247		864	
Bank notes						
Year-end balance	1,854	1.63	3,600	2.68	5,512	6.74
Average during year	2,514	2.06	4,273	4.70	5,934	6.55
Maximum month-end balance during year	2,801		5,513		6,527	
Other						
Year-end balance	147	2.58	244	2.83	632	6.31
Average during year	311	1.42	362	4.34	784	6.87
Maximum month-end balance during year	876		1,131		1,368	

</TABLE>

LOAN MATURITIES AND INTEREST SENSITIVITY

December 31, 2002 In millions	1 Year or Less	Through 5 Years	After 5 Years	Gross Loans
Commercial	$6,807	$7,028	$1,152	$14,987
Real estate project	984	677	89	1,750
Total	$7,791	$7,705	$1,241	$16,737

Loans with

Predetermined rate	$672	$1,029	$484	$2,185
Floating rate	7,119	6,676	757	14,552
Total	$7,791	$7,705	$1,241	$16,737

At December 31, 2002, $3.6 billion notional value of interest rate swaps, caps and floors designated to commercial loans altered the interest rate characteristics of such loans. The basis adjustment related to fair value hedges for commercial loans is included in the above table.

TIME DEPOSITS OF $100,000 OR MORE

Time deposits in foreign offices totaled $463 million at December 31, 2002, substantially all of which are in denominations of $100,000 or more. The following table sets forth maturities of domestic time deposits of $100,000 or more:

December 31, 2002 - in millions	Certificates of Deposit
Three months or less	$525
Over three through six months	373
Over six through twelve months	227
Over twelve months	1,111
Total	$2,236

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	61.490	49.600	52.280	.48
Third	52.750	32.700	42.170	.48
Fourth	44.230	36.020	41.900	.48
Total				$1.92
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

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. At the close of business on February 7, 2003, there were 51,948 common shareholders of record.

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 or at PNC's home page at www.pnc.com. Copies may also be obtained without charge by contacting Shareholder Services at (800) 982-7652 or via email at web.queries@computershare.com.

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

Analysts and institutional investors should contact William H. Callihan, Director of Investor Services, 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.

TRUST PROXY VOTING
Reports of 2002 nonroutine proxy voting by the trust divisions of The PNC Financial Services Group, Inc. are available by writing to Thomas R. Moore, Corporate Secretary, at corporate headquarters.

ANNUAL SHAREHOLDERS MEETING
All shareholders are invited to attend The PNC Financial Services Group, Inc. annual meeting on Tuesday, April 22, 2003, at 11 a.m., Eastern Daylight Time, at One PNC Plaza, 249 Fifth Avenue, Pittsburgh, Pennsylvania 15222.

ADDITIONAL EXECUTIVE OFFICERS
(See also Executive Officers pictured on page 21)

Robert C. Barry, Jr.
Director of Finance

Michael J. Hannon
Chief Credit Policy Officer

Richard J. Johnson
Director of Finance

Samuel R. Patterson
Controller

DIVIDEND POLICY
Holders of The PNC Financial Services Group, Inc. common stock are entitled to receive dividends when declared by the Board of Directors out of funds legally available. The Board presently intends to continue the policy of paying quarterly cash dividends. However, future dividends will depend on earnings, the financial condition of The PNC Financial Services Group, Inc. and other factors, including applicable government regulations and policies and contractual restrictions.

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 form may be obtained by contacting Shareholder Services at (800) 982-7652.

REGISTRAR AND TRANSFER AGENT
Computershare Investor Services, LLC
2 North LaSalle Street
Chicago, IL 60602
(800) 982-7652

EXHIBIT 21

THE PNC FINANCIAL SERVICES GROUP, INC.
SCHEDULE OF CERTAIN SUBSIDIARIES
(AS OF DECEMBER 31, 2002)

NAME	STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION
PNC Bancorp, Inc.	Delaware
PNC Bank, Delaware (1)	Delaware
PNC Bank, National Association (1)	United States
PNC Asset Management, Inc.	Delaware
PNC Investment Holdings, Inc.	Delaware
PNC Bank Capital Securities, LLC	Delaware
PNC Commercial Management, Inc.	Delaware
BlackRock, Inc. (1)	Delaware
PNC Vehicle Leasing, LLC	Delaware
PNC Capital Leasing, LLC	Delaware
PNC Holding, LLC	Delaware
PFPC Worldwide Inc.	Delaware
PNC Funding Corp (1)	Pennsylvania

(1) The names of the subsidiaries of the indicated entities are omitted because such subsidiaries, considered in the aggregate as a single subsidiary, would not constitute a significant subsidiary.

EXHIBIT 23.1

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in this Form 10-K of The PNC Financial Services Group, Inc. of our report dated February 17, 2003 (which report expresses an unqualified opinion and includes an explanatory paragraph relating to the change in the method of accounting for goodwill and other intangible assets), appearing in the Annual Report to Shareholders of The PNC Financial Services Group, Inc. for the year ended December 31, 2002.

/s/ Deloitte & Touche LLP

Pittsburgh, Pennsylvania
March 13, 2003

EXHIBIT 23.2

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference, in the Registration Statements listed below, of our report dated March 1, 2002 with respect to the consolidated financial statements of The PNC Financial Services Group, Inc. and subsidiaries included in this Annual Report on Form 10-K of The PNC Financial Services Group, Inc. for the year ended December 31, 2002.

Form S-3 relating to the Corporation's Dividend Reinvestment and Stock Purchase Plan (No. 333-19003)

Form S-8s relating to the Corporation's Supplemental Incentive Savings Plan and the Corporation and Affiliates Deferred Compensation Plan (Nos. 333-18069 and 333-65040)

Form S-8s relating to the Corporation's 1997 Long-Term Incentive Award Plan (Nos. 33-54960 and 333-53806)

Form S-8 relating to the 1987 Senior Executive Long-Term Award Plan of PNC Bank Corp. (as amended, the PNC Bank Corp. 1992 Long-Term Incentive Award Plan) (No. 33-28828)

Form S-8s relating to the Corporation's Incentive Savings Plan (formerly The PNC Financial Services Group, Inc. Incentive Savings Plan and PNC Retirement Savings Plan) (Nos. 33-25140, 333-03901 and 333-65042)

Form S-8 relating to the Corporation's 1996 Executive Incentive Award Plan (No. 333-74666)

Form S-8 relating to the Stock Option Plan of PNC Bank Corp. (No. 2-92181)

Form S-8 relating to the Corporation's Employee Stock Purchase Plan (No. 333-25867)

Form S-3s relating to the shelf registration of capital securities of PNC Capital Trust C, PNC Capital Trust D, PNC Capital Trust E and PNC Capital Trust F, unconditionally guaranteed, to the extent described therein, by PNC Bank Corp. (No. 333-50651, 333-50651-01, 333-50651-02, 333-50651-03, and 333-50651-04)

Form S-3 relating to the shelf registration of debt securities of PNC Funding Corp., unconditionally guaranteed by the Corporation, and/or warrants to purchase such debt securities, and/or common stock and/or preferred stock and/or depository shares of the Corporation and/or warrants to purchase such common stock, preferred stock and/or depository shares (No. 333-69576)

/s/ Ernst & Young LLP

Pittsburgh, Pennsylvania
March 13, 2003

POWER OF ATTORNEY EXHIBIT 24

THE PNC FINANCIAL SERVICES GROUP, INC.
ANNUAL REPORT ON FORM 10-K FOR YEAR ENDED DECEMBER 31, 2002

KNOW ALL MEN BY THESE PRESENTS, that each of the undersigned Directors of The PNC Financial Services Group, Inc. (the "Corporation"), a Pennsylvania corporation, hereby names, constitutes and appoints William S. Demchak, Thomas R. Moore and Karen M. Barrett, and each of them, with full power of substitution, such person's true and lawful attorney-in-fact and agent to execute in such person's name, place and stead, in any and all capacities, the Corporation's Annual Report on Form 10-K for the year ended December 31, 2002;

And such persons hereby ratify and confirm all acts that any said attorney or attorney-in-fact, or any substitute, shall lawfully do or cause to be done by virtue hereof.

Witness the due execution hereof by the following persons in the capacities indicated as of this 20th day of February, 2003.

Name/Signature	Capacity
/s/James E. Rohr James E. Rohr	Chairman and Chief Executive Officer
/s/Paul W. Chellgren Paul W. Chellgren	Director
/s/Robert N. Clay Robert N. Clay	Director
/s/J.Gary Cooper J. Gary Cooper	Director
/s/George A. Davidson, Jr. George A. Davidson, Jr.	Director
/s/Richard B. Kelson Richard B. Kelson	Director
/s/Bruce C. Lindsay Bruce C. Lindsay	Director
/s/Anthony A. Massaro Anthony A. Massaro	Director
/s/Thomas H. O'Brien Thomas H. O'Brien	Director
/s/Jane G. Pepper Jane G. Pepper	Director
/s/Lorene K. Steffes Lorene K. Steffes	Director
/s/Dennis F. Strigl Dennis F. Strigl	Director
/s/Stephen G. Thieke	Director

- ---------------------------------
Stephen G. Thieke

/s/Thomas J. Usher   Director
- ---------------------------------
Thomas J. Usher

/s/Milton A. Washington   Director
- ---------------------------------
Milton A. Washington

/s/Helge H. Wehmeier   Director
- ---------------------------------
Helge H. Wehmeier