SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

[x] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2003

or

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

For the transition period from ________________to________________

Commission file number 1-9718

THE PNC FINANCIAL SERVICES GROUP, INC.

(Exact name of registrant as specified in its charter)

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

One PNC Plaza, 249 Fifth Avenue, Pittsburgh, Pennsylvania 15222-2707

(Address of principal executive offices)

(Zip Code)

(412) 762-2000

(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

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 whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Yes X No ______

As of October 31, 2003, there were 277,263,487 shares of the registrant's common stock ($5 par value) outstanding.

THE PNC FINANCIAL SERVICES GROUP, INC.
CROSS-REFERENCE INDEX TO 2003 THIRD QUARTER FORM 10-Q

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CONSOLIDATED FINANCIAL HIGHLIGHTS
THE PNC FINANCIAL SERVICES GROUP, INC.

<TABLE>
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Dollars in millions, except per share data Unaudited	Three months ended September 30 2003	Three months ended September 30 2002	Nine months ended September 30 2003	Nine months ended September 30 2002
<S>	<C>	<C>	<C>	<C>
FINANCIAL PERFORMANCE				
Revenue				
Net interest income (taxable-equivalent basis) (a)	$514	$532	$1,543	$1,683
Noninterest income	906	771	2,477	2,431
Total revenue	$1,420	$1,303	$4,020	$4,114
Net income	$281	$285	$727	$922

Per common share				
Diluted earnings	$1.00	$1.00	$2.57	$3.23
Cash dividends declared	$.48	$.48	$1.44	$1.44
SELECTED RATIOS				
Return on				
Average common shareholders' equity	17.06%	17.49%	14.53%	20.01%
Average assets	1.56	1.72	1.44	1.84
Net interest margin	3.49	3.88	3.71	4.00
Noninterest income to total revenue(b)	64	59	62	59
Efficiency(c)	59	61	65	59

</TABLE>

Certain prior period amounts included in these Consolidated Financial Highlights have been reclassified to conform to the current period presentation. Also, see Early Adoption of FIN 46 in the "Off-Balance Sheet Activities" section of this Financial Review, Note 2 Variable Interest Entities and Note 5 Capital Securities Of Subsidiary Trusts in the Notes to Consolidated Financial Statements for further information regarding the impact of the adoption of new accounting pronouncements during the third quarter of 2003 on certain items included in these Consolidated Financial Highlights. See page 44 of this Financial Review for a glossary of terms used in this report.

(a) The interest income earned on certain earning assets is completely or partially exempt from federal income tax. As such, these tax-exempt instruments typically yield lower returns than a taxable investment. In order to provide accurate comparisons of yields and margins for all earning assets, the interest income earned on tax-exempt assets has been increased to make them fully equivalent to other taxable interest income investments. A reconciliation of net interest income as reported in the Consolidated Statement of Income to net interest income on a taxable-equivalent basis follows (in millions):

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	Three months ended September 30		Nine months ended September 30	
	2003	2002	2003	2002
<S>	<C>	<C>	<C>	<C>
Net interest income, GAAP basis	$512	$528	$1,536	$1,673
Taxable-equivalent adjustment	2	4	7	10
Net interest income, taxable-equivalent basis	$514	$532	$1,543	$1,683

</TABLE>

(b) Computed as total noninterest income divided by the sum of net interest income and noninterest income. For the nine months ended September 30, 2002, the ratio previously reported had been computed using taxable-equivalent net interest income. The ratio for that period has been restated to conform with the current period presentation.

(c) The efficiency ratio for all periods presented is computed as noninterest expense divided by the sum of net interest income and noninterest income. For the nine months ended September 30, 2002, the efficiency ratio previously reported had been computed by excluding amortization expense and distributions on capital securities from the calculation and had used taxable-equivalent net interest income. The efficiency ratio for that period has been restated to conform with the current period presentation.

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Unaudited	September 30 2003	December 31 2002	September 30 2002
BALANCE SHEET DATA (dollars in millions, except per share data)			
Assets	$72,284	$66,377	$67,659
Earning assets	58,647	54,833	55,650
Loans, net of unearned income	34,514	35,450	35,917
Allowance for credit losses	648	673	648
Securities	14,889	13,763	12,536
Loans held for sale	1,531	1,607	1,989
Deposits	45,523	44,982	44,960
Borrowed funds	13,863	9,116	9,947
Allowance for unfunded loan commitments and letters of credit	89	84	79
Shareholders' equity	6,637	6,859	6,717
Common shareholders' equity	6,628	6,849	6,707
Book value per common share	23.93	24.03	23.62
Loans to deposits	76%	79%	80%
ASSETS UNDER MANAGEMENT (billions)	$336	$313	$285
FUND ASSETS SERVICED (billions)			
Accounting/administration net assets	$634	$510	$489
Custody assets	$384	$336	$311
CAPITAL RATIOS			
Tier 1 Risk-based	8.2%	8.8%	8.8%
Total Risk-based	11.3	12.5	12.5
Leverage	7.3	8.1	7.8
Shareholders' equity to assets	9.18	10.33	9.93
Common shareholders' equity to assets	9.17	10.32	9.91
ASSET QUALITY RATIOS			
Nonperforming assets to loans, loans held for sale and foreclosed assets	1.10%	1.13%	1.08%
Nonperforming loans to loans	.94	.87	.75
Net charge-offs to average loans (for the three months ended)	.73	.39	.79
Allowance for credit losses to loans	1.88	1.90	1.80
Allowance for credit losses to nonperforming loans	200	218	239

</TABLE>

FINANCIAL REVIEW
THE PNC FINANCIAL SERVICES GROUP, INC.

This Financial Review should be read in conjunction with The PNC Financial Services Group, Inc. ("Corporation" or "PNC") unaudited Consolidated Financial Statements and unaudited Statistical Information included herein and the Financial Review, audited Consolidated Financial Statements, and unaudited Statistical Information included in the Corporation's 2002 Annual Report on Form 10-K, as amended ("2002 Form 10-K"). Certain prior period amounts have been reclassified to conform with the current year presentation. The term "loans" in this report excludes loans held for sale and securities that represent interests in pools of loans. For information regarding certain business and regulatory risks, see the Risk Factors and Risk Management sections in this Financial Review and the Business section of the 2002 Form 10-K. Also, see the Cautionary Statement Regarding Forward-Looking Information and Critical Accounting Policies And Judgments sections in this Financial Review for certain other factors that could cause actual results or future events to differ materially from those anticipated in forward-looking statements or from historical performance. See page 44 of this Financial Review for a glossary of certain terms used in this report.

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.

SUMMARY FINANCIAL RESULTS
Consolidated net income for the first nine months of 2003 was $727 million, or $2.57 per diluted share, compared with net income of $922 million, or $3.23 per diluted share, for the first nine months of 2002. Return on average common shareholders' equity was 14.53% for the first nine months of 2003 compared with 20.01% for the first nine months of 2002. Return on average assets was 1.44% for the first nine months of 2003 compared with 1.84% for the first nine months of 2002.

Consolidated net income for the third quarter of 2003 was $281 million, or $1.00 per diluted share, compared with $285 million, or $1.00 per diluted share, for the third quarter of 2002. Return on average common shareholders' equity was 17.06% for the third quarter of 2003 compared with 17.49% for the third quarter of 2002. Return on average assets was 1.56% for the third quarter of 2003 compared with 1.72% for the third quarter of 2002.

Results for the first nine months of 2003 included expenses totaling $87 million after taxes, or $.31 per diluted share, recognized during the second quarter of 2003 in connection with the Corporation's previously announced agreement with the United States Department of Justice ("DOJ"), including related legal and consulting costs. The impact of these expenses was reflected in the return on average common shareholders' equity and in the return on average assets for the first nine months of 2003.

The returns on average assets for the first nine months and third quarter of 2003 were also adversely impacted by the Corporation's early adoption of FASB Interpretation No. ("FIN") 46, "Consolidation of Variable Interest Entities." The adoption of FIN 46 resulted in increases in total assets and total liabilities of $6.5 billion and $5.1 billion, respectively, at September 30, 2003. Several income statement line items changed significantly with the inclusion of the results of the variable interest entities that were consolidated, but the impact on consolidated net income was minimal. See Early Adoption of FIN 46 in the "Off-Balance Sheet Activities" section of this Financial Review and Note 2 Variable Interest Entities in the Notes to Consolidated Financial Statements for further information.

The Corporation's progress during the first nine months and third quarter of 2003 in addressing several of the challenges referred to in the 2002 Form 10-K included the following:

Asset quality remained stable.

- The provision for credit losses was $143 million for the first nine months of 2003 compared with $244 million for the first nine months of 2002. The provision for credit losses was $50 million for the third quarter of 2003 compared with $73 million for the third quarter of 2002.

- Total nonperforming assets declined $22 million, or 5%, to $396 million at September 30, 2003, despite a $15 million increase in nonperforming loans from December 31, 2002.

Total revenues declined $91 million in the first nine months of 2003 and increased $119 million in the third quarter of 2003 compared with the same periods in 2002. Revenues for the third quarter and first nine months of 2003 included $117 million due to the adoption of FIN 46. Apart from the impact of FIN 46, total revenues for the first nine months and third quarter of 2003 compared with the corresponding 2002 periods reflected the effects of a lower interest rate environment, declines in average interest-earning assets and comparatively weaker equity markets in

2003. However, growth in certain facets of the business included the following:

- Third quarter earnings from BlackRock improved 21% compared with the third quarter of 2002 and earnings for the first nine months of 2003 increased 15% compared with the corresponding 2002 period.

- Regional Community Banking grew home equity loans 15% on average for the first nine months of 2003 and 17% for the third quarter of 2003 compared with the corresponding prior year periods. Demand deposits grew 7% on average compared with the first nine months of 2002 and 10% on average compared with the third quarter of 2002.

PNC's development of value-added customer relationships was evidenced by the following:

- The number of Regional Community Banking checking relationships at September 30, 2003 reflected growth of 4% compared with both December 31, 2002 and September 30, 2002.

- PFPC provided accounting/administration services for $634 billion of pooled investment assets at September 30, 2003, up from $510 billion at December 31, 2002 and $489 billion at September 30, 2002. These increases from prior periods resulted from net new business activity and positive equity market performance during the second and third quarters of 2003.

Other strategic initiatives and key developments included:

- In August 2003, the Corporation signed a definitive agreement to acquire United National Bancorp for approximately $320 million in cash and 6.55 million shares of PNC common stock, and announced an alliance with The Stop & Shop Supermarket Company to become the exclusive bank in all new Stop & Shop stores located in New Jersey going forward.

- In September 2003, the Federal Reserve Bank of Cleveland and the Office of the Comptroller of the Currency lifted their formal written agreements with PNC and PNC Bank, N.A. ("PNC Bank"), respectively.

- The Corporation's $100 million efficiency initiative is on track and has resulted in expense savings, prior to reinvestment, of approximately $66 million for the first nine months of 2003, including $29 million in the third quarter.

- PNC repurchased 9.8 million common shares under its 35 million share repurchase program during the first nine months of 2003, including 3.2 million shares during the third quarter of 2003.

Results for the first nine months of 2003 included a $94 million, or 2%, decline in total taxable-equivalent revenue compared with the first nine months of 2002, representing a $140 million decline in taxable-equivalent net interest income and a $46 million increase in noninterest income. Results for the third quarter of 2003 reflected a $117 million increase in total taxable-equivalent revenue compared with the third quarter of 2002, comprised of a $135 million increase in noninterest income and an $18 million decline in taxable-equivalent net interest income.

The adoption of FIN 46 increased taxable-equivalent net interest income by $29 million for both 2003 periods. Taxable-equivalent net interest income in both 2003 periods reflected a narrower net interest margin and downsizing of the loan portfolio. See Note (a) to net interest income (taxable-equivalent basis) in the Consolidated Financial Highlights for a reconciliation of taxable-equivalent net interest income to net interest income as reported under generally accepted accounting principles ("GAAP").

Total noninterest income was $2.477 billion for the first nine months of 2003 compared with $2.431 billion for the first nine months of 2002. Noninterest income totaled $906 million for the third quarter of 2003, an increase of $135

million compared with the third quarter of 2002. The adoption of FIN 46 resulted in an $88 million increase in noninterest income for the third quarter and first nine months of 2003. A lower level of equity management losses and higher asset management fees, net gains on sales of commercial mortgages and corporate services revenue more than offset lower net securities gains in the third quarter of 2003 compared with the corresponding 2002 period.

Total noninterest expense increased $190 million for the first nine months of 2003 compared with the first nine months of 2002 and increased $45 million in the third quarter of 2003 compared with the third quarter of 2002. Noninterest expense for the first nine months of 2003 included DOJ-related expenses of $120 million. The adoption of FIN 46 increased noninterest expense for both the first nine months and third quarter of 2003 by $28 million.

Management expects that the remainder of 2003 will continue to be a challenge for the Corporation and that success will depend on PNC's ability to meet its key operating challenges. These challenges include the stability of asset quality, revenue growth and the development of value-added customer relationships. Other factors that will affect the Corporation's success include leveraging technology, managing the revenue/expense relationship and regulatory and other governmental actions. For additional factors that could affect the Corporation's success, see the Risk Factors, Risk Management and

Cautionary Statement Regarding Forward-Looking Information sections of this Financial Review.

BALANCE SHEET HIGHLIGHTS

Total assets were $72.3 billion at September 30, 2003 compared with $66.4 billion at December 31, 2002 and $67.7 billion at September 30, 2002. The Corporation's adoption of FIN 46 effective July 1, 2003 resulted in increases in total assets and total liabilities of $6.5 billion and $5.1 billion, respectively, at September 30, 2003. See Early Adoption of FIN 46 in the "Off-Balance Sheet Activities" section of this Financial Review and Note 2 Variable Interest Entities in the Notes to Consolidated Financial Statements for further information.

Average interest-earning assets for the first nine months of 2003 were $55.2 billion, down slightly compared with the first nine months of 2002. Average interest-earning assets increased $1.6 billion during the first nine months of 2003 due to the adoption of FIN 46. Apart from the impact of FIN 46, declines in average loans of $2.9 billion and average loans held for sale of $1.5 billion were partially offset by an increase of $2.6 billion in average securities.

Average loans for the first nine months of 2003 were $34.8 billion compared with $37.7 billion for the first nine months of 2002. Average loans represented 63% of total average interest-earning assets for the first nine months of 2003 compared with 68% for the first nine months of 2002. Declines in average residential mortgage and commercial loans drove the decline compared with the prior year period, partially offset by an increase in home equity loans.

Changes in loans held for sale are described in Loans Held For Sale in the Consolidated Balance Sheet Review section of this Financial Review.

Average securities for the first nine months of 2003 were $14.4 billion, compared with $11.7 billion for the first nine months of 2002. Securities represented 26% of average total interest-earning assets for the first nine months of 2003 compared with 21% for the first nine months of 2002.

Average deposits represented 66% of total sources of funds for both the first nine months of 2003 and the first nine months of 2002, with the remainder primarily comprised of wholesale funding obtained at prevailing market rates.

Average interest-bearing demand and money market deposits totaled $22.2 billion for the first nine months of 2003, up slightly compared with the first nine months of 2002. Average borrowed funds were $10.5 billion for the first nine months of 2003, down slightly compared with the first nine months of 2002. This decline is consistent with the decline in average total interest-earning assets in the first nine months of 2003 compared with the year-ago period and reflected the retention of capital. 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 GAAP; 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 2002 have been reclassified to conform with the 2003 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 changes to the measurement methods during the third quarter of 2003. 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 total consolidated results. The impact of these differences is reflected in the "Intercompany eliminations" and "Other" categories. "Intercompany eliminations" reflects activities conducted among PNC's businesses that are eliminated in the consolidated results. "Other" includes differences between management accounting practices and GAAP such as 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 BlackRock; and other corporate items. "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 business. "Other" reflected a net loss of $142 million for the first nine months of 2003 compared with a net loss of $52 million for the first nine months of 2002. "Other" for the first nine months of 2003 includes pretax expenses of $120 million ($87 million after taxes) in connection with the DOJ agreement, including related legal and consulting costs, and a pretax charge of $23 million ($15 million after taxes) related to leased facilities. Business results, including inter-segment revenues, are included in Note 15 Segment Reporting.

"Other Information" included in the 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), which represent amounts for the periods presented. FTE statistics as reported by business reflect staff directly employed by the respective businesses and exclude corporate and shared services employees. Prior period FTE amounts are not restated for organizational changes.

RESULTS OF BUSINESSES

<TABLE>
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	Earnings (Loss)		Revenue(a)		Return on Assigned Capital(b)		Average Assets(c)	
Nine months ended September 30 - dollars in millions	2003	2002	2003	2002	2003	2002	2003	2002
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Banking businesses								
Regional Community Banking	$449	$545	$1,558	$1,671	23%	28%	$38,608	$39,010
Wholesale Banking								
Corporate Banking	112	117	513	588	18	15	12,194	14,275
PNC Real Estate Finance	74	67	198	171	26	23	4,738	5,017
PNC Business Credit	26	12	137	133	14	6	3,778	3,870
Total wholesale banking	212	196	848	892	19	15	20,710	23,162

PNC Advisors	56	84	532	504	14	22	3,104	2,976
Total banking businesses	717	825	2,938	3,067	21	23	62,422	65,148
Asset management and processing businesses								
BlackRock	114	99	512	447	22	24	3,484	790
PFPC	43	57	568	622	28	37	1,884	1,891
Total asset management and processing businesses	157	156	1,080	1,069	24	28	5,368	2,681
Total business results	874	981	4,018	4,136	21	23	67,790	67,829
Intercompany eliminations	(5)	(7)	(71)	(79)			(1,946)	(2,005)
Other	(142)	(52)	73	57			1,777	1,017
Total consolidated(a)	$727	$922	$4,020	$4,114	15	20	$67,621	$66,841

</TABLE>

(a) Business revenue is presented on a taxable-equivalent basis except for BlackRock and PFPC, which are presented on a book (GAAP) basis. A reconciliation of total consolidated revenue on a book basis to total consolidated revenue on a taxable-equivalent basis is as follows:

<TABLE>
<CAPTION>

Nine months ended September 30 - in millions	2003	2002
Total consolidated revenue, book (GAAP)	$4,013	$4,104
Taxable-equivalent adjustment	7	10
Total consolidated revenue, taxable-equivalent basis	$4,020	$4,114

</TABLE>

(b) Percentages for BlackRock reflect return on equity.
(c) Period-end balances for BlackRock.

REGIONAL COMMUNITY BANKING

<TABLE>
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Nine months ended September 30 Taxable-equivalent basis Dollars in millions	2003	2002
INCOME STATEMENT		
Net interest income	$960	$1,078
Other noninterest income	521	509
Net securities gains	77	84
Total revenue	1,558	1,671
Provision for credit losses	32	37
Noninterest expense	842	797
Pretax earnings	684	837
Income taxes	235	292
Earnings	$449	$545
AVERAGE BALANCE SHEET		
Loans		
Consumer		
Home equity	$8,069	$7,002

Indirect	466	569
Other consumer	522	649
Total consumer	9,057	8,220
Residential mortgage	2,941	4,435
Commercial	3,950	3,512
Vehicle leasing	1,163	1,750
Other	116	120
Total loans	17,227	18,037
Securities	13,844	10,855
Education and other loans held for sale	1,166	1,354
Assigned assets and other assets	6,371	8,764
Total assets	$38,608	$39,010
Deposits		
Noninterest-bearing demand	$5,493	$4,980
Interest-bearing demand	6,216	6,012
Money market	12,358	12,311
Total transaction deposits	24,067	23,303
Savings	2,024	1,966
Certificates	8,749	10,177
Total deposits	34,840	35,446
Other liabilities	1,163	932
Assigned capital	2,605	2,632
Total funds	$38,608	$39,010
PERFORMANCE RATIOS		
Return on assigned capital	23%	28%
Noninterest income to total revenue	38	35
Efficiency	54	48
OTHER INFORMATION		
Total nonperforming assets(a)	$74	$65
Vehicle leasing outstandings, net of unearned income(b)	$872	$1,511
Net charge-offs	$38	$41
Home equity portfolio credit statistics:		
Percentage of first lien positions	50%	37%
Weighted average loan-to-value ratios	70%	70%
Weighted average FICO scores	712	708
Gains on sales of education loans	$12	$13
Average FTEs	9,438	9,568
ATMs	3,664	3,450
Branches	715	714
Financial consultants	702	626
Business banking centers	208	188
Checking relationships	1,606,004	1,538,000
Online banking users	728,352	563,471
Deposit households using online banking	41.7%	34.7%

</TABLE>

(a) Includes nonperforming loans of $63 million and $56 million at September 30, 2003 and 2002, respectively.
(b) At September 30.

Regional Community Banking provides deposit, lending, cash management and investment services to two million consumer and small business customers within PNC's geographic region.

The goal of Regional Community Banking is to generate sustainable revenue growth by consistently increasing its base of satisfied and loyal customers. The strategy is to drive revenue growth by building a base of checking account relationships which provide fee revenue and a low-cost funding source for loans and investments. In turn, these relationships generate additional revenue growth by expanding relationships with these customers through cross-selling of other products and services. Consistent with this strategy, in August 2003 the Corporation signed a definitive agreement to acquire United National Bancorp ("United National") for approximately $320 million in cash and 6.55 million shares of PNC common stock, subject to customary closing conditions. United National is a bank holding company with over $3 billion in assets. A subsidiary of United National, UnitedTrust Bank, provides a full range of commercial and retail banking services through 45 branches in New Jersey and seven branches in Pennsylvania. With this acquisition, PNC expects to increase its customer base by more than 100,000 households and businesses. See Note 3 Acquisitions in the Notes to Consolidated Financial Statements and Cautionary Statement Regarding Forward-Looking Information for further information.

Also, PNC Bank announced in August 2003 an alliance with The Stop & Shop Supermarket Company to become the exclusive bank in all new Stop & Shop stores

located in New Jersey going forward and expects to place 40 branches in Stop & Shop's new and existing New Jersey stores over the next four years.

Regional Community Banking increased the number of checking relationships by 4% compared with September 30, 2002, which drove increases in average transaction deposits and fee revenues. The cross-sell of home equity loans to consumers and growth in checking accounts and the ATM network have generated additional growth in loans and fee revenues. One of the key priorities for the business is to continue to improve customer loyalty and retention by investing in improvements to online banking services. This focus has resulted in a 29% increase in online banking users since September 30, 2002.

Regional Community Banking earnings were $449 million for the first nine months of 2003 compared with $545 million in the first nine months of 2002. Revenue was negatively impacted by low interest rates in the first nine months of 2003 and the downsizing of targeted lending activities. These factors, and an increase in employee benefit costs, contributed to the decline in earnings. Accordingly, the efficiency ratio declined in 2003 compared with the first nine months of 2002.

Total revenue was $1.6 billion for the first nine months of 2003 compared with $1.7 billion in the first nine months of 2002. Taxable-equivalent net interest income declined $118 million, or 11%, compared with the first nine months of 2002. The lower interest rate environment in 2003 contributed to an acceleration in prepayments, lower yields and a $77 million decline in taxable-equivalent net interest income generated from the mortgage loan and mortgage-backed securities portfolios. An additional $27 million decline in taxable-equivalent net interest income was attributable to lower yields on securities. The lower yields on earning assets were partially offset by an increase of $21 million from higher average home equity loan balances. Other noninterest income increased $12 million compared with the first nine months of 2002 as a $12 million improvement in deposit-related fee revenue and an $11 million increase in ATM and debit card fees more than offset declines in other income related to gains on sales of assets in 2002. Net securities gains decreased $7 million for the first nine months of 2003 compared with the prior year period.

The provision for credit losses for the first nine months of 2003 was $32 million, a decline of $5 million compared with the prior year period primarily due to a decrease in required specific reserves.

Noninterest expense totaled $842 million in the first nine months of 2003, an increase of $45 million compared with the first nine months of 2002. The increase reflected higher pension cost, increases in net occupancy costs related to additional offsite ATMs, investments in the branch network and marketing costs.

Average total loans decreased 4% for the first nine months of 2003 compared with the first nine months of 2002. Regional Community Banking has adopted a relationship-based lending strategy that will target certain portfolios for growth (home equity and commercial) while allowing other portfolios to run-off. Home equity loans grew by 15% on average compared with the first nine months of 2002 driven by record levels of new loan volume fueled in part by refinancing activity. As of September 30, 2003, 95% of the home equity portfolio was within Regional Community Banking's geographic footprint. The growth in home equity loans and residential mortgage prepayments reflected consumer debt trends during the periods presented which may not continue. Commercial loan outstandings associated with lending to auto dealers to finance their inventory increased by 14% as new relationships were added and auto dealers expanded their inventories during 2003. The overall decline in loans primarily resulted from residential mortgage prepayments and the run-off of vehicle leases.

Average total deposits declined 2% in the first nine months of 2003 compared with the prior year period as increases in checking, money market and savings deposits were more than offset by a decline in certificates of deposit. Demand deposit balance growth of 7% was primarily attributable to the growth in checking relationships. Money market and savings balances experienced modest growth as progress with cross-selling efforts was offset by the adverse impact of aggressive competitor pricing on balances attracted and retained. The certificate of deposit portfolio declined as higher-cost maturing certificates were not targeted for aggressive retention offers and were allowed to run off or were converted to fixed-rate annuities based on customer preferences.

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 42% since September 30, 2002 and is performing overall as expected. See Loans in the Consolidated Balance Sheet Review section of this Financial Review for additional information.

WHOLESALE BANKING - CORPORATE BANKING

Nine months ended September 30 Taxable-equivalent basis Dollars in millions	2003	2002
INCOME STATEMENT		
Net interest income	$224	$271
Noninterest income	289	317
Total revenue	513	588
Provision for credit losses	63	139
Noninterest expense	278	272
Pretax earnings	172	177
Income tax	60	60
Earnings	$112	$117
AVERAGE BALANCE SHEET		
Loans	$8,292	$9,698
Purchased customer receivables	841	
Loans held for sale	213	1,674
Other assets	2,848	2,903
Total assets	$12,194	$14,275
Deposits	$5,106	$4,608
Commercial paper	843	
Assigned funds and other liabilities	5,391	8,596
Assigned capital	854	1,071
Total funds	$12,194	$14,275
PERFORMANCE RATIOS		
Return on assigned capital	18%	15%
Noninterest income to total revenue	56	54
Efficiency	54	46
OTHER INFORMATION		
Total nonperforming assets(a)	$168	$158
Net charge-offs	$78	$122
Average FTEs	1,893	1,919
INSTITUTIONAL LENDING REPOSITIONING		
Loans held for sale		
Credit exposure	$126	$964
Outstandings	$75	$415
Exit portfolio		
Credit exposure	$61	$611
Outstandings	$10	$12
Net gains on loans held for sale(b)	$47	$100

(a) Includes nonperforming loans of $118 million and $57 million at September 30, 2003 and 2002, respectively

(b) Included in Noninterest income above.

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. 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 by emphasizing noncredit products.

PNC, through the Corporate Banking line of business, administers Market Street Funding Corporation ("Market Street"), a multi-seller asset-backed commercial paper conduit. Effective July 1, 2003, PNC consolidated Market Street into its financial statements in connection with the Corporation's early adoption of FIN 46. While the consolidation of Market Street had no impact on earnings for Corporate Banking or on PNC's consolidated net income for the first nine months of 2003, it increased taxable-equivalent net interest income by $4 million, decreased noninterest income by $3 million and increased noninterest expense by $1 million. In addition, the average balance sheet for Corporate Banking was increased primarily by the addition of purchased customer receivables of $841 million and commercial paper of $843 million. See Early Adoption of FIN 46 in the "Off-Balance Sheet Activities" section of this Financial Review and Note 2

Variable Interest Entities in the Notes to Consolidated Financial Statements for further information.

Corporate Banking earnings were $112 million for the first nine months of 2003 compared with $117 million for the first nine months of 2002. The earnings decline reflected decreased revenue and higher noninterest expenses that more than offset a lower provision for credit losses compared with the first nine months of 2002.

Total revenue of $513 million for the first nine months of 2003 decreased $75 million compared with the first nine months of 2002. Taxable-equivalent net interest income for the first nine months of 2003 decreased $47 million compared with the prior year period primarily due to the reduction in average loans and average loans held for sale resulting from the institutional lending repositioning and lower interest rates. Noninterest income decreased $28 million compared with the first nine months of 2002. This decline reflected a $53 million reduction in net gains on loans held for sale compared with the first nine months of 2002 that was partially offset by $23 million of net securities gains recognized in 2003 in connection with the liquidation of two entities formed in 2001 in the PAGIC transactions with American International Group, Inc. ("AIG").

The provision for credit losses declined $76 million in the first nine months of 2003 compared with the same period in 2002. The provision for credit losses for the first nine months of 2002 reflected reserve allocations related to Market Street matters.

Noninterest expense totaled $278 million in the first nine months of 2003 compared with $272 million for the first nine months of 2002. The increase reflects $22 million of costs paid in 2003 in connection with the liquidation of two entities formed in 2001 in the PAGIC transactions and higher pension and stock option costs, partially offset by lower servicing costs associated with the reduction in average loans and average loans held for sale.

Nonperforming assets were $168 million at September 30, 2003 compared with $158 million at September 30, 2002. Nonperforming assets at September 30, 2003 included approximately $71 million in aggregate outstandings from two customers in the manufacturing sector that were placed on nonaccrual status in 2003 and $18 million from foreclosed lease assets primarily representing the repossession of collateral related to a single airline industry credit during the second quarter of 2003. Collectively, these items more than offset the reduction in nonperforming assets associated with the Corporation's continued liquidation of the institutional lending held for sale portfolio.

WHOLESALE BANKING - PNC REAL ESTATE FINANCE

<TABLE>
<CAPTION>

Nine months ended September 30 Taxable-equivalent basis Dollars in millions	2003	2002
<S>	<C>	<C>
INCOME STATEMENT		
Net interest income	$81	$87
Noninterest income		
Net commercial mortgage banking		
Net gains on loan sales	38	19
Servicing and other fees, net of amortization	30	30
Other	49	35
Total noninterest income	117	84
Total revenue	198	171
Provision for credit losses	(1)	(7)
Noninterest expense	140	119
Pretax earnings	59	59
Noncontrolling interests in income of consolidated entities	(13)	(2)
Income tax benefit	(2)	(6)
Earnings	$74	$67
AVERAGE BALANCE SHEET		
Loans		
Commercial real estate	$1,948	$2,251
Commercial - real estate related	1,422	1,474

Total loans	3,370	3,725
Commercial mortgages held for sale	305	252
Other loans held for sale	38	157
Other assets	1,025	883
Total assets	$4,738	$5,017
Deposits	$1,074	$702
Liabilities of certain variable interest entities	33	
Noncontrolling interests in consolidated entities	13	
Assigned funds and other liabilities	3,237	3,920
Assigned capital	381	395
Total funds	$4,738	$5,017
PERFORMANCE RATIOS		
Return on assigned capital	26%	23%
Noninterest income to total revenue	59	49
Efficiency	71	70
COMMERCIAL MORTGAGE SERVICING PORTFOLIO(a)		
January 1	$74	$68
Acquisitions/additions	17	15
Repayments/transfers	(11)	(9)
September 30	$80	$74
OTHER INFORMATION		
Total nonperforming assets(b)	$3	$3
Net charge-offs (recoveries)	$1	$(6)
Average FTEs	745	762
Net carrying amount of commercial mortgage servicing rights	$200	$201
INSTITUTIONAL LENDING REPOSITIONING		
Loans held for sale		
Credit exposure	$16	$68
Outstandings	$16	$55
Exit portfolio		
Credit exposure		$25
Outstandings		$13
Net gains on loans held for sale(c)	$7	$6

</TABLE>

(a) Dollars in billions.
(b) Includes nonperforming loans of $1 million and $3 million at September 30, 2003 and 2002, respectively.
(c) Included in Noninterest income-Net commercial mortgage banking-Other above.

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. PNC Real Estate Finance also includes PNC MultiFamily Capital, a national provider of financial services for the multi-family housing industry, particularly affordable, senior and healthcare housing.

PNC Real Estate Finance seeks to position its business mix for a more balanced revenue stream. The current economic cycle limits opportunities to replace run-off loans with new loans having acceptable risks and returns. However, the continued origination and sale of commercial mortgage loans has been profitable in the first nine months of 2003.

Effective July 1, 2003, PNC Real Estate Finance consolidated certain equity investments in various limited partnerships that sponsor affordable housing projects utilizing the Low Income Housing Tax Credit (LIHTC) in connection with the Corporation's early adoption of FIN 46. In addition, the adoption of FIN 46 was applied to certain entities in which PNC Real Estate Finance is a national syndicator of affordable housing equity and is the general partner. While the adoption of FIN 46 for these entities had no impact on earnings for PNC Real Estate Finance or on PNC's consolidated net income for the first nine months of 2003, it decreased taxable-equivalent net interest income by $2 million, increased noninterest income by $9 million, and increased noninterest expense by $18 million, with the remaining $11 million offset recorded as noncontrolling interests in income of consolidated entities. See Early Adoption of FIN 46 in the "Off-Balance Sheet Activities" section of this Financial Review and Note 2

Variable Interest Entities in the Notes to Consolidated Financial Statements for further information.

PNC Real Estate Finance earned $74 million for the first nine months of 2003 and $67 million for the first nine months of 2002. The increase was primarily due to higher gains on commercial mortgage loan sales in 2003 that more than offset the impact of lower taxable-equivalent net interest income and a lower benefit from the provision for credit losses. The provision for the first nine months of 2003 is in a net credit position based on lower loans outstanding and continued strong credit quality. The provision was in a higher net credit position in the first nine months of 2002, which was primarily due to a $6 million net recovery on an exited warehouse lending loan.

Total revenue increased $27 million for the first nine months of 2003 compared with the first nine months of 2002 as a $33 million increase in noninterest income more than offset a $6 million decline in taxable-equivalent net interest income. The increase in noninterest income included an increase of $19 million in net gains on commercial mortgage loan sales. The origination and sale of certain commercial mortgages is part of the ongoing business of PNC Real Estate Finance. The higher gains in 2003 reflected unusually favorable market conditions for this activity. The decline in taxable-equivalent net interest income was primarily due to a $355 million decline in average loans in the comparison.

Noninterest expense for the first nine months of 2003 increased $21 million compared with the prior year period. The impact of the adoption of FIN 46 represented $18 million of this increase as described above.

PNC Real Estate Finance recognized an income tax benefit for both the first nine months of 2003 and 2002 due to the impact of tax credits received on LIHTC investments. The income tax benefits were partially offset by passive losses from these investments included in noninterest expense.

The commercial mortgage servicing portfolio increased $6 billion to $80 billion at September 30, 2003 compared with the balance at September 30, 2002. Midland, as a third-party servicer, is required to comply with various contractual obligations, including the obligation to monitor property taxes and insurance and to advance funds for delinquent borrower payments and property protection purposes, subject to certain recoverability provisions. A total of $89 million of advances were outstanding at September 30, 2003, compared with $77 million at September 30, 2002. Midland's right to be reimbursed for these advances from borrower repayments, liquidation proceeds and other sources as set forth in the applicable servicing contracts is superior in priority to all other claims on the cash flows from the related securitizations, including claims by the security holders.

WHOLESALE BANKING - PNC BUSINESS CREDIT

<TABLE>
<CAPTION>

Nine months ended September 30 Taxable-equivalent basis Dollars in millions	2003	2002
<S>	<C>	<C>
INCOME STATEMENT		
Net interest income	$101	$101
Noninterest income	36	32
Total revenue	137	133
Provision for credit losses	51	72
Noninterest expense	44	41
Pretax earnings	42	20
Income taxes	16	8
Earnings	$26	$12
AVERAGE BALANCE SHEET		
Loans	$3,515	$3,550
Loans held for sale	24	83
Other assets	239	237
Total assets	$3,778	$3,870
Deposits	$98	$78
Assigned funds and other liabilities	3,436	3,540
Assigned capital	244	252

Total funds	$3,778	$3,870
PERFORMANCE RATIOS		
Return on assigned capital	14%	6%
Noninterest income to total revenue	26	24
Efficiency	32	31
OTHER INFORMATION		
Total nonperforming assets(a)	$140	$179
Net charge-offs	$45	$26
NBOC put option liability		$78
NBOC put option valuation income(b)	$8	$19
Marketing locations	24	23
Average FTEs	251	238
INSTITUTIONAL LENDING REPOSITIONING		
Loans held for sale		
Credit exposure	$8	$46
Outstandings	$7	$25
Net losses on loans held for sale(b)	$(1)	$(11)

</TABLE>

(a) Includes nonperforming loans of $132 million and $151 million at September 30, 2003 and 2002, respectively.
(b) Included in Noninterest income above.

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 National Bank of Canada's ("NBOC") U.S. asset-based lending business in a purchase business combination. NBOC exercised its put option effective July 15, 2003 related to the loan portfolio it had retained as part of the 2002 transaction. See Note 3 Acquisitions for additional information.

PNC Business Credit earned $26 million for the first nine months of 2003 compared with $12 million for the first nine months of 2002. Higher earnings for the first nine months of 2003 compared with the same period of 2002 were primarily due to a $21 million decline in the provision for credit losses in 2003.

Total revenue was $137 million for the first nine months of 2003 and $133 million for the first nine months of 2002. Noninterest income increased $4 million compared with the first nine months of 2002. The increase in noninterest income was primarily due to higher product-related revenue in the first nine months of 2003, as the impact of an $11 million decline in income resulting from the reduction in the value of the NBOC put option liability was largely offset by a lower level of losses recognized on the institutional loans held for sale in the current year period.

The provision for credit losses for the first nine months of 2003 was $51 million, a decrease of $21 million compared with the same period in 2002. Net charge-offs were $45 million for the first nine months of 2003, an increase of $19 million compared with the prior year period. Net charge-offs for the 2003 period included a $28 million charge-off related to a single loan to a wholesale goods/retail customer for which a substantial reserve had been provided at June 30, 2003. This is the largest single nonperforming relationship in this business and was supported more by its franchise value rather than a collateral value. Approximately 98% of the total portfolio in this business is underwritten based on the value of collateral. Notwithstanding the increase in the level of charge-offs, the decline in the provision for 2003 represented changes in the reserve methodology in 2002 and the comparative impact of a significant addition to reserves at September 30, 2002. PNC Business Credit loans, including those acquired in the NBOC acquisition, are primarily secured loans to borrowers, many of whom 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. The ability of customers to borrow under these loan agreements is typically constrained by the amount of collateral that the customer has available to support the loan. Collateral is monitored and periodically audited by PNC Business Credit to verify its existence and condition. 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 $3 million for the first nine months of 2003 compared with the first nine months of 2002 primarily due to higher average FTEs

and benefit costs.

Nonperforming assets were $140 million at September 30, 2003 compared with $179 million at September 30, 2002. The decrease was primarily due to reductions to credits through managed liquidation and charge-offs.

PNC ADVISORS

<TABLE>
<CAPTION>

Nine months ended September 30 Taxable-equivalent basis Dollars in millions	2003	2002
INCOME STATEMENT		
Net interest income	$65	$76
Noninterest income		
Investment management and trust	232	258
Brokerage	87	102
Other	148	68
Total noninterest income	467	428
Total revenue	532	504
Provision for credit losses	2	3
Noninterest expense	373	368
Pretax earnings	157	133
Noncontrolling interests in income of consolidated entities	69	
Income taxes	32	49
Earnings	$56	$84
AVERAGE BALANCE SHEET		
Loans		
Consumer	$1,299	$1,216
Residential mortgage	268	537
Commercial	446	467
Other	285	335
Total loans	2,298	2,555
Other assets	806	421
Total assets	$3,104	$2,976
Deposits	$2,109	$2,004
Noncontrolling interests in consolidated entities	182	
Liabilities of certain variable interest entities	22	
Assigned funds and other liabilities	267	452
Assigned capital	524	520
Total funds	$3,104	$2,976
PERFORMANCE RATIOS		
Return on assigned capital	14%	22%
Noninterest income to total revenue	88	85
Efficiency	70	73
ASSETS UNDER MANAGEMENT(a)		
Personal investment management and trust	$42	$40
Institutional trust	9	10
Total	$51	$50
ASSET TYPE		
Equity	$28	$26
Fixed income	16	17
Liquidity	7	7
Total	$51	$50
OTHER INFORMATION		
Total nonperforming assets (loans)	$11	$4
Brokerage assets administered (in billions)(b)	$35	$31
Full service brokerage offices	99	108
Financial consultants/brokers	561	621
Margin loans	$257	$257

Average FTEs	3,130	3,311

(a) At September 30 - in billions. Excludes brokerage assets administered.
(b) Includes assets administered by brokers operating within Regional Community Banking.

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 its Hawthorn division. 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 provides services to individuals and corporations primarily within PNC's geographic region.

Effective July 1, 2003, the Corporation consolidated a number of private investment funds organized as limited partnerships ("Private Funds") that are managed by the Hawthorn division of PNC Advisors. While the consolidation of the Private Funds had no impact on earnings for PNC Advisors or on PNC's consolidated net income for the first nine months of 2003, it increased taxable-equivalent net interest income by $3 million, increased noninterest income by $73 million, increased noninterest expense by $7 million and increased noncontrolling interests in income of consolidated entities by $69 million. The adoption of FIN 46 increased average assets by $211 million and average liabilities by $29 million for PNC Advisors for the first nine months of 2003. See Early Adoption of FIN 46 in the "Off-Balance Sheet Activities" section of this Financial Review and Note 2 Variable Interest Entities in the Notes to Consolidated Financial Statements for further information.

Although the third quarter of 2003 reflected a continued upward trend in the financial markets, this business has been affected adversely by client acquisition and retention issues. PNC Advisors is addressing these issues by taking steps to strengthen client relationships and position itself as an advice-based provider. The introduction of separately managed accounts in September 2003 is expected to provide clients with an even broader array of investment choices. PNC Advisors has completed several cost reduction measures, including centralization of backoffice functions and realignment of resources. The impact of these initiatives on the ongoing cost structure of PNC Advisors is estimated to be a reduction of $15 million of expenses on an annual basis beginning in 2004.

PNC Advisors earned $56 million for the first nine months of 2003 compared with $84 million in the first nine months of 2002. The earnings decline reflected the impact of comparatively weaker equity market conditions on asset management and brokerage revenues, client acquisition and retention issues, and the effect of reduced loan levels and the lower interest rate environment on taxable-equivalent net interest income.

Total revenue for the first nine months of 2003 increased $28 million compared with the prior year period. This increase reflected the impact of the adoption of FIN 46 as described above. The run-off of residential mortgages along with a narrower net interest margin reflecting the lower interest rate environment in 2003 were the primary factors in the decline in taxable-equivalent net interest income. Investment management and trust fees declined $26 million, resulting from market conditions and net customer outflows. Although retention efforts are yielding positive results, management expects that revenues in this business will continue to be challenged. Assets under management and related noninterest income are closely tied to the performance of the equity markets. Assets under management at September 30, 2003 increased $1 billion compared with the balance at September 30, 2002 due to improved equity markets.

Brokerage assets administered by Hilliard Lyons were $35 billion at September 30, 2003 compared with $31 billion at September 30, 2002. Consolidated revenue from brokerage was $87 million for the first nine months of 2003 compared with $102 million for the first nine months of 2002. Hilliard Lyons has responded to the decline in revenue through selectively closing underperforming brokerage offices and reducing headcount.

BLACKROCK

Nine months ended September 30

Dollars in millions	2003	2002
INCOME STATEMENT		
Investment advisory and administration fees	$384	$397

Investment income	78	7
Other income	50	43
Total revenue	512	447
Other expense	250	246
Interest expense	24	
Fund administration and servicing costs	23	34
Total operating expense	297	280
Earnings before income taxes and noncontrolling interests	215	167
Noncontrolling interests in income of consolidated entities	31	
Income taxes	70	68
Earnings	$114	$99
PERIOD-END BALANCE SHEET		
Investments	$2,550	$180
Goodwill and other intangible assets	192	181
Other assets	742	429
Total assets	$3,484	$790
Borrowings	$2,141	
Liabilities	379	$194
Noncontrolling interests in consolidated entities	268	
Stockholders' equity	696	596
Total liabilities and stockholders' equity	$3,484	$790
PERFORMANCE DATA		
Return on equity	22%	24%
Net income margin	22	22
Diluted earnings per share	$1.73	$1.52
ASSETS UNDER MANAGEMENT(a)		
Separate accounts		
Fixed income	$178	$146
Liquidity	6	5
Liquidity - securities lending	10	6
Equity	9	8
Alternative investment products	7	6
Total separate accounts	210	171
Mutual funds(b)		
Fixed income	23	19
Liquidity	58	52
Equity	3	4
Total mutual funds	84	75
Total assets under management	$294	$246
OTHER INFORMATION		
Average FTEs	955	878

</TABLE>

(a) At September 30 - in billions.
(b) Includes BlackRock Funds, BlackRock Provident Institutional Funds, BlackRock Closed End Funds, Short Term Investment Fund and BlackRock Global Series.

The financial information presented reflects BlackRock on a stand-alone basis. BlackRock is approximately 70% owned by PNC and is consolidated into PNC's financial statements. Accordingly, approximately 30% of BlackRock's earnings are 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 $294 billion of assets under management at September 30, 2003. 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(R) 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.

Effective July 1, 2003, BlackRock consolidated six collateralized debt obligation ("CDO") funds, including a collateralized loan obligation fund which closed on September 30, 2003, in which BlackRock acts as collateral manager in connection with the Corporation's early adoption of FIN 46. While the consolidation of the CDOs had no impact on earnings for BlackRock or on PNC's consolidated net income for the first nine months of 2003, it increased investment income by $62 million, increased other expense by $7 million, increased interest expense by $24 million and increased noncontrolling interests in income of consolidated entities by $31 million. In addition, the consolidation of the CDOs increased BlackRock's total assets by $2.6 billion and increased total liabilities by $2.3 billion at September 30, 2003. See Early Adoption of FIN 46 in the "Off-Balance Sheet Activities" section of this Financial Review and Note 2 Variable Interest Entities in the Notes to Consolidated Financial Statements for further information.

BlackRock earned $114 million for the first nine months of 2003 compared with $99 million for the first nine months of 2002. Apart from the impact of FIN 46, higher earnings for the first nine months of 2003 reflected the impact of lower total expenses and a slight increase in total revenue in the first nine months of 2003.

Total revenue for the first nine months of 2003 of $512 million increased $65 million compared with the first nine months of 2002. Apart from the impact of FIN 46 described above, higher revenue in 2003 reflected increases in separate account base fees and other income that were offset by decreases in separate account performance fees and mutual fund revenue. The increase in separate account base fees resulted from strong growth in fixed income separate account assets.

Assets under management totaled $294 billion at September 30, 2003, an increase of $48 billion, or 19%, compared with assets under management at September 30, 2002. The increase in assets under management reflected net subscriptions of $34 billion and net market appreciation of $14 billion.

Total operating expenses for the first nine months of 2003 increased $17 million compared with the prior year period. Apart from the impact of FIN 46 described above, expenses declined largely due to a decrease in fund administration and servicing costs.

Income taxes increased only slightly compared with the first nine months of 2002 despite a $17 million increase in pretax earnings. The effective tax rate for 2003 has decreased due to a decision that BlackRock will file certain combined and unitary state income tax returns with other PNC subsidiaries.

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 and on BlackRock's website at www.blackrock.com.

PFPC

<TABLE>
<CAPTION>

Nine months ended September 30 Dollars in millions	2003	2002
<S>	<C>	<C>
INCOME STATEMENT		
Fund servicing revenue	$568	$622
Operating expense	463	482
(Accretion)/amortization of other intangibles, net	(14)	(14)
Operating income	119	154
Nonoperating income(a)	6	8
Debt financing	53	67
Pretax earnings	72	95
Income taxes	29	38
Earnings	$43	$57
AVERAGE BALANCE SHEET		
Goodwill and other intangible assets	$1,038	$1,030
Other assets	846	861
Total assets	$1,884	$1,891
Assigned funds and other liabilities	$1,676	$1,683
Assigned capital	208	208

Total funds	$1,884	$1,891
PERFORMANCE RATIOS		
Return on assigned capital	28%	37%
Operating margin(b)	21	25
SERVICING STATISTICS (C)		
Accounting/administration net assets(d)		
Domestic	$593	$464
Foreign(e)	41	25
Total	$634	$489
Custody assets(d)	$384	$311
Shareholder accounts (in millions)		
Transfer agency	21	28
Subaccounting	29	24
Total	50	52
OTHER INFORMATION		
Average FTEs	5,175	5,933

</TABLE>

(a) Net of nonoperating expense.
(b) Operating income divided by total fund servicing revenue.
(c) At September 30.
(d) In billions.
(e) Represents net assets serviced offshore.

PFPC is among the largest providers of mutual fund transfer agency and accounting and administration services in the United States, offering a wide range of fund processing services to the investment management industry and providing processing solutions to the international marketplace through its Ireland and Luxembourg operations.

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

PFPC earned $43 million for the first nine months of 2003 compared with $57 million for the first nine months of 2002. Earnings for the first nine months of 2003 declined compared with the prior year period as the $54 million decline in fund servicing revenue more than offset a $19 million decline in operating expenses and a $14 million decrease in debt financing costs.

Fund servicing revenue of $568 million for the first nine months of 2003 decreased $54 million compared with the first nine months of 2002. The positive impact of new sales of accounting/administration services and offshore growth was overcome by revenue declines resulting from client attrition and comparatively weaker equity market performance that impacted both shareholder activity levels and fund net asset valuations. In addition, fund servicing revenue for the 2002 period included the benefit of approximately $13 million of fees related to the renegotiation of a client contract and an additional $9 million related to the retirement services business, which was sold effective June 30, 2003.

Operating expense decreased $19 million, or 4%, in the first nine months of 2003 compared with the prior year period. Operating expense for the first nine months of 2002 reflected the benefit of a $19 million reduction in reserves that were originally established in 2001 largely related to a previously reported plan to consolidate selected facilities as discussed below. The decline in operating expenses compared with the first nine months of 2002 was primarily due to reductions in staff and contract programmers as well as the impact of the sale of the retirement services business effective June 30, 2003 and reflected the initiatives launched in the second half of 2002 designed to improve efficiency. These included such projects as consolidating transfer agency platforms, increasing automation and executing planned facilities consolidations. In 2003, PFPC expects to reduce expenses by approximately $50 million before considering the impact of technology and new business reinvestment. Accordingly, the workforce has been reduced as average FTEs declined 13% for the first nine months of 2003 compared with the first nine months of 2002.

Notwithstanding these initiatives, market conditions in early 2003, a shift in product mix and the impact of client attrition, coupled with the cost of technology and infrastructure enhancements, 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.

PFPC's performance is partially dependent on the underlying performance of its mutual fund clients and, in particular, their ability to attract and retain

customers. As a result, to the extent that its clients' businesses are adversely affected by on-going governmental investigations into the practices of the mutual fund industry, PFPC's results could be impacted.

Also, 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. Over comparative periods, PFPC has been adversely impacted by depressed financial market conditions, a shift in client assets from equity to fixed income products and client attrition. Accordingly, given these conditions, management is continuing to challenge the revenue/expense relationship of this business. Additionally, PFPC is increasingly focused on retaining its long-standing clients, has recently renewed several existing relationships and has been awarded several new servicing contracts, partially offsetting the revenue impact of client attrition.

Operating income for the first nine months of 2003 reflected the accretion of a discounted client contract liability of $26 million. Accretion for the first nine months of 2002 was $25 million.

Increases in both accounting/administration and custody pooled investment assets at September 30, 2003 compared with the balances at September 30, 2002 resulted primarily from new business, asset inflows from existing clients and the continued upward trend in the equity markets during the second and third quarters of 2003. Total assets serviced by PFPC amounted to $1.5 trillion at September 30, 2003 and $1.3 trillion at September 30, 2002.

PFPC serviced approximately 21 million transfer agency shareholder accounts at September 30, 2003 compared with 28 million at September 30, 2002. The decline in transfer agency accounts in 2003 was primarily due to a loss of one large client in the first quarter. Subaccounting shareholder accounts serviced by PFPC totaled 29 million at September 30, 2003 compared with 24 million at September 30, 2002. The increase in subaccounting shareholder accounts serviced resulted from net new business and growth in existing client accounts.

In the fourth quarter of 2001, PFPC incurred $36 million in pretax charges related to a plan to consolidate certain facilities. The charges primarily reflected anticipated costs related to exiting certain lease agreements and the abandonment of related leasehold improvements. During the first nine months of 2003, the Corporation recognized a $7 million reduction of the related liability largely to reflect the write-off of certain leasehold improvements and other related assets consistent with the original consolidation plans. The remaining liability was $7 million at September 30, 2003.

CONSOLIDATED INCOME STATEMENT REVIEW

NET INTEREST INCOME

Changes in net interest income and margin result from the interaction among the volume and composition of earning assets, related yields and associated funding costs. Accordingly, portfolio size, composition and yields earned and funding costs can have a significant impact on net interest income and net interest margin. See Balance Sheet Highlights in the Overview section of this Financial Review and Statistical Information-Consolidated Average Balance Sheet and Net Interest Analysis for additional information.

PNC's adoption, effective July 1, 2003, of Statement of Financial Accounting Standards No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity," ("SFAS 150") negatively impacted taxable-equivalent net interest income and net interest margin for both the first nine months and third quarter of 2003. As required by SFAS 150, the Corporation's mandatorily redeemable capital securities of subsidiary trusts (trust preferred securities) totaling $848 million were reclassified in the third quarter of 2003 from between the liabilities and shareholders' equity sections of the Consolidated Balance Sheet to borrowed funds. The dividends paid on these financial instruments, previously classified as noninterest expense, were recharacterized as interest expense. Reclassification of prior period amounts was not permitted under SFAS 150.

Taxable-equivalent net interest income was $1.543 billion and the net interest margin was 3.71% for the first nine months of 2003 compared with $1.683 billion and 4.00%, respectively, for the first nine months of 2002. The declines in taxable-equivalent net interest income and net interest margin compared with the first nine months of 2002 were primarily due to the impact of the lower interest rate environment in 2003 and a $.6 billion or 1% decrease in average interest-earning assets. Average interest-earning assets for the first nine months of 2003 included $1.6 billion recognized in connection with the adoption of FIN 46. Apart from the impact of FIN 46, the decline in average interest-earning assets reflected a $1.5 billion reduction in average loans held for sale, the prepayment of residential mortgages that reduced the average balance of residential mortgages by $1.8 billion, and a $1.2 billion decline in average commercial loans. Partially offsetting these declines in average interest-earning assets was an increase of $3.0 billion in securities available

for sale, primarily United States government agency and mortgage-backed ("MBS"), and a $1.2 billion increase in average home equity loans compared with the first nine months of 2002. See Market Risk Management-Interest Rate Risk in the Risk Management section of this Financial Review for additional information.

The adoption of SFAS 150 decreased taxable-equivalent net interest income and net interest margin by $14 million and 3 basis points, respectively, for the first nine months of 2003. The adoption of FIN 46 increased taxable-equivalent net interest income by $29 million but, due to the comparatively narrower spread on the interest-earning assets that were consolidated, reduced the net interest margin by 4 basis points for the first nine months of 2003.

Taxable-equivalent net interest income totaled $514 million and the net interest margin was 3.49% for the third quarter of 2003 compared with $532 million and 3.88%, respectively, for the third quarter of 2002. Declines in taxable-equivalent net interest income and margin compared with the third quarter of 2002 reflected the lower interest rate environment in 2003. Apart from the $4.6 billion positive impact on average interest-earning assets due to the adoption of FIN 46, all other average interest-earning assets declined $.5 billion compared with the third quarter of 2002 due to prepayments on the residential mortgage loan portfolio and the continued downsizing of the institutional lending portfolio. A benefit from growth in average transaction deposits for the third quarter of 2003 compared with the prior year third quarter partially offset the impact of these declines on all other average interest-earning assets.

The adoption of SFAS 150 decreased third quarter 2003 taxable-equivalent net interest income and net interest margin by $14 million and 10 basis points, respectively. The adoption of FIN 46 increased taxable-equivalent net interest income by $29 million but, due to the comparatively narrower spread on the interest-earning assets that were consolidated, reduced the net interest margin by 9 basis points for the third quarter of 2003.

PROVISION FOR CREDIT LOSSES

The provision for credit losses was $143 million for the first nine months of 2003 compared with $244 million for the first nine months of 2002. The provision for credit losses for the third quarter of 2003 totaled $50 million compared with $73 million for the prior year third quarter. The provision for both the first nine months and third quarter of 2002 reflected additional reserves provided for Corporate Banking related to Market Street matters.

See Allowances for Credit Losses And Unfunded Loan Commitments And Letters of Credit in the Credit Risk Management portion of the Risk Management section of this Financial Review for additional information regarding factors impacting the provision for credit losses.

NONINTEREST INCOME

Noninterest income was $2.5 billion for the first nine months of 2003 compared with $2.4 billion for the first nine months of 2002. Third quarter 2003 noninterest income totaled $906 million compared with $771 million in the third quarter of 2002.

Asset management fees were $628 million for the first nine months of 2003, a decline of $23 million compared with the first nine months of 2002. Third quarter 2003 asset management fees increased $12 million, to $212 million, compared with the third quarter of 2002. Consolidated assets

under management were $336 billion at September 30, 2003, an increase of $51 billion, or 18%, from September 30, 2002. Growth in fixed income assets managed by BlackRock attributable to net subscriptions and net market appreciation, partially offset by declines in equity assets, was the primary factor in the increase.

Fund servicing fees decreased $53 million, to $569 million, for the first nine months of 2003 compared with the year-ago period. Fund servicing fees decreased $5 million, to $188 million, for the third quarter of 2003 compared with the third quarter of 2002. The positive impact of new sales of accounting/administration services and offshore growth was overcome by revenue declines resulting from client attrition that impacted shareholder activity levels in both comparisons. While comparatively weaker equity market conditions negatively impacted the year-to-date comparison, improvement in the equity markets in the second and third quarters of 2003 mitigated the revenue decline in the quarter-over-quarter comparison. In addition, fund servicing revenue for the first nine months of 2002 included the benefit of approximately $13 million of fees related to the renegotiation of a client contract and an additional $9 million related to PFPC's retirement services business, which was sold effective June 30, 2003.

Service charges on deposits totaled $177 million for the first nine months of 2003, an increase of $11 million compared with the first nine months of 2002 due to a $2.2 billion increase in average transaction deposits, including a 4% increase in checking relationships over the prior year period. Service charges on deposits increased $3 million, to $60 million, for the third quarter of 2003

compared with the third quarter of 2002. The increases in both periods reflected higher volumes partially offset by lower monthly service charges due to higher sales of free checking.

Brokerage fees totaled $133 million for the first nine months of 2003, a decrease of $18 million compared with the comparable prior year period. The decrease is due to lower sales commissions and lower trading volumes that reflected the comparatively weaker equity markets in the first nine months of 2003. Brokerage fees increased $5 million, to $46 million, in the third quarter of 2003 compared with the third quarter of 2002 reflecting an upward trend in the equity markets in the 2003 period.

Consumer services revenue totaled $188 million for the first nine months of 2003, an increase of $10 million, or 6%, compared with the first nine months of 2002. Consumer service revenue totaled $65 million for the third quarter of 2003, an increase of $3 million, or 5%, compared with the third quarter of 2002. The increases in 2003 in both comparisons reflected additional fees from ATM transactions arising from growth in transaction volumes due to an increase in the number of ATM machines and additional fees from debit card transactions from higher transaction volumes.

As previously reported, Visa settled litigation earlier in 2003 with major retailers regarding pricing and usage of consumer debit cards. The settlement effectively lowered prices paid by merchants to Visa and its member banks. Although PNC was not a defendant in the litigation, the settlement will lower future revenue from certain debit card transactions beginning in the third quarter of 2003. Based on current cards issued and transaction mix and the reduced fee that became effective August 1, 2003, the lost revenue impact to PNC is estimated to be approximately $6 million in 2003.

Corporate services revenue totaled $362 million for the first nine months of 2003, a decline of $13 million compared with the first nine months of 2002. Net gains in excess of valuation adjustments related to the liquidation of institutional loans held for sale included in corporate services revenue totaled $53 million for the first nine months of 2003 and $95 million for the first nine months of 2002. Partially offsetting this decline were net gains on sales of commercial mortgages of $38 million for the first nine months of 2003, an increase of $20 million compared with the first nine months of 2002.

Corporate services revenue was $132 million for the third quarter of 2003 compared with $108 million for the third quarter of 2002. Net gains on sales of commercial mortgages were $15 million for the third quarter of 2003 and $5 million for the third quarter of 2002. Net gains in excess of valuation adjustments related to the liquidation of institutional loans held for sale increased $6 million, to $23 million, in the third quarter of 2003 compared with the third quarter of 2002.

Equity management (private equity activities) net losses on portfolio investments were $25 million for the first nine months of 2003 compared with net losses of $37 million for the first nine months of 2002. For the third quarter of 2003, equity management losses totaled $4 million compared with net losses of $22 million for the prior year quarter.

Net securities gains totaled $101 million for the first nine months of 2003 compared with $88 million for the first nine months of 2002. Net securities gains for the first nine months of 2003 included $25 million related to the liquidation in the first quarter of 2003 of the three entities formed in 2001 in the PAGIC transactions. Net securities gains totaled $19 million for the third quarter of 2003 and $68 million for the third quarter of 2002.

Noninterest income from investments held by certain variable interest entities totaled $96 million for the first nine months and third quarter of 2003 due to PNC's adoption of FIN 46.

Other noninterest income totaled $248 million for the first nine months of 2003, an increase of $11 million compared with the first nine months of 2002. Other noninterest income was $92 million for the third quarter of 2003, an increase of $28 million from the third quarter of 2002. The first nine months of 2002 reflected the impact of a $14 million gain on the sale of a real estate investment. Net trading income included in other noninterest income increased $19 million, to $96 million, for the first nine

months of 2003 compared with the first nine months of 2002 and increased $12 million, to $36 million, in the third quarter of 2003 compared with the prior year quarter. See Note 7 Trading Activities in the Notes to Consolidated Financial Statements for additional information.

PRODUCT REVENUE

Treasury management, capital markets and equipment leasing products offered through Corporate Banking are marketed by several businesses across the Corporation. A portion of the revenue and expense related to these products is reflected in Corporate Banking and the remainder is reflected in the results of other businesses. Consolidated revenue from treasury management products was

$261 million for the first nine months of 2003, up $4 million compared with the first nine months of 2002 as the benefit of higher sales activity was mostly offset by the impact of lower interest rates on compensating deposit balances. Consolidated revenue from capital markets products was $87 million for the first nine months of 2003, a decrease of $1 million compared with the same period in 2002 primarily due to lower transaction volume attributable to the comparatively weaker market conditions in year-to-date 2003. Consolidated revenue from equipment leasing products was $62 million for the first nine months of 2003 compared with $58 million for the first nine months of 2002.

NONINTEREST EXPENSE

Total noninterest expense was $2.6 billion for the first nine months of 2003, an increase of $190 million, or 8%, compared with the first nine months of 2002. The efficiency ratio was 65% for the first nine months of 2003 and 59% for the first nine months of 2002. Noninterest expense for the first nine months of 2003 included $120 million of expenses recognized in connection with the second quarter 2003 DOJ agreement, including $5 million of related legal and consulting costs. Also, noninterest expense for the first nine months of 2003 included $29 million of costs paid in connection with the liquidation of the three entities formed in 2001 in the PAGIC transactions and a facilities charge of $23 million related to leased space consistent with the requirements of Statement of Financial Accounting Standards No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." The impact of the costs incurred in connection with the liquidation of the entities formed in 2001 in the PAGIC transactions on first nine months 2003 pretax income was mostly offset by related net securities gains included in noninterest income. Total noninterest expense for the first nine months of 2003 also included $28 million of expenses resulting from PNC's adoption of FIN 46.

Noninterest expense for the first nine months of 2002 included a $16 million adjustment related to incentive and retention arrangements in the form of co-investment partnerships for certain equity management employees. In addition, noninterest expense for the first nine months of 2002 included the benefit of a $19 million pretax reduction in reserves for PFPC that were originally established in 2001 largely related to a previously reported plan to consolidate selected facilities that was recognized in the third quarter of 2002.

Total noninterest expense was $835 million for the third quarter of 2003, an increase of $45 million compared with the third quarter of 2002. The efficiency ratio was 59% for the third quarter of 2003 compared with 61% for the third quarter of 2002. The FIN 46 related expenses of $28 million are included in the third quarter 2003 amounts and the $19 million PFPC restructuring reserve reversal described above is reflected in the third quarter 2002 amounts.

The changes in total noninterest expense for both the first nine months and third quarter of 2003 compared with the corresponding 2002 periods also reflected the impact of the Corporation's 2003 efficiency initiative. A $66 million benefit from this initiative impacted the first nine months of 2003, including a $29 million benefit in the third quarter. Noninterest expense for both the first nine months and third quarter of 2003 was also impacted by costs related to reinvestment in new business initiatives and higher pension, stock option, incentive compensation and marketing expenses compared with the corresponding 2002 periods. See Defined Benefit Pension Plan in the Critical Accounting Policies And Judgments section of this Financial Review for further information regarding 2003 pension expense. See Note 1 Accounting Policies for further information regarding 2003 stock option expense. Stock option expense for the first nine months of 2003 has been less than previously anticipated due to the timing of option grants in 2003, the level of forfeitures, and other factors.

Management believes that the cost of executive risk insurance may increase significantly in 2004 relative to the current level. The Corporation expensed approximately $5 million related to this insurance in the first nine months of 2003.

Average employees totaled approximately 23,400 and 24,000 for the first nine months of 2003 and 2002, respectively. The decrease was mainly in PFPC, PNC Advisors and Regional Community Banking.

CONSOLIDATED BALANCE SHEET REVIEW

<TABLE>
<CAPTION>
BALANCE SHEET DATA

In millions	September 30 2003	December 31 2002
<S>	<C>	<C>
Assets		
Loans, net of unearned income	$34,514	$35,450
Securities	14,893	13,763

Loans held for sale	1,531	1,607
Other	21,346	15,557
Total assets	$72,284	$66,377
Liabilities		
Funding sources	$59,386	$54,098
Other	4,644	4,302
Total liabilities	64,030	58,400
Minority and noncontrolling interests in consolidated entities	1,617	270
Capital securities		848
Total shareholders' equity	6,637	6,859
Total liabilities, minority and noncontrolling interests, capital securities and shareholders' equity	$72,284	$66,377

</TABLE>

The Corporation's Consolidated Balance Sheet is presented on page 48 of this Form 10-Q.

Total assets were $72.3 billion at September 30, 2003 compared with $66.4 billion at December 31, 2002. PNC's adoption of FIN 46 resulted in increases in total assets of $6.5 billion, increases in total liabilities of $5.1 billion and increases in minority and noncontrolling interests in consolidated entities of $1.4 billion at September 30, 2003. The adoption of FIN 46 increased "Other" assets, "Funding sources" and "Other" liabilities as shown above by $6.5 billion, $4.9 billion and $.2 billion, respectively. Apart from FIN 46, the increase in total assets compared with year-end 2002 reflected changes in the mix of total assets as purchases of mortgage-backed and asset-backed securities more than offset a smaller loan portfolio and the continued liquidation of loans held for sale related to the institutional lending repositioning.

An analysis of changes in other balance sheet categories follows.

LOANS

Loans were $34.5 billion at September 30, 2003, a $.9 billion decrease from December 31, 2002 primarily due to run-off in the residential mortgage and auto lease portfolios partially offset by an increase in home equity loans.

DETAILS OF LOANS

<TABLE>
<CAPTION>

In millions	September 30 2003	December 31 2002
<S>	<C>	<C>
Commercial		
Retail/wholesale	$4,093	$4,161
Manufacturing	3,618	3,454
Service providers	1,865	1,906
Real estate related	1,454	1,481
Financial services	1,251	1,218
Communications	68	124
Health care	413	458
Other	1,861	2,185
Total commercial	14,623	14,987
Commercial real estate		
Real estate project	1,429	1,750
Mortgage	464	517
Total commercial real estate	1,893	2,267
Consumer		
Home equity	9,486	8,108
Automobile	522	484
Other	1,151	1,262
Total consumer	11,159	9,854
Residential mortgage	2,894	3,921
Lease financing		
Equipment	3,684	3,560
Vehicle	934	1,521
Total lease financing	4,618	5,081
Other	363	415
Unearned income	(1,036)	(1,075)

Total, net of unearned income	$34,514	$35,450

</TABLE>

Loan portfolio composition continued to be diversified across PNC's footprint among numerous industries and types of businesses.

Wholesale commercial loan portfolio composition based on the total of loans and unfunded commitments remained concentrated in investment grade equivalent exposure and secured lending. The portfolio demonstrated further diversification of exposure to client relationships with greater than $50 million in loans and unfunded commitments totaling $12.7 billion at September 30, 2003. Of the total exposure to relationships with greater than $50 million in loans and unfunded commitments at September 30, 2003, 73% was investment grade equivalent.

WHOLESALE LENDING STATISTICS

<TABLE>
<CAPTION>

Dollars in millions	September 30 2003	December 31 2002
<S>	<C>	<C>
Portfolio composition-total exposure		
Investment grade equivalent	52%	52%
Non-investment grade (secured lending)	25	24
Non-investment grade	23	24
Total	100%	100%
Client relationships greater than $50 million-total exposure	$12,662	$13,392
Client relationships greater than $50 million-customers	139	140

</TABLE>

The equipment lease financing portfolio totaled $3.7 billion at September 30, 2003 and included approximately $1.7 billion of cross-border leases. These leases are primarily leveraged leases of equipment located in foreign countries, primarily in western Europe and Australia. Aggregate residual value at risk on the total commercial lease portfolio at September 30, 2003 was $1.2 billion. Steps have been taken to mitigate $.7 billion of this residual risk, leaving $.5 billion of unmitigated risk.

At September 30, 2003, loans of $34.5 billion included $.9 billion of vehicle leases, net of unearned income, and $10 million of commercial and commercial real estate loans that have been designated for exit. PNC's vehicle leasing business, which has been designated for exit, is comprised of vehicle leases with an aggregate residual value of $.7 billion and $.2 billion of estimated future customer lease payments. As of September 30, 2003, the active vehicle leases scheduled to mature are as follows.

VEHICLE LEASE MATURITY SCHEDULE

<TABLE>
<CAPTION>

Scheduled Maturity Date(a)	Number of Active Vehicle Leases	Associated Residual Values(b)
<S>	<C>	<C>
Fourth quarter of 2003	5,700	$102
2004	20,100	331
2005	12,300	170
2006	5,900	66
Total	44,000	$669

</TABLE>

(a) The approximate number of active leases scheduled to mature in 2007 is less than 100.
(b) In millions.

A 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 September 30, 2003, the related liability was $118 million. 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 equal to

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 September 30, 2003.

NET UNFUNDED COMMITMENTS

<TABLE>
<CAPTION>

In millions	September 30 2003	December 31 2002
Commercial	$16,832	$19,525
Commercial real estate	746	718
Consumer	5,551	5,372
Lease financing	118	103
Purchased customer receivables	931	
Other	134	125
Institutional lending repositioning	352	1,015
Total	$24,664	$26,858

</TABLE>

Commitments to extend credit represent arrangements to lend funds or provide liquidity subject to specified contractual conditions. Commercial commitments are reported net of participations, assignments and syndications, primarily to financial institutions, totaling $6.3 billion at September 30, 2003 and $6.2 billion at December 31, 2002.

Net outstanding letters of credit totaled $3.9 billion at September 30, 2003 and $3.7 billion at December 31, 2002 and consisted primarily of standby letters of credit that commit the Corporation to make payments on behalf of customers if specified future events occur.

At September 30, 2003, purchased customer receivables totaled $2.5 billion related to Market Street and due to PNC's adoption of FIN 46. Unfunded commitments related to purchased customer receivables totaled $931 million at September 30, 2003. See Early Adoption of FIN 46 in the "Off-Balance Sheet" Activities section of this Financial Review and Note 2 Variable Interest Entities in the Notes to Consolidated Financial Statements for further information.

SECURITIES

Total securities were $14.9 billion at September 30, 2003 compared with $13.8 billion at December 31, 2002. Securities represented 21% of total assets at both September 30, 2003 and December 31, 2002. The increase in total securities compared with December 31, 2002 was primarily due to purchases during the first nine months of 2003 of United States government agency and MBS partially offset by the sale of securities classified as held to maturity at December 31, 2002.

At September 30, 2003, the securities available for sale balance included a net unrealized gain of $96 million, which represented the difference between fair value and amortized cost. The comparable amount at December 31, 2002 was a net unrealized gain of $274 million. Changes in the fair value of securities available for sale reflect an inverse relationship with changes in interest rates. If interest rates rise subsequent to September 30, 2003, such movement, if sustained, will adversely impact the fair value of securities available for sale at December 31, 2003 compared with the balance at September 30, 2003. 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. The expected weighted-average life of securities available for sale was 2 years and 9 months at September 30, 2003 and 2 years and 8 months at December 31, 2002.

Management estimates the effective duration of securities available for sale is 2.7% for an immediate 50 basis points parallel increase in interest rates and 2.4% for an immediate 50 basis points parallel decrease in interest rates.

MBS comprise 49% of available for sale securities or $7.2 billion. These securities are predominantly CMOs (collateralized mortgage obligations) and securitized pools of hybrid adjustable rate mortgages. The Corporation has limited holdings of fixed rate MBS. As of September 30, 2003, the fair values of 15- and 30-year fixed rate MBS were $800 million and $37 million, respectively.

Securities classified as held to maturity are carried at amortized cost. Securities classified as held to maturity at September 30, 2003 were due to the adoption of FIN 46 and are related to Market Street. Securities classified as

held to maturity at December 31, 2002 were assets of companies formed in 2001 in transactions with AIG that were consolidated in PNC's financial statement. In January 2003, these securities were sold and these companies were liquidated. The expected weighted-average life of securities held to maturity was 2 years and 10 months at September 30, 2003 and 20 years and 2 months at December 31, 2002.

DETAILS OF SECURITIES

In millions	Amortized Cost	Fair Value
SEPTEMBER 30, 2003		
SECURITIES AVAILABLE FOR SALE		
Debt securities		
U.S. Treasury and government agencies	$1,913	$1,939
Mortgage-backed	7,255	7,241
Commercial mortgage-backed	2,595	2,678
Asset-backed	2,487	2,486
State and municipal	76	75
Other debt	57	60
Corporate stocks and other	412	412
Total securities available for sale	$14,795	$14,891
SECURITIES HELD TO MATURITY		
Debt securities		
Asset-backed	$2	$2
Total securities held to maturity	$2	$2
December 31, 2002		
SECURITIES AVAILABLE FOR SALE		
Debt securities		
U.S. Treasury and government agencies	$813	$826
Mortgage-backed	6,110	6,216
Commercial mortgage-backed	2,806	2,887
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

LOANS HELD FOR SALE

Loans held for sale were $1.5 billion at September 30, 2003 compared with $1.6 billion at December 31, 2002. The decline in loans held for sale from December 31, 2002 reflected the continued liquidation of the institutional lending portfolio, partially offset by an increase in education loans held for sale. Substantially all education loans are classified as loans held for sale. Generally, education loans are sold when the loans go into repayment status.

DETAILS OF LOANS HELD FOR SALE

In millions	September 30 2003	December 31 2002
Education loans	$1,140	$1,035
Total institutional lending repositioning	98	298
Other	293	274
Total loans held for sale	$1,531	$1,607

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

<TABLE>
<CAPTION>

In millions	Credit Exposure	Outstandings
January 1, 2003	$626	$298
Additions		5
Sales	(141)	(76)
Payments and other exposure reductions	(304)	(110)
Valuation adjustments, net	(31)	(19)
September 30, 2003	$150	$98

</TABLE>

During the third quarter and first nine months of 2003, the liquidation of institutional loans held for sale resulted in net gains in excess of valuation adjustments of $23 million and $53 million, respectively. The corresponding amounts for 2002 were $17 million for the third quarter and $95 million for the first nine months. Details by Wholesale Banking business for 2003 follow:

INSTITUTIONAL LENDING HELD FOR SALE ACTIVITY

<TABLE>
<CAPTION>

Three months ended September 30, 2003 In millions	Net gains on liquidation	Valuation adjustments	Total
Corporate Banking	$19	$(2)	$17
PNC Real Estate Finance	3	3	6
Total	$22	$1	$23

<CAPTION>

Nine months ended September 30, 2003 In millions	Net gains on liquidation	Valuation adjustments	Total
Corporate Banking	$71	$(24)	$47
PNC Real Estate Finance	11	(4)	7
PNC Business Credit	2	(3)	(1)
Total	$84	$(31)	$53

</TABLE>

FUNDING SOURCES

Total funding sources were $59.4 billion at September 30, 2003 and $54.1 billion at December 31, 2002, an increase of $5.3 billion corresponding to an increase of $5.9 billion in total assets and an increase in accrued expenses and other liabilities of $.3 billion. Total deposits increased $.5 billion from December 31, 2002 due to an increase in demand and money market deposits partially offset by a reduction in higher yielding retail certificates of deposit due to maturities occurring in the first nine months of 2003. Total borrowed funds increased $4.7 billion from December 31, 2002. This increase reflected the recognition of commercial paper totaling $2.5 billion and liabilities of certain variable interest entities of $2.4 billion due to PNC's adoption of FIN

46. The increase in borrowed funds also reflected the reclassification of $.8 billion of mandatorily redeemable capital securities of subsidiary trusts from between the Liabilities and Shareholders' Equity sections of the Consolidated Balance Sheet in accordance with PNC's adoption of SFAS No. 150 effective July 1, 2003. Restatement of prior period amounts was not permitted under SFAS No. 150. These increases were partially offset by a decrease in bank notes and senior debt maturities during the first nine months of 2003.

DETAILS OF FUNDING SOURCES

<TABLE>
<CAPTION>

In millions	September 30 2003	December 31 2002

<S>	<C>	<C>
Deposits		
Demand and money market	$34,712	$32,349
Savings	2,110	2,014
Retail certificates of deposit	8,337	9,839
Other time	264	317
Deposits in foreign offices	100	463
Total deposits	45,523	44,982
Borrowed funds		
Federal funds purchased	881	38
Repurchase agreements	1,048	814
Bank notes and senior debt	2,839	4,400
Federal Home Loan Bank borrowings	1,127	1,256
Subordinated debt	1,980	2,423
Mandatorily redeemable capital securities of subsidiary trusts	848	
Commercial paper	2,483	
Liabilities of certain variable interest entities	2,415	
Other borrowed funds	242	185
Total borrowed funds	13,863	9,116
Total	$59,386	$54,098

</TABLE>

SHAREHOLDERS' EQUITY

Total shareholders' equity was $6.6 billion at September 30, 2003 compared with $6.9 billion at December 31, 2002. The decline in total shareholders' equity compared with the balance at December 31, 2002 reflected the impact of the Corporation's repurchase of 9.8 million shares of common stock in the first nine months of 2003 at a total cost of $452 million and a decline in accumulated other comprehensive income that more than offset an increase in retained earnings during this period.

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 part, on a financial institution's capital strength. Supervision and regulation is discussed in more detail in the Business section of the 2002 Form 10-K. At September 30, 2003, each banking subsidiary of the Corporation was considered "well capitalized" based on regulatory capital ratio requirements.

RISK-BASED CAPITAL

<TABLE>
<CAPTION>

Dollars in millions	September 30 2003	December 31 2002
<S>	<C>	<C>
Capital components		
Shareholders' equity		
Common	$6,628	$6,849
Preferred	9	10
Trust preferred capital securities	848	848
Minority interest	246	234
Goodwill and other intangibles	(2,498)	(2,446)
Net unrealized securities gains	(63)	(179)
Net unrealized gains on cash flow hedge derivatives	(77)	(135)
Equity investments in nonfinancial companies	(33)	(34)
Other, net	(20)	(26)
Tier 1 risk-based capital	5,040	5,121
Subordinated debt	1,142	1,350
Minority interest		36
Eligible allowance for credit losses	741	726
Total risk-based capital	$6,923	$7,233
Assets		
Risk-weighted assets, including off-balance sheet instruments and market risk equivalent assets	$61,465	$58,030
Adjusted average total assets	68,705	62,967
Capital ratios		

Tier 1 risk-based	8.2%	8.8%
Total risk-based	11.3	12.5
Leverage	7.3	8.1

</TABLE>

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.

Common shares outstanding at September 30, 2003 were 277.3 million. PNC's current stock repurchase program permits the purchase of up to 35 million shares of common stock through February 29, 2004. PNC purchased 3.2 million common shares under this program during the third quarter of 2003 at a total cost of $152 million. During the first nine months of 2003, 9.8 million shares were repurchased at a total cost of $452 million. The extent and timing of share repurchases during the remainder of the year 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. A total of 10.1 million common shares have been repurchased under this program from inception through September 30, 2003.

In October 2003, the Corporation's Board of Directors approved a four percent increase in the quarterly cash dividend on common stock, to 50 cents a share.

"OFF-BALANCE SHEET" ACTIVITIES

As previously reported, PNC has reputational, legal, operational and fiduciary risks in virtually every area of its business, a portion of which are not reflected in assets and liabilities recorded on the balance sheet. These activities are part of the banking business and would be found in most larger financial institutions with the size and activities of PNC. Most of these involve financial products distributed to customers, trust and custody services, and servicing, processing and funds transfer services, and the amounts involved can be quite large in relation to the Corporation's assets, equity and earnings. See "Off-Balance Sheet Activities" in the Risk Management section of the Financial Review included in the 2002 Form 10-K for further information.

EARLY ADOPTION OF FIN 46

In October 2003, the Financial Accounting Standards Board announced that the effective date of FIN 46 was deferred from July 1, 2003 to December 31, 2003 for interests held by public companies in all variable interest entities created prior to February 1, 2003. However, PNC, as permitted, elected to adopt the accounting provisions of FIN 46 as of the original July 1, 2003 implementation date by consolidating those variable interest entities currently subject to the standard and of which PNC is considered the primary beneficiary.

A number of variable interest entities that previously represented "off-balance sheet" activities of the Corporation were consolidated by PNC upon adoption of FIN 46:

- Market Street Funding Corporation, a multi-seller asset-backed commercial paper conduit that is independently owned and managed, was consolidated as PNC Bank, N.A. is the primary beneficiary since it receives a majority of the expected residual returns and would absorb a majority of any expected losses of the conduit. This entity is reflected in the results of Corporate Banking.

- BlackRock acts as collateral manager for six collateralized debt obligation ("CDO") funds, including a collateralized loan obligation fund which closed on September 30, 2003. BlackRock is considered the primary beneficiary given its role as collateral manager since it receives a majority of the expected residual returns in the form of non-fixed, market-based fees from the funds.

- PNC Real Estate Finance makes equity investments in various limited partnerships that sponsor affordable housing projects utilizing the Low Income Housing Tax Credit. PNC Real Estate Finance is considered the primary beneficiary of those entities in which PNC owns in excess of 50 percent of the limited partnership interests. Additionally, PNC Real Estate Finance is a national syndicator of affordable housing equity and is the general partner in these structures. In certain of these transactions, PNC is considered the primary beneficiary as it receives a majority of the expected residual returns through the receipt of fees.

- The Hawthorn division of PNC Advisors manages a number of private investment funds organized as limited partnerships ("Private Funds"). These entities were consolidated as PNC was determined to be the primary beneficiary since it receives a majority of the expected residual returns in the form of fees received from these entities.

A Consolidating Statement of Income for the three months ended September 30, 2003 and a Consolidating Balance Sheet as of September 30, 2003 are included on the following pages to indicate the impact of the adoption of FIN 46 on a line item basis.

In connection with the deferral of the effective date of FIN 46, the FASB is continuing to evaluate the scope of entities covered and other implementation issues related to FIN 46. Therefore, any modifications or refinement of the current FIN 46 guidance provided by the FASB could result in the consolidation of additional entities or the deconsolidation of entities previously included in PNC's consolidated financial statements.

See Note 2 Variable Interest Entities in the Notes to Consolidated Financial Statements for further information regarding the Corporation's adoption of FIN 46.

IMPACT OF FIN 46
CONSOLIDATING STATEMENT OF INCOME (Unaudited)

<TABLE>
<CAPTION>

For the three months ended September 30, 2003 In millions	Results before adoption of FIN 46	Impact of FIN 46 Market Street Funding	BlackRock CDOs	Hawthorn Private Funds	Affordable Housing Partnerships	Eliminations and Other	Results as reported
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
INTEREST INCOME							
Loans and fees on loans	$477						$477
Securities	136			$4			140
Loans held for sale	8						8
Purchased customer receivables		$11					11
Investments held by certain variable interest entities			$48				48
Other	33				$1		34
Total interest income	654	11	48	4	1		718
INTEREST EXPENSE							
Deposits	106						106
Borrowed funds	51						51
Capital securities	14						14
Commercial paper		7					7
Liabilities of certain variable interest entities			24	1	3		28
Total interest expense	171	7	24	1	3		206
Net interest income	483	4	24	3	(2)		512
Provision for credit losses	50						50
Net interest income less provision for credit losses	433	4	24	3	(2)		

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NONINTEREST INCOME							
Asset management	217		(5)				212
Fund servicing	188						188
Service charges on deposits	60						60
Brokerage	46						46
Consumer services	65						65
Corporate services	135	(3)					132
Equity management	(4)						(4)
Net securities gains	19						19
Investments held by certain variable interest entities			14	73	9		96
Other	92						92
Total noninterest income	818	(3)	9	73	9		906
NONINTEREST EXPENSE							
Staff expense	447			4		$1	452
Net occupancy	63						63
Equipment	67						67
Marketing	16						16
Other	214	1	2	3	18	(1)	237
Total noninterest expense	807	1	2	7	18		835
Income before minority and noncontrolling interests and income taxes	444		31	69	(11)		533
Minority and noncontrolling interests in income of consolidated entities	13		31	69	(11)	(2)	100
Income taxes	152						152
Net income	$279					$2	$281

</TABLE>

IMPACT OF FIN 46
CONSOLIDATING BALANCE SHEET (Unaudited)

<TABLE>
<CAPTION>

		Impact of FIN 46					
At September 30, 2003 In millions, except par value	Results before adoption of FIN 46	Market Street Funding	BlackRock CDOs	Hawthorn Private Funds	Affordable Housing Partnerships	Eliminations and Other	Results as reported
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
ASSETS							

Cash and due from banks	$3,148		$148	$315	$3		$3,614
Other short-term investments	2,533		57				2,590
Loans held for sale	1,531						1,531
Securities	14,891	$2					14,893
Loans, net of unearned income of $1,037	34,600	(86)					34,514
Allowance for credit losses	(649)	1					(648)
Net loans	33,951	(85)					33,866
Goodwill	2,385						2,385
Other intangible assets	311						311
Purchased customer receivables		2,481					2,481
Investments held by certain variable interest entities			2,318				2,318
Other	7,084	(1)	41	727	467	($23)	8,295
Total assets	$65,834	$2,397	$2,564	$1,042	$470	($23)	$72,284
LIABILITIES							
Deposits							
Noninterest-bearing	$12,118						$12,118
Interest-bearing	33,491	($86)					33,405
Total deposits	45,609	(86)					45,523
Borrowed funds							
Federal funds purchased	881						881
Repurchase agreements	1,048						1,048
Bank notes and senior debt	2,839						2,839
Federal Home Loan Bank borrowings	1,127						1,127
Subordinated debt	1,980						1,980
Mandatorily redeemable capital securities of subsidiary trusts	848						848
Commercial paper		2,483					2,483
Liabilities of certain variable interest entities			$2,141	$114	$160		2,415
Other borrowed funds	188		54				242
Total borrowed funds	8,911	2,483	2,195	114	160		13,863
Allowance for unfunded loan commitments and letters of credit	89						89
Accrued expenses	2,214		14				2,228
Other	2,128		87	36	76		2,327
Total liabilities	58,951	2,397	2,296	150	236		64,030
Minority and noncontrolling interests in consolidated entities	246		268	892	234	($23)	1,617
SHAREHOLDERS' EQUITY							

Common stock - $5 par value							
Authorized 800 shares, issued 353 shares	1,764						1,764
Capital surplus	1,110						1,110
Retained earnings	7,507						7,507
Deferred benefit expense	(24)						(24)
Accumulated other comprehensive income	147						147
Common stock held in treasury at cost: 76 shares	(3,867)						(3,867)
Total shareholders' equity	6,637						6,637
Total liabilities, minority and noncontrolling interests and shareholders' equity	$65,834	$2,397	$2,564	$1,042	$470	($23)	$72,284
CAPITAL AND OTHER RATIOS							
Tier 1 Risk-based(a)	8.9%		(.5)%	(.1)%	(.1)%		8.2%
Total Risk-based(a)	12.3		(.7)	(.2)	(.1)		11.3
Leverage	8.0	(.3)%	(.2)	(.1)	(.1)		7.3
Shareholders' equity to total assets	10.08	(.34)	(.36)	(.15)	(.06)	.01%	9.18
Common shareholders' equity to total assets	10.07	(.34)	(.36)	(.15)	(.06)	.01	9.17
Return on average assets	1.68	(.06)	(.05)	(.02)		.01	1.56

</TABLE>

(a) Regulatory capital relief has been granted through April 1, 2004 with respect to consolidation of the Market Street conduit.

RISK FACTORS

The Corporation is subject to a number of risks including, among others, those described below, in the Consolidated Balance Sheet Review, Risk Management and Cautionary Statement Regarding Forward-Looking Information sections of this Financial Review and elsewhere in this report. The Business section of the 2002 Form 10-K describes a number of risks applicable to the Corporation, including: business and economic conditions, supervision and regulation, monetary and other policies, competition, disintermediation, asset management performance, fund servicing, acquisitions, and terrorist activities and international hostilities. Reference is made to the 2002 Form 10-K for a detailed description of these risks which continue to have the potential to impact the Corporation's business, financial condition and results of operations. In addition, reference is made to the Corporation's Current Report on Form 8-K dated June 2, 2003 (including the exhibits to that report) for a discussion of the risks associated with the DOJ agreement, including the risk of additional expenses and collateral costs and consequences.

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 of this report and of the 2002 Form 10-K. 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 is 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.

See Note 2 Variable Interest Entities of this report for further information regarding investments in variable interest entities that are accounted for under FIN 46.

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 $530 million, or 82%, of the total allowance for credit losses at September 30, 2003 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 Credit Risk Management section in the Risk Management section of this Financial Review and Note 9 Allowances For Credit Losses And Unfunded Loan Commitments And Letters of Credit for additional information.

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 by sale or termination of the exposure, may impact the related valuation allowance or liability. Any change in the valuation allowance or liability is recognized 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 the asset 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 for additional information.

EQUITY MANAGEMENT ASSET VALUATION
Equity management (private equity) assets are valued at each balance sheet date primarily based on either, in the case of limited partnership investments, the financial statements received from the general partners of these partnerships 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 of those funds, respectively, resulting in lower valuations that could adversely impact earnings in future periods. Accordingly, the valuations may not represent the amounts that will ultimately be realized from these investments. See the Market Risk Management-Equity Investment Risk section in the Risk Management section of this Financial Review and Note 1 Accounting Policies of

this report for additional information.

COMMERCIAL MORTGAGE SERVICING RIGHTS

Commercial mortgage servicing rights ("MSR") are intangible assets that represent the value of rights that arise from the servicing of commercial loan contracts. While servicing is inherent in most financial assets, it becomes a distinct asset when (a) contractually separated from the underlying financial asset by sale or securitization of the asset with servicing retained or (b) through the separate purchase and assumption of the servicing. The Corporation's MSR asset value (both originated and purchased) arises from estimates of future revenues from contractually specified servicing fees, interest income and other ancillary revenues, net of estimated operating expenses, which are expected to yield an acceptable level of risk adjusted return for the servicer.

The fair value of the Corporation's MSR asset is estimated using a discounted cash flow methodology, which calculates the net present value of future cash flows of the servicing portfolio over the estimated life of the asset based on various assumptions and market factors, the most significant of which include interest rates for escrow and deposit balance earnings, estimated prepayment speeds, estimated servicing costs, portfolio stratification, and discount rates. The reasonableness of these factors is reviewed by management and is based on expectations of the portfolio, market conditions, and loan characteristics.

The Corporation's commercial loan servicing portfolio is subject to various risks, the most significant being interest rate and prepayment risk, which subject the MSR asset to impairment risk. While the MSR asset is amortized over its estimated life in proportion to estimated net servicing income, it is also tested for impairment at a strata level on a quarterly basis. The impairment testing includes a positive and negative scenario for sensitivity characteristics. If the estimated fair value of the MSR is less than the carrying value, an impairment loss would be recognized in the current period; however, any fair value in excess of the cost basis would not be recognized as income.

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, manufacturing and vehicles through a variety of lease arrangements, including leveraged leases of equipment located in foreign countries, primarily in western Europe and Australia. A significant portion of the residual value is subject to a lessee requirement to either purchase or provide residual value insurance. 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 in the United States and in the applicable foreign countries and the financial viability of the residual guarantors and insurers. To the extent not assumed by a third party or otherwise mitigated, 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. Residual values are reviewed on a regular basis for potential impairment.

GOODWILL

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.

DEFINED BENEFIT PENSION PLAN

The Corporation has a noncontributory, qualified defined benefit pension plan ("plan" or "pension plan") covering most employees. Retirement benefits are derived from a cash balance formula based on compensation levels, age and length of service. 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 invested approximately 60% 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 consistent with the provisions of SFAS 87, 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 was adjusted from 9.5% to 8.5% 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, given the current financial position of the plan, 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. Actual pension

expense for the first nine months of 2003 totaled $37 million. Previous years' investment results and the change in expected return on asset assumption are the primary reasons for estimated increase in pension expense in 2003. Expense for 2004 will primarily depend on actual trust returns during 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 December 31, 2003 will primarily depend upon 2003 trust asset 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 2003, the Corporation continued its strategy of fully funding the plan at maximum tax-deductible levels, contributing $183 million in March 2003. If future investment performance exceeds that of recent years, the permitted tax-deductible contribution in future years will be significantly reduced. Regardless, 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.

RISK MANAGEMENT

The Corporation encounters risk as part of the normal course of its business and designs risk management processes to help manage these risks. This section will first provide an overview of the governance structure, measurement, control strategies, and monitoring aspects of the Corporation's corporate-level risk management processes generally. Following this discussion is an analysis of the same aspects of the risk management process for what management views as the Corporation's primary areas of risk: credit, operational, liquidity, and market. The Corporation's use of financial and other derivatives as part of its overall asset and liability risk management process is also addressed within the Risk Management section of this report. In appropriate places within this section, historical performance is also addressed.

OVERVIEW

As a financial services organization, the Corporation takes a certain amount of risk in every business decision. For example, every time the Corporation opens an account or approves a loan for a customer, processes a payment, hires a new employee, or implements a new computer system, the Corporation incurs a certain amount of risk. As an organization, the Corporation must balance revenue generation and profitability with the risks associated with its business activities. Risk management is not about eliminating risks, but about accepting risks that are expected to optimize shareholder value and that the Corporation should effectively manage.

The key to effective risk management is to be proactive in seeking to identify, measure, control, and monitor risk on an ongoing basis. Risk management practices support decision-making, improve the success rate for new initiatives, and strengthen the organization.

CORPORATE-LEVEL RISK MANAGEMENT OVERVIEW

GOVERNANCE STRUCTURE

Risk management is supported through a governance structure at the Board and management level, and through a risk organization structure at both the corporate and business unit level. These structures are designed to provide active and effective management of risks.

Although the Board as a whole is responsible generally for oversight of risk management, committees of the Board provide oversight to specific areas of risk with respect to the level of risk and risk management structure. The Board committees with primary responsibility for risk management oversight are as follows:

- Audit Committee: major financial risk exposures, compliance with legal and regulatory requirements, internal controls, and the Corporation's code of ethics
- Credit Committee: risk within the Corporation's lending and credit-related activities
- Finance Committee: the risk management process and internal control structure relating to interest rate and liquidity risks, trading activities, capital management activities, equity investments, and fiduciary activities
- Operations and Technology Committee: operations and operational risk management, and activities related to information technology and information security
- Nominating and Governance Committee: recommendation of nominees for the Corporation's Board and implementation of appropriate corporate governance practices

Management level risk committees are designed to help ensure that business decisions are executed within the Board's desired risk profile. The Executive Risk Management Committee ("ERMC"), consisting of senior management executives, provides oversight for the establishment and implementation of new comprehensive risk management initiatives, reviews risk profiles and discusses key risk issues. There are several other management-level risk management committees charged with various risk management oversight responsibilities.

Within each of the Corporation's major businesses, a business risk officer serves an important role by helping the business to identify risks and develop action plans to manage those risks. By acting as partners to business managers and corporate risk officers, business risk officers help ensure that strategic business goals, including acceptable levels of risk, are achieved.

The following tables outline the three primary corporate-level risk management areas:

AREA	RISK MANAGEMENT
EXECUTIVE	Chief Risk Officer
KEY ROLES OF CORPORATE TEAM	- Facilitates the identification, measurement, control and monitoring of risk across the Corporation - Sets risk tolerance limits - Has authority to review and challenge all risk-taking activities - Provides support and oversight to the businesses - Identifies and implements risk management best practices

AREA	REGULATORY RELATIONS AND COMPLIANCE
EXECUTIVES	Chief Regulatory Officer Chief Compliance Officer
KEY ROLES OF CORPORATE TEAM	- Facilitates the identification, assessment and monitoring of regulatory and compliance risk throughout the Corporation - Facilitates relationships with regulatory agencies and serves as liaison to the businesses - Provides compliance support and oversight at the corporate level and to the businesses - Administers the Corporation's ethics and business conduct programs

AREA	LEGAL
EXECUTIVES	Vice Chairman, Legal and Governance

	General Counsel
KEY ROLES OF CORPORATE TEAM	- Facilitates the identification, assessment, and monitoring of legal risk throughout the Corporation - Provides legal counsel to the Corporation and across all businesses and staff areas

Each corporate risk management area is empowered and actively involved in risk identification, measurement, control and monitoring across the Corporation.

RISK MEASUREMENT

Risk measurement activities are conducted specific to the area of risk. Corporate risk management functional risk areas are involved in the development of models and analytic tools to evaluate the level of risk, providing a holistic approach to aggregating and understanding enterprise-wide risk. The primary vehicle for aggregation of enterprise-wide risk is a new comprehensive risk management methodology developed during 2003 that is based on economic capital. This primary risk aggregation measure is augmented with secondary measures of risk to arrive at an estimate of enterprise-wide risk. The economic capital framework is a measure of potential losses above and beyond expected losses. Potential one year losses are capitalized to a level commensurate with a financial institution with an A rating by the credit rating agencies. Economic capital incorporates risk associated with potential credit losses ("Credit Risk"), fluctuations of the estimated market value of financial instruments ("Market Risk") and other risks such as the failure of people, processes or systems ("Operational Risk"). Management has not traditionally used this methodology for determining economic capital in evaluating the performance of its business segments, and this methodology has not been used in the calculation of return on assigned capital for 2003 or 2002 business segment performance as disclosed in the Review of Businesses section of this Financial Review. Management currently plans to adopt this methodology for calculating economic capital in connection with the evaluation of each of the Corporation's business segment's performance in 2004.

RISK CONTROL STRATEGIES

Policy development and exception oversight is centrally managed through corporate-level risk management. Corporate risk management is authorized to take action to either prevent or mitigate exceptions to policies and is responsible for monitoring compliance with risk management policies. The Corporate Audit function performs an independent analysis of the internal control environment. Corporate Audit plays a critical role in risk management, testing the operation of the internal control system and reporting findings to management and to the Audit Committee. The Corporation uses a review process for significant new initiatives which requires the preparation of a business case, including a risk analysis, for review by an appropriate risk management committee.

RISK MONITORING

Corporate risk management reports on a regular basis to the Board regarding the enterprise risk profile of the Corporation. These reports aggregate and present the level of risk by type of risk and communicate significant risk issues, including performance relative to risk tolerance limits. Both the Board and the ERMC provide guidance on actions to address key risk issues as identified in these reports.

CREDIT RISK MANAGEMENT

Credit risk represents the possibility that a customer, counterparty or issuer 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. Credit risk is the most common risk in banking and one of the most significant risks to PNC.

Board approved risk tolerances, in addition to credit policies and procedures, set portfolio objectives for the level and composition of credit risk. Guidelines have been established for acceptable levels of aggregate borrower exposure, problem loans and other credit measures. The Corporation seeks to achieve credit portfolio objectives by maintaining a customer base that is diverse in borrower exposure and industry. Reductions in risk concentrations are achieved through loan participations with third parties, loan sales and the purchase of credit derivatives.

GOVERNANCE STRUCTURE

The credit lending businesses maintain direct responsibility for credit risk within the Corporation. The Corporate Credit Policy area provides independent oversight to the measurement, monitoring and reporting of the Corporation's credit risk and reports to the Chief Risk Officer. Corporate Credit Policy is responsible for establishing risk management policies as they relate to credit objectives and limits. Significant changes are reviewed with and approved by the

Credit Committee of the Board. Centrally, Corporate Credit Policy monitors compliance with policies and commercial customer covenant compliance. Corporate Credit Policy is involved in the review of commercial loans and provides oversight to the underwriting standards for consumer lending activities. Credit account management staff report up through the Corporate Credit Policy organization and perform relationship transactional analysis and administration.

Corporate Credit Policy oversees the role of portfolio management. The portfolio management function supports the development of portfolio risk limits to achieve associated objectives and is responsible for initiating secondary market activities to help optimize portfolio composition.

The Special Asset Committee ("SAC") is the management committee charged with the responsibility of reviewing all criticized credits throughout the Corporation in excess of a set dollar threshold. Additionally, SAC sets the standards for business level committees for reviewing all criticized credits below the corporate exposure threshold. SAC meets regularly and sets specific reserve levels for non-performing loans and evaluates the risk rating and disclosure status for reviewed credits.

The Reserve Adequacy Committee ("RAC") reviews the adequacy of the allowance for loan and lease losses for business units and major bank subsidiaries. RAC 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.

RISK MEASUREMENT

The Corporation actively measures sources of credit risk based on the calculated expected and unexpected losses in the portfolio. Expected loss is a component in calculating the appropriate level of the allowance for credit losses. See the Allowances for Credit Losses and Unfunded Commitments and Letters of Credit portion of this Credit Risk Management discussion. Unexpected loss seeks to capture the loss volatility in the portfolio and is the foundation for economic capital measurement at both the transaction and business level. Stress testing and scenario analyses are performed regularly, providing guidance to management on the potential impact of macroeconomic events on the level of credit risk.

Loan evaluation tools are used to assess credit quality at origination and to identify deteriorating borrower credit quality. They are employed to actively manage and reduce exposures as warranted. These loan evaluation tools have been developed internally as well as purchased from external vendors. Loan evaluation tool policies are established and usage monitored by Corporate Credit Policy.

RISK CONTROL STRATEGIES

Corporate Credit Policy monitors policy compliance and communicates exceptions to management on a monthly basis and to the Credit Committee of the Board quarterly. PNC has established credit portfolio risk tolerance and concentration limits, both at the corporate level and by individual lending business. Corporate Credit Policy evaluates compliance with risk tolerance and concentration limits quarterly and oversees appropriate adjustment of portfolio strategies to remain or move within an acceptable range of risk, balanced by the strategic objectives of the Corporation and business.

Critical to the measurement of commercial credit risk is the accuracy of internal risk ratings in the commercial loan portfolio. Corporate Credit Policy reviews and if necessary adjusts risk ratings at the time of approval. If a credit relationship deteriorates subsequent to approval, problem commercial loans are reviewed with SAC. Additionally, an independent Credit Risk Review function, reporting directly to the Credit Committee of the Board, and indirectly to the Chief Risk Officer, performs regular analyses of the quality of credit risk management and level of credit risk.

RISK MONITORING

On a quarterly basis, Corporate Credit Policy reports on credit risk to the Credit Committee of the Board. Policy exceptions and compliance with portfolio limits are included within the report. Additionally, Credit Risk Review provides an independent assessment of the credit risk profile and the findings from targeted reviews. Each primary credit granting business presents a report on the current trends, key risk factors and credit strategy of the business to the Credit Committee of the Board.

Senior credit management receives management-level portfolio reports that include current trends within the business. The reports contain detailed information on exposure concentrations across portfolio segments.

NONPERFORMING, PAST DUE AND POTENTIAL PROBLEM ASSETS

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

NONPERFORMING ASSETS BY TYPE

Dollars in millions	September 30 2003	December 31 2002
Nonaccrual loans		
Commercial	$286	$226
Lease financing	15	57
Commercial real estate	4	7
Consumer	10	11
Residential mortgage	8	7
Total nonaccrual loans	323	308
Troubled debt restructured loan	1	1
Total nonperforming loans	324	309
Nonperforming loans held for sale(a)	35	97
Foreclosed assets		
Lease	18	
Residential mortgage	9	6
Other	10	6
Total foreclosed assets	37	12
Total nonperforming assets	$396	$418
Nonperforming loans to total loans	.94%	.87%
Nonperforming assets to total loans, loans held for sale and foreclosed assets	1.10	1.13
Nonperforming assets to total assets	.55	.63

(a) Includes troubled debt restructured loans held for sale of $9 million and $17 million as of September 30, 2003 and December 31, 2002, respectively.

Of the total nonperforming loans at September 30, 2003, 41% are related to PNC Business Credit. PNC Business Credit loans, including those acquired in the NBOC acquisition, are primarily secured loans to borrowers, many of whom 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 are classified as nonperforming. Historically, the Corporation has found that the collateralized nature of asset-based financing has resulted in lower losses relative to comparable commercial loans within the loan portfolio. The increase in nonaccrual loans since December 31, 2002 reflected additional credits in the manufacturing and service sectors partially offset by higher charge-offs and the transfer of a single airline industry credit to foreclosed assets as described below.

The above table excludes nonperforming equity management assets carried at estimated fair value of $38 million and $40 million at September 30, 2003 and December 31, 2002, respectively, and included in other assets on the Consolidated Balance Sheet. Nonperforming equity management assets at September 30, 2003 and December 31, 2002, include $7 million and $12 million, respectively, of troubled debt restructured assets.

The increase in foreclosed lease assets since December 31, 2002 primarily represented the Corporation's repossession of collateral related to a single airline industry credit during the second quarter of 2003 that was previously classified as a nonaccrual loan.

The amount of nonperforming loans that were current as to principal and interest was $149 million at September 30, 2003 and $107 million at December 31, 2002. The amount of nonperforming loans held for sale that were current as to principal and interest was $5 million at September 30, 2003 and $46 million at December 31, 2002.

NONPERFORMING ASSETS BY BUSINESS

In millions	September 30 2003	December 31 2002
Regional Community Banking	$74	$82
Corporate Banking	168	187
PNC Real Estate Finance	3	2
PNC Business Credit	140	142
PNC Advisors	11	5
Total nonperforming assets	$396	$418

</TABLE>

At September 30, 2003, Corporate Banking and PNC Business Credit had nonperforming loans held for sale of $28 million and $7 million, respectively, which are included in the preceding table.

CHANGE IN NONPERFORMING ASSETS

In millions	2003	2002
January 1	$418	$391
Purchases	42	
Transferred from accrual	356	711
Returned to performing	(4)	(27)
Principal reductions	(221)	(310)
Asset sales	(34)	(145)
Charge-offs and valuation adjustments	(161)	(211)
September 30	$396	$409

For the remainder of 2003, weakness in 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.

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

	Amount		Percent of Total Outstandings	
Dollars in millions	Sept. 30 2003	Dec. 31 2002	Sept. 30 2003	Dec. 31 2002
Commercial	$25	$41	.17%	.27%
Commercial real estate	5	10	.26	.44
Consumer	27	25	.24	.25
Residential mortgage	39	38	1.35	.97
Lease financing	1	1	.03	.02
Total loans	97	115	.28	.32
Loans held for sale	8	32	.52	1.99
Total loans and loans held for sale	$105	$147	.29	.40

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 $73 million and $14 million, respectively, at September 30, 2003. Approximately 49% of these loans are in the PNC Business Credit portfolio. Loans held for sale relate to the institutional lending repositioning.

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.

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 SAC based on an analysis of the present value of its expected future cash flows discounted at its effective interest rate, its observable market price or the fair value of the underlying collateral. A minimum specific allowance is established on all impaired loans at the applicable pool reserve allocation for similar loans.

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

This methodology is sensitive to changes in key risk parameters such as EDPs, LGDs and EADs. 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 loans outstanding 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.

ALLOCATION OF ALLOWANCE FOR CREDIT LOSSES

<TABLE>
<CAPTION>

	September 30, 2003		December 31, 2002	
Dollars in millions	Allowance	Loans to Total Loans	Allowance	Loans to Total Loans
<S>	<C>	<C>	<C>	<C>
Commercial	$530	42.4%	$504	42.3%
Commercial real estate	37	5.5	52	6.4
Consumer	27	32.3	28	27.8
Residential mortgage	8	8.4	10	11.0
Lease financing and other	46	11.4	79	12.5
Total	$648	100.0%	$673	100.0%

</TABLE>

For purposes of this presentation, the unallocated portion of the allowance for credit losses of $112 million at September 30, 2003 and $112 million at December 31, 2002 has been assigned to loan categories based on the relative specific and pool allocation amounts. The unallocated portion of the allowance for credit losses represented 17% of the total allowance and .32% of total loans at September 30, 2003 and 17% of the total allowance and .32% of total loans at December 31, 2002. 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 the first nine months of 2003 and the evaluation of the allowances for credit losses and unfunded loan commitments and letters of credit as of September 30, 2003 reflected changes in loan portfolio composition, 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

<TABLE>
<CAPTION>

In millions	2003	2002
<S>	<C>	<C>
January 1	$673	$560
Charge-offs	(191)	(224)
Recoveries	29	36
Net charge-offs	(162)	(188)
Provision for credit losses	143	244
Acquired allowance (NBOC acquisition)		41
Transfer of allowance to other assets	(1)	
Net change in allowance for unfunded loan commitments and letters of credit	(5)	(9)
September 30	$648	$648

</TABLE>

ROLLFORWARD OF ALLOWANCE FOR UNFUNDED LOAN
COMMITMENTS AND LETTERS OF CREDIT

<TABLE>
<CAPTION>

In millions	2003	2002
<S>	<C>	<C>
January 1	$84	$70
Net change in allowance for unfunded loan commitments and letters of credit	5	9
September 30	$89	$79

</TABLE>

The allowance as a percent of nonperforming loans and total loans was 200% and 1.88%, respectively, at September 30, 2003. The comparable 2002 percentages were 239% and 1.80%, respectively.

CHARGE-OFFS AND RECOVERIES

<TABLE>
<CAPTION>

Nine months ended September 30 Dollars in millions	Charge-offs	Recoveries	Net Charge-offs	Percent of Average Loans
<S>	<C>	<C>	<C>	<C>
2003				
Commercial	$115	$17	$98	.88%
Commercial real estate	3		3	.19
Consumer	29	9	20	.26
Residential mortgage	2	1	1	.04
Lease financing	42	2	40	1.42
Total	$191	$29	$162	.62
2002				
Commercial	$167	$23	$144	1.20%
Commercial real estate	2		2	.11
Consumer	30	11	19	.27
Residential mortgage	5	1	4	.11
Lease financing	20	1	19	.60
Total	$224	$36	$188	.67

</TABLE>

Net charge-offs declined $26 million for the first nine months of 2003 compared with the first nine months of 2002. The decrease was primarily due to the impact of $88 million of charge-offs in 2002 related to Market Street that more than offset the impact of a $24 million charge-off in the second quarter of 2003 related to a single airline industry credit and a $28 million charge-off in the third quarter of 2003 in connection with a single wholesale goods/retail customer. Reserves had been provided for a substantial portion of each of these 2003 charge-offs at December 31, 2002 and June 30, 2003, respectively.

OPERATIONAL RISK MANAGEMENT

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

GOVERNANCE STRUCTURE

Each business unit holds primary responsibility for its operational risk management program, given that operational risk management is integral to direct business management and most easily affected at the business unit level. Corporate Operational Risk oversees the day-to-day operational risk management activities at PNC and reports to the Chief Risk Officer.

RISK MEASUREMENT AND CONTROL STRATEGIES

The Corporation maintains a system of internal controls that is designed to reduce risk and to provide management timely and accurate information about the operations of PNC. Senior business managers are accountable for managing the operational risks of their respective businesses. Management believes that the internal controls are adequate to reduce such risks to a level consistent with the Corporation's financial strength, business and market characteristics, and the regulatory environment to which it is subject. A comprehensive enterprise-wide operational risk framework is currently in development to further enhance the management of operational risk.

PNC has an integrated security and technology risk management framework consisting of governance, strategy, technology, and control designed to help ensure a secure, sound, and compliant infrastructure for information management. The application of this framework across the enterprise helps to support comprehensive and reliable internal controls.

The technology risk program, managed by Technology Processing and Services, is the foundation for information privacy, integrity, and availability. Key elements of the program include: technology risk assessment; privacy; information security; crisis management; business resiliency; fraud avoidance; and physical security.

The technology risk management process is aligned with the strategic direction of the businesses and is integrated into the technology management culture, structure, and practices. Through the collaborative efforts of the businesses and technology risk management resources, PNC has a comprehensive technology risk framework.

The security and technology risk management strategy supports existing and emerging business risks and complies with various regulatory guidelines. Given the strategic importance, PNC has focused technology risk management programs on business resiliency, privacy and information security, and fraud avoidance programs.

RISK MONITORING

Business units perform self-assessments of operational risk to identify trends and correlations that will enable proactive steps to be taken to address emerging operational risks and

control gaps. Corporate risk management provides oversight to the accuracy and consistency of the self-assessments.

LIQUIDITY RISK MANAGEMENT

Liquidity risk is the risk of potential for loss from an inability of the Corporation to meet its funding requirements at a reasonable cost. The objective of liquidity risk management is to help ensure that the Corporation can obtain cost-effective funding to meet current and future obligations under both normal "business as usual" and stressful circumstances. The Corporation typically maintains its liquidity positions through:

- A large and stable deposit base derived from the Corporation's retail and wholesale banking activities;
- A portfolio of liquid investment securities;
- Diversified sources of short-term and long-term wholesale funding; and
- Significant unused borrowing capacity at both the Federal Home Loan Bank and the Federal Reserve discount window.

GOVERNANCE STRUCTURE

Asset and Liability Management ("ALM"), reporting to the Vice Chairman and Chief Financial Officer, is accountable for managing the liquidity position within the limits and guidelines set forth in the Corporation's risk management policies approved by the Board Finance Committee. Market Risk Management provides independent oversight for the measurement, monitoring and reporting of the Corporation's liquidity risk and reports to the Chief Risk Officer.

RISK MEASUREMENT

The Liquidity Risk Management Policy for PNC Bank and the Capital Management Policy for the parent company established the process and operating guidelines for measuring, monitoring and reporting liquidity, including compliance with the limits that govern the liquidity position at both the bank and parent company level.

For policy compliance purposes, stress scenarios are simulated monthly that incorporate assumptions about retail deposit outflows, and other factors that could adversely affect PNC Bank's liquidity position given adverse events affecting the Bank.

The parent company's routine funding needs consist primarily of the return of capital to shareholders (dividends and share repurchase), debt service and the funding of its non-bank affiliates and acquisitions. Parent company liquidity guidelines are designed to help ensure that sufficient liquidity is available to meet these requirements over the succeeding twelve-month period.

RISK CONTROL STRATEGIES

Market Risk Management monitors the Corporation's liquidity positions against established policy limits. All limit exceptions are reported to management's Asset and Liability Committee ("ALCO") and to the Board Finance Committee. The Corporation also establishes process and operating guidelines for managing liquidity in a crisis situation. These activities are coordinated with the business units to develop strategies to help minimize the outflow of funds and obtain detailed information focused on tracking deposit and loan trends to identify significant, unexpected withdrawals or draws on commitments which could adversely affect the Corporation's liquidity position.

RISK MONITORING

Liquidity positions are monitored at both the bank and the parent company level. Compliance with the Corporation's liquidity policy limits and guidelines is reviewed with ALCO and the Board Finance Committee.

Liquid assets consist of short-term investments (federal funds sold and other short-term investments) and securities available for sale. At September 30, 2003, such assets totaled $17.5 billion, with $6.7 billion pledged as collateral for borrowings, trust and other commitments.

Secured advances from the Federal Home Loan Bank, of which PNC Bank is a member, are generally secured by residential mortgages, other real estate related loans and mortgage-backed securities. At September 30, 2003, total unused borrowing capacity from the Federal Home Loan Bank under current collateral requirements was $14.4 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.

PARENT COMPANY LEVEL LIQUIDITY

Liquidity for the parent company and PNC's non-bank subsidiaries can be generated through the issuance of securities in public or private markets. At September 30, 2003, 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. In November 2003, the Corporation issued $600 million of 5.25% Subordinated Notes due in November 2015. This issuance reduced the amount of unused capacity available under effective debt and equity shelf registration statements to approximately $2.7 billion. The parent company also had an unused non-reciprocal credit facility of $200 million at September 30, 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, laws and regulations, corporate policies, contractual restrictions and other factors. Also, there are statutory and regulatory 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 PNC Bank without prior regulatory approval was approximately $286 million at September 30, 2003.

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 September 30, 2003, the parent company had approximately $322 million in funds available from its cash and short-term investments or other funds available from unrestricted subsidiaries. The Corporation's subordinated debt issuance in November 2003 increased the parent company's liquidity position by $594 million. The Corporation regularly assesses its ability to meet both the obligatory and discretionary funding needs of the parent company. Based on the amount of funds currently available at the parent company and the projected amount of dividends from PNC Bank, management expects the parent company to have sufficient liquidity to meet current obligations to its debt holders, vendors, and others, to fund the cash portion of the United National acquisition and to pay dividends at current rates through the next twelve months.

MARKET RISK MANAGEMENT OVERVIEW

Market risk is the risk of potential losses due to adverse movements in market factors such as interest rates, credit spreads, foreign exchange rates and equity prices. Market risk is inherent in the operations of the Corporation, arising from both trading and non-trading activities. Trading activities involve transactions in capital market products such as bonds, stocks and their related derivative instruments. The primary market risk in non-trading activities is the interest rate risk inherent in the traditional banking activities of gathering deposits and extending loans. Equity investment risk is another significant type of non-trading market risk arising from private equity and other types of equity investment activities.

Market Risk Management has responsibility for market risks in both trading and non-trading activities. The four key aspects of Market Risk Management functions are enterprise-wide market risk policy, measurement, monitoring, and reporting. The Board Finance Committee reviews and approves the Corporation's market risk management policies and limits.

MARKET RISK MANAGEMENT - INTEREST RATE RISK

Interest rate risk results primarily from the Corporation's traditional banking activities of extending loans and acquiring 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 limit its reliance on a particular interest rate scenario as a source of earnings while positioning itself to optimize net interest income and net interest margin. In pursuance of these objectives, the Corporation uses securities purchases and sales, short-term and long-term funding, financial derivatives and other capital markets instruments.

GOVERNANCE STRUCTURE

The Board Finance Committee approves market risk policies, including the interest rate risk management policy, the investment policy, and the financial derivatives policy, that govern interest rate risk management. The policies define the Corporation's overall interest rate risk management philosophy and risk tolerance level. ALCO is the management committee that oversees all market-risk taking activities, including interest rate risk management activities conducted by ALM.

ALCO delegates the execution and implementation of interest rate risk management strategies to ALM. In this capacity, ALM is responsible for making investment and trading decisions within the authorized limits and guidelines. Market Risk Management is responsible for monitoring compliance with the approved policy and market risk limits.

RISK MEASUREMENT

The Corporation measures and seeks to manage both the short-term and long-term effects of changing interest rates through its interest-rate risk simulation model. The simulation model measures the sensitivity of net interest income ("NII") to changing interest rates over the next 24-month period. The model also measures the sensitivity of the economic value of equity ("EVE"). EVE is a measurement of the inherent economic value of the Corporation at a given point in time. It is the present value of the expected cash flows from the assets minus the present value of the expected cash flows from the liabilities, plus the present value of the net cash flows from the off-balance sheet items.

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.

EVE is also based on a series of assumptions, primarily about the expected maturity and repricing behavior of existing on- and off-balance sheet positions. Actual results may differ from those determined under these assumptions. To the extent possible, these assumptions are consistent with those used in the NII simulation process. Using these assumptions, the Corporation calculates EVE given parallel instantaneous changes in interest rates. As part of that calculation, the Corporation also calculates the effective duration, or changes in fair value given a change in interest rates, of key on- and off-balance sheet positions.

At September 30, 2003, the assumed effective duration of key on- and off-balance sheet positions was as follows, given a +/-50 basis point change in interest rates: loans 1.1%, securities 2.6%, total assets 1.4%, deposits 1.7%, borrowed funds 1.7%, total liabilities 1.6%, and receive-fixed interest rate swaps, 2.7%.

The Corporation's interest rate risk simulation model is designed to capture key components of interest rate risk such as repricing risk, yield curve or nonparallel rate shift risk, basis risk and options risk. Because the assumptions employed in the model are inherently uncertain, actual results may differ from simulated results. Management uses such analyses to help it identify risks and develop appropriate risk management strategies.

RISK CONTROL STRATEGIES

PNC has established policy limits and processes for Market Risk Management to actively monitor its interest rate risk profile. Policy limits are established both for NII and EVE sensitivities.

RISK MONITORING

The Corporation has established a process for reporting its interest rate risk profile and any significant risk issues. NII and EVE sensitivity reports are reviewed regularly by ALCO and the Board Finance Committee.

The following table sets forth the sensitivity results for the quarters ended September 30, 2003 and 2002.

INTEREST SENSITIVITY ANALYSIS

<TABLE>
<CAPTION>

<S>	September 30 2003 <C>	September 30 2002 <C>
NET INTEREST INCOME SENSITIVITY SIMULATION		
Effect on net interest income in first year from gradual interest rate change over following 12 months of:		
100 basis point increase	(.6)%	.3%
100 basis point decrease	(.8)%	(2.7)%
Effect on net interest income in second year from gradual interest rate change over the preceding 12 months of:		
100 basis point increase		2.6%
100 basis point decrease	(7.7)%	(11.9)%
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	(1.1)%	(1.0)%
200 basis point decrease	.1%	(.1)%
KEY PERIOD-END INTEREST RATES		
One month LIBOR	1.12%	1.81%
Three-year swap	2.34%	2.56%

</TABLE>

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 net interest income over the next two 12 month periods assuming the PNC Economist's most likely rate forecast, implied market forward rates, a lower/steeper rate scenario and a lower/flatter rate scenario. The Corporation is sensitive to a low and flat yield curve.

When forecasting net interest income, the Corporation makes assumptions about interest rates and the shape of the yield curve, the volume and characteristics of new business, and the behavior of existing positions. These assumptions determine the future level of simulated net interest income in the base interest rate scenario and the other interest rate scenarios presented in the following table. These simulations assume that as assets and liabilities mature and are replaced or repriced, this occurs at market rates. As a result, given the current low level of interest rates and shape of the yield curve, forecasted net interest income and the resulting net interest margin in the base rate scenario decline from current levels as higher-yielding assets are replaced or repriced at lower yields.

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 (AS OF SEPTEMBER 30, 2003)

<TABLE>
<CAPTION>

	PNC Economist	Market Forward	Low/Steep	Low/Flat

Change in forecasted net interest income:				
First year sensitivity	.3%	.3%	1.6%	(1.6)%
Second year sensitivity	(2.3)	(2.1)%	4.9%	(9.2)%

The graph below presents the yield curves for the base rate scenario and each of the alternative scenarios one year forward.

[GRAPH]

ALTERNATIVE INTEREST RATE SCENARIOS
ONE YEAR FORWARD

	1M LIBOR	2Y Swap	3Y Swap	5Y Swap
Base Rates	1.11	2.33	3.02	3.99
PNC Economist	1.50	2.66	3.23	4.17
Market Forward	2.05	3.72	4.22	5.02
Low / Steep	0.87	2.32	3.11	4.23
Low / Flat	1.14	1.52	1.69	1.81

MARKET RISK MANAGEMENT - EQUITY INVESTMENT RISK

Equity investment risk is the risk of potential losses associated with investing in both private and public equity markets. The Corporation makes and manages direct investments in a variety of transactions, including management buyouts, recapitalizations and later stage growth financings, and in a variety of industries. The Corporation also invests in non-affiliated and affiliated funds that make similar private equity investments.

The private equity portfolio is comprised of investments that vary by industry, stage and type of investment. The Corporation continues to make private equity investments at a more moderate pace than in prior years, consistent with current market conditions. From a risk management standpoint, the strategy is to invest in companies with proven business models, structure investment transactions to protect value in downside scenarios and invest in less volatile industries. Currently, emphasis is being placed on the management of capital for other investors.

GOVERNANCE STRUCTURE

PNC Equity Management Corp ("PNC EMC") manages the private equity investment activities of PNC. The Board Finance Committee approves policies and capital limits related to investment activities across PNC. PNC EMC is responsible for making investment decisions within the approved policy limits and guidelines. Market Risk Management provides independent oversight by monitoring the compliance with these limits and guidelines, and reporting significant risks in the business to the Board Finance Committee and ERMC.

RISK MEASUREMENT

Equity management (private equity) assets are valued at each balance sheet date based primarily on either, in the case of limited partnership investments, the financial statements received from the general partner or, with respect to direct investments, the estimated fair value of the investments. 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. PNC will recognize in the fourth quarter of 2003 valuation changes related to limited partnership investments that reflect the impact of third quarter 2003 market conditions and performance of the underlying companies. The valuation procedures applied to direct investments include techniques such as multiples of cash flow of the entity, independent appraisals of the entity or the pricing used to value the entity in a recent financial transaction. See Equity Management Asset Valuation in the Critical Accounting Policies And Judgments section of this Financial Review for additional information.

Changes in the values 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 other factors, to determine the estimated fair value of the investments.

Market conditions and actual performance of the investments could differ from these assumptions and from the assumptions made by the general partners. Accordingly, lower valuations may occur that could adversely impact earnings in future periods. Also, the valuations may not represent amounts that will ultimately be realized from these investments.

RISK CONTROL STRATEGIES

Equity investments across the Corporation are made within capital limits approved by the Board Finance Committee. Given the illiquid nature of most of the investments, assessing their fair values is a challenge. The fair market value of the investments is updated and reviewed at both corporate and business unit levels via management and PNC EMC board meetings. In addition, Market Risk Management monitors the equity investment portfolio.

RISK MONITORING

At September 30, 2003, private equity investments carried at estimated fair value totaled approximately $522 million compared with $530 million at December 31, 2002. As of September 30, 2003, approximately 49% of the amount is invested directly in a variety of companies and approximately 51% is invested in various limited partnerships. Equity management funding commitments totaled $194 million at September 30, 2003 compared with $173 million at December 31, 2002.

PNC also makes investments in affiliated and non-affiliated funds with both traditional and alternative investment strategies. Such investments include investments in BlackRock's mutual funds and hedge funds.

MARKET RISK MANAGEMENT - TRADING RISK

Most of the Corporation'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 $178 million for the first nine months of 2003 compared with $78 million for the first nine months of 2002. See Note 7 Trading Activities in the Notes to Consolidated Financial Statements for additional information.

GOVERNANCE STRUCTURE

The Board Finance Committee reviews and approves the Corporate trading risk policy. This policy governs risk management philosophy, processes and limits for all trading activities across the Corporation. ALCO oversees all trading activities across the Corporation.

For each trading group (e.g., fixed income derivatives, foreign exchange), there is a specific market risk policy and

a set of risk limits that govern that particular group. The overall Corporate trading risk policy governs these policies and limits.

RISK MEASUREMENT

The Corporation uses a variety of statistical and non-statistical measurements to assess the level of market risk arising from trading activities. The key market risk measure for trading activities is Value-at-Risk ("VaR"). For a trading portfolio, VaR seeks to measure the maximal potential loss within a specified confidence level over a given holding period. The Corporation measures its VaR using a 99% confidence level over a one-day period. VaR offers a common currency to compare market risk across multiple instruments and portfolios. It accounts for risk at the individual position level as well as the position's effect on the overall portfolio. In addition to the levels of volatility of market risk factors, the Corporation's VaR methodology incorporates market liquidity risk by lengthening the holding period for illiquid positions. Currently, the Corporation does not perform a VaR calculation for its portfolio of credit default swaps that are used to hedge its on-balance sheet corporate loans. The notional amount of credit default swaps is $225 million as of September 30, 2003. See Credit Default Swaps in the Credit-Related Instruments section of this Financial Review for further information.

The trading activities of the Corporation are governed by both a daily VaR limit and a month-to-date stop-loss limit. As of September 30, 2003, the total VaR usage for the Corporation is $.7 million. Total VaR usage ranged from $.5 million to $1.1 million during the third quarter of 2003. Currently, interest rate risk, equity risk and foreign exchange risk contribute fairly evenly to the overall VaR level.

In addition to measuring VaR, Market Risk Management performs stress testing to assess the potential impacts of extreme market scenarios beyond the 99% confidence level on all of its trading portfolios. The appropriateness of these scenarios is reviewed regularly by management to reflect the changing market conditions and portfolio compositions.

RISK CONTROL STRATEGIES

Under current policy, the Board Finance Committee and ALCO review the Corporation's trading activities at least twice a year to review and approve any significant changes to risk management policies, limits and business strategies. On a daily basis, Market Risk Management monitors the market conditions and their impact on the Corporation's trading positions. In addition, Market Risk Management also monitors exposure levels relative to relevant risk limits.

RISK MONITORING

Market risk reports for the trading activities are generated daily and reviewed by Market Risk Management staff. Monthly VaR, stop-loss and stress testing reports, together with market risk trend and summary reports, are presented to senior management in risk management committee meetings at both the business unit and corporate levels.

Market Risk Management also generates a backtesting report on a daily basis. The purpose of the backtesting report is to validate the accuracy of the VaR measurement by comparing the current day's actual trading profit/loss against the prior day's VaR. A backtesting exception occurs when the actual loss exceeds the relevant VaR and can be an indication that the VaR measurement is underestimating risk. For the 12 months ended September 30, 2003, the Corporation experienced no backtesting exceptions at the enterprise-wide level.

FINANCIAL AND OTHER DERIVATIVES

As previously reported, 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, and substantially all of such instruments are used to seek to manage risk related to changes in interest rates. Not all elements of interest rate, market and credit risk are addressed through the use of financial or other derivatives, and such instruments may be ineffective for their intended purposes due to unanticipated market characteristics among other reasons.

The following table sets forth changes, during the first nine months of 2003, in the notional value of financial derivatives used for risk management and designated as accounting hedges under SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended.

FINANCIAL DERIVATIVES ACTIVITY

<TABLE>
<CAPTION>

Dollars in millions	December 31 2002	Additions	Maturities	Terminations	September 30 2003	Weighted-Average Maturity
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Interest rate risk management						
Interest rate swaps						
Receive fixed	$5,823	$3,474	$(25)	$(2,645)	$6,627	2 yrs. 10 mos.
Pay fixed	67	231	(1)	(229)	68	4 yrs. 4 mos.
Basis swaps	52	2		(52)	2	
Interest rate caps	16				16	3 yrs. 11 mos.
Interest rate floors	7		(5)		2	6 yrs. 6 mos.
Futures contracts	313	185		(240)	258	1 yr.
Total interest rate risk management	6,278	3,892	(31)	(3,166)	6,973	
Commercial mortgage banking risk management						
Pay fixed interest rate swaps	273	514		(697)	90	12 yrs. 10 mos.

Pay total rate of return swaps	100	225	(200)	(50)	75	2 mos.
Total commercial mortgage banking risk management	373	739	(200)	(747)	165	
Total	$6,651	$4,631	$(231)	$(3,913)	$7,138	

</TABLE>

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 September 30, 2003 and December 31, 2002. Weighted-average interest rates presented are based on contractual terms, if fixed, or the implied forward yield curve at each respective date, if floating. Changes in the fair value of receive fixed interest rate swaps generally reflect an inverse relationship to changes in interest rates.

FINANCIAL DERIVATIVES - 2003

<TABLE>
<CAPTION>

			Weighted-Average Interest Rates	
September 30, 2003 - dollars in millions	Notional Value	Fair Value	Paid	Received
<S>	<C>	<C>	<C>	<C>
Interest rate risk management				
Asset rate conversion				
Interest rate swaps(a)				
Receive fixed designated to loans	$4,281	$79	1.93%	2.41%
Pay fixed designated to loans	68	(9)	5.83	3.04
Basis swaps designated to loans	2		2.58	2.58
Interest rate caps designated to loans(b)	16		NM	NM
Interest rate floors designated to loans(c)	2		NM	NM
Futures contracts designated to loans	258		NM	NM
Total asset rate conversion	4,627	70		
Liability rate conversion				
Interest rate swaps(a)				
Receive fixed designated to borrowed funds	2,346	316	2.92	5.92
Total liability rate conversion	2,346	316		
Total interest rate risk management(d)	6,973	386		
Commercial mortgage banking risk management				
Pay fixed interest rate swaps designated to loans held for sale(a)	90	(7)	5.32	4.88
Pay total rate of return swaps designated to loans held for sale(a)	75	(1)	NM	.68
Total commercial mortgage banking risk management	165	(8)		
Total financial derivatives designated for risk management	$7,138	$378		

</TABLE>

(a) The floating rate portion of interest rate contracts is based on money-market indices. As a percent of notional value, 67% were based on 1-month LIBOR and 33% 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

September 30, 2003, 3-month LIBOR was 1.16% and Prime was 4.00%.
(c) 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 September 30, 2003, Prime was 4.00%.
(d) Fair value amounts include accrued interest of $50 million.
NM-Not meaningful

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
Futures 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(d)	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)	NM	.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 and 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%.
(d) Fair value amounts include accrued interest of $74 million.
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 basis swaps. Derivatives held by certain variable interest entities was a result of the adoption of FIN 46. Other noninterest income for the first nine months of 2003 included $.9 million of net gains related to the derivatives held for risk management purposes not designated as accounting hedges.

OTHER DERIVATIVES

<TABLE>
<CAPTION>

	At September 30, 2003				
In millions	Notional Value	Positive Fair Value	Negative Fair Value	Net Asset (Liability)	Average Fair Value(a)
<S>	<C>	<C>	<C>	<C>	<C>
Customer-related					
Interest rate					
Swaps	$29,011	$528	$(518)	$10	$(5)
Caps/floors					
Sold	957		(17)	(17)	(24)
Purchased	792	16		16	21
Futures	1,242				1
Foreign exchange	3,202	61	(55)	6	5
Equity	2,018	66	(65)	1	1
Other	244	10	(3)	7	9
Total customer-related	37,466	681	(658)	23	8
Other risk management and proprietary					
Interest rate					
Basis swaps	1,139	3	(1)	2	3
Pay fixed swaps	148	1	(6)	(5)	(1)
Receive fixed swaps					1
Other	709	16	(4)	12	7
Total other risk management and proprietary	1,996	20	(11)	9	10
Derivatives held by certain variable interest entities					
Interest rate					
Pay fixed swaps	474		(76)	(76)	(7)
Caps					
Purchased	320	1		1	
Foreign exchange	88	12	(11)	1	
Equity	63	13	(16)	(3)	
Total derivatives held by certain variable interest entities	945	26	(103)	(77)	(7)

Total other derivatives	$40,407	$727	$(772)	$(45)	$11

</TABLE>

(a) Represents average for nine months ended September 30, 2003.

FASB DERIVATIVES IMPLEMENTATION GROUP MATTER

Derivatives Implementation Group Statement 133 Implementation Issue No. B36, "Embedded Derivatives: Modified Coinsurance Arrangements and Debt Instruments That Incorporate Credit Risk Exposures That Are Unrelated or Only Partially Related to the Creditworthiness of the Obligor under Those Instruments" ("DIG B36") is effective October 1, 2003. DIG B36 clarifies Statement 133 by requiring separate accounting for certain terms embedded in modified coinsurance agreements and credit-linked notes as derivatives under Statement 133. The initial effects of applying the requirements of DIG B36 to existing contracts as of October 1, 2003 will be reported as a cumulative effect-type adjustment of net income. While management is currently evaluating certain implementation issues related to the adoption of DIG B36, the impact of DIG B36 is not expected to have a material impact on the Corporation's consolidated financial position.

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 September 30, 2003, credit default swaps with $225 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. The comparable amount was $184 million at December 31, 2002. Net losses realized in connection with credit default swaps for the nine months ending September 30, 2003 were $3.8 million and $1.1 million in the third quarter of 2003.

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 $68 million at September 30, 2003 compared with $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 $49 million at September 30, 2003 compared with $109 million at December 31, 2002. These agreements were entered into prior to July 1, 2003 and are considered to be financial guarantees and therefore are not included in the Financial And Other Derivatives section of this Financial Review.

INTERNAL CONTROLS AND DISCLOSURE CONTROLS AND PROCEDURES

As of September 30, 2003, an evaluation was performed under the supervision and with the participation of the Corporation's management, including the Chairman and 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 Chairman and Chief Executive Officer and the Vice Chairman and Chief Financial Officer, concluded that the Corporation's disclosure controls and procedures were effective as of September 30, 2003.

There has been no change in the Corporation's internal control over financial reporting that occurred during the third quarter of 2003 that has materially affected, or is reasonably likely to materially affect, the Corporation's internal control over financial reporting.

GLOSSARY OF TERMS

Accounting/administration net assets - Net domestic and foreign pooled investment assets for which PNC provides accounting and administration services. These assets are not included on PNC's consolidated balance sheet.

Adjusted average total assets - Primarily comprised of total average quarterly assets plus (less) unrealized losses (gains) on available-for-sale debt securities, less goodwill and certain other intangible assets.

Annualized - Adjusted to reflect a full year of activity.

Assets under management - Assets held by PNC in a fiduciary capacity for customers/clients. These assets are not included on PNC's consolidated balance sheet.

Assigned capital - Capital assignments based on management's assessment of inherent risks and equity levels at independent companies providing similar products and services in order to present, to the extent practicable, the financial results of each business as if it operated on a stand-alone basis.

Charge-off - Process of removing a loan or portion of a loan from a bank's balance sheet because the loan is considered uncollectible. A charge-off also is recorded when a loan is transferred to held for sale and the loan's market value is less than its carrying amount. This difference is a charge-off.

Common shareholders' equity to total assets - Common shareholders' equity divided by total assets. Common shareholders' equity equals total shareholders' equity less preferred stock and the portion of capital surplus and retained interest related to the preferred stock.

Custody assets - All assets, including pooled investment assets, held on behalf of clients under safekeeping arrangements. Such assets are not reported on PNC's consolidated balance sheet. Assets held in custody at other institutions on behalf of PNC are included in the appropriate asset categories as if held physically by PNC.

Earning assets - Assets that generate income, which include: short-term investments; loans held for sale; loans, net of unearned income; securities; federal funds sold and certain other assets.

Efficiency - Noninterest expense divided by the sum of net interest income and noninterest income.

Institutional lending repositioning - A 2001 PNC strategic action taken to build a more diverse and valuable business mix designed to create shareholder value over time by reducing lending leverage and improving the risk/return characteristics of the banking business.

Leverage ratio - Tier 1 risk-based capital divided by adjusted average total assets.

Net interest margin - Annualized taxable-equivalent net interest income divided by average earning assets.

Noninterest income to total revenue - Total noninterest income divided by total revenue. Total revenue includes total noninterest income plus net interest income.

Nonperforming assets - Nonperforming assets include nonaccrual loans, troubled debt restructured loans, nonaccrual loans held for sale, foreclosed and other assets.

Nonperforming loans - Nonperforming loans include loans to commercial, lease financing, consumer, commercial real estate and residential mortgage customers as well as troubled debt restructured loans. Nonperforming loans do not include nonaccrual loans held for sale or foreclosed and other assets.

Return on assigned capital - Annualized net income divided by assigned capital.

Return on average assets - Annualized net income or annualized income from continuing operations divided by average assets.

Return on average equity - Annualized net income or annualized income from continuing operations divided by average shareholders' equity.

Risk-weighted assets - Primarily computed by the assignment of specific risk-weights, as defined by The Board of Governors of the Federal Reserve System, to assets and off-balance sheet instruments.

Securitization - The process by which financial assets are legally transformed into securities.

Shareholders' equity to total assets - Total shareholders' equity divided by total assets.

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

Tier 1 and Total risk-based capital - Terms used by The Board of Governors of the Federal Reserve System to describe the capital adequacy of a bank holding

company. Refer to the Risk-Based Capital section within the Shareholders' Equity section of the Consolidated Balance Sheet Review of this Financial Review for the components of risk-based capital.

Tier 1 risk-based capital ratio - Tier 1 risk-based capital divided by risk-weighted assets.

Total assets serviced - Total domestic and foreign pooled investment assets for which PNC provides fund related services. These assets are not included on PNC's consolidated balance sheet.

Total risk-based capital ratio - Total risk-based capital divided by risk-weighted assets.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

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 or expectations, or the impact of legal, regulatory or supervisory matters on the Corporation's business operations or 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.

In addition to factors previously disclosed in PNC's SEC reports and those discussed elsewhere in this report, forward-looking statements are subject to, among others, the following risks and uncertainties, which could cause actual results or future events 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 if adverse 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 acquisitions or other investments in PNC businesses;
(7) the inability to manage risks inherent in PNC's business;
(8) the unfavorable resolution of legal proceedings or regulatory and other governmental inquiries; the impact of increased litigation risk from recent regulatory and other governmental developments; and the impact of reputational risk created by recent regulatory and other governmental 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 affecting interest rates, money supply

or otherwise reflecting changes in monetary policy;
(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 agreements with governmental agencies, and regulators' future use of supervisory and enforcement tools;
(15) terrorist activities and international hostilities which may adversely affect the general economy, financial and capital markets, specific industries, and the Corporation; and
(16) issues related to the completion of the pending acquisition of United National and the expected consequences of the integration of its business into that of PNC, including the following: completion of the transaction is dependent on, among other things, receipt of stockholder and regulatory approvals, which may not be received or which may be received later than anticipated; the transaction may be materially more expensive to complete than anticipated, including as a result of unexpected factors or events; the integration of United National's business and operations into PNC, which will

include the conversion of UnitedTrust Bank's different systems and procedures, may take longer than anticipated or be more costly than anticipated or have unanticipated adverse results relating to United National's or PNC's existing businesses; the anticipated cost savings of the acquisition may take longer than expected to be realized, may not be achieved or may not be achieved in their entirety; and the anticipated benefits to PNC are dependent in part on United National's business performance in the future, and there can be no assurance as to actual future results, which could be impacted by various factors, including the risks and uncertainties generally related to PNC's and United National's performance (with respect to United National, see United National's SEC reports, also accessible on the SEC's website) or due to factors related to the acquisition of United National and the process of integrating it into PNC.

The Corporation's SEC reports, accessible on the SEC's website at www.sec.gov and on PNC's website at www.pnc.com, contain additional information about the foregoing risks and uncertainties and identify additional factors that could affect the results anticipated in forward-looking statements or from historical performance.

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

<TABLE>
<CAPTION>

In millions, except per share data Unaudited	Three months ended September 30		Nine months ended September 30	
	2003	2002	2003	2002
<S>	<C>	<C>	<C>	<C>
INTEREST INCOME				
Loans and fees on loans	$477	$567	$1,479	$1,754
Securities	140	140	438	466
Loans held for sale	8	24	35	117
Purchased customer receivables	11		11	
Investments held by certain variable interest entities	48		48	
Other	34	38	91	94
Total interest income	718	769	2,102	2,431
INTEREST EXPENSE				
Deposits	106	162	355	510
Borrowed funds	51	79	162	248

Capital securities	14		14	
Commercial paper	7		7	
Liabilities of certain variable interest entities	28		28	
Total interest expense	206	241	566	758
Net interest income	512	528	1,536	1,673
Provision for credit losses	50	73	143	244
Net interest income less provision for credit losses	462	455	1,393	1,429
NONINTEREST INCOME				
Asset management	212	200	628	651
Fund servicing	188	193	569	622
Service charges on deposits	60	57	177	166
Brokerage	46	41	133	151
Consumer services	65	62	188	178
Corporate services	132	108	362	375
Equity management	(4)	(22)	(25)	(37)
Net securities gains	19	68	101	88
Investments held by certain variable interest entities	96		96	
Other	92	64	248	237
Total noninterest income	906	771	2,477	2,431
NONINTEREST EXPENSE				
Staff expense	452	422	1,336	1,293
Net occupancy	63	64	217	181
Equipment	67	68	205	203
Marketing	16	14	49	40
Distributions on capital securities		15	28	44
Other	237	207	791	675
Total noninterest expense	835	790	2,626	2,436
Income before minority and noncontrolling interests and income taxes	533	436	1,244	1,424
Minority and noncontrolling interests in income of consolidated entities	100	4	124	26
Income taxes	152	147	393	476
Net income	$281	$285	$727	$922
EARNINGS PER COMMON SHARE				
Basic	$1.01	$1.00	$2.59	$3.25
Diluted	$1.00	$1.00	$2.57	$3.23

AVERAGE COMMON SHARES OUTSTANDING				
Basic	278	284	281	283
Diluted	280	285	282	285

</TABLE>

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED BALANCE SHEET

THE PNC FINANCIAL SERVICES GROUP, INC.

<TABLE>
<CAPTION>

In millions, except par value Unaudited	September 30 2003	December 31 2002
ASSETS		
Cash and due from banks	$3,614	$3,201
Federal funds sold		1,847
Other short-term investments	2,590	1,811
Loans held for sale	1,531	1,607
Securities	14,893	13,763
Loans, net of unearned income of $1,037 and $1,075	34,514	35,450
Allowance for credit losses	(648)	(673)
Net loans	33,866	34,777
Goodwill	2,385	2,313
Other intangible assets	311	333
Purchased customer receivables	2,481	
Investments held by certain variable interest entities	2,318	
Other	8,295	6,725
Total assets	$72,284	$66,377
LIABILITIES		
Deposits		
Noninterest-bearing	$12,118	$10,563
Interest-bearing	33,405	34,419
Total deposits	45,523	44,982
Borrowed funds		
Federal funds purchased	881	38
Repurchase agreements	1,048	814
Bank notes and senior debt	2,839	4,400
Federal Home Loan Bank borrowings	1,127	1,256
Subordinated debt	1,980	2,423
Mandatorily redeemable capital securities of subsidiary trusts	848	
Commercial paper	2,483	
Liabilities of certain variable interest entities	2,415	

Other borrowed funds	242	185
Total borrowed funds	13,863	9,116
Allowance for unfunded loan commitments and letters of credit	89	84
Accrued expenses	2,228	2,046
Other	2,327	2,172
Total liabilities	64,030	58,400
Minority and noncontrolling interests in consolidated entities	1,617	270
Mandatorily redeemable capital securities of subsidiary trusts		848
SHAREHOLDERS' EQUITY		
Common stock - $5 par value		
Authorized 800 shares, issued 353 shares	1,764	1,764
Capital surplus	1,110	1,101
Retained earnings	7,507	7,187
Deferred benefit expense	(24)	(9)
Accumulated other comprehensive income	147	321
Common stock held in treasury at cost: 76 and 68 shares	(3,867)	(3,505)
Total shareholders' equity	6,637	6,859
Total liabilities, minority and noncontrolling interests, capital securities and shareholders' equity	$72,284	$66,377

</TABLE>

See accompanying Notes to Consolidated Financial Statements.

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

<TABLE>
<CAPTION>

Nine months ended September 30 - in millions Unaudited	2003	2002
OPERATING ACTIVITIES		
Net income	$727	$922
Adjustments to reconcile net income to net cash provided by operating activities		
Provision for credit losses	144	244
Depreciation, amortization and accretion	215	179
Deferred income taxes	126	279
Securities transactions	(101)	

(88)

Item		
Valuation adjustments	(28)	33
Change in		
Loans held for sale	184	2,497
Other short-term investments	(722)	(3,829)
Other	(175)	3,316
Net cash provided by operating activities	370	3,553
INVESTING ACTIVITIES		
Net change in		
Loans	1,621	3,067
Federal funds sold	1,847	(3,031)
Repayment of securities	5,013	1,960
Sales		
Securities	9,492	13,689
Loans	2	
Foreclosed assets	10	8
Purchases		
Securities	(15,809)	(13,144)
Loans	(1,022)	(22)
Net cash received (paid) for divestitures/acquisitions		(1,676)
Net cash due to FIN 46 consolidation	466	
Other	(373)	(223)
Net cash provided by investing activities	1,247	628
FINANCING ACTIVITIES		
Net change in		
Noninterest-bearing deposits	1,555	6
Interest-bearing deposits	(928)	(2,350)
Federal funds purchased	843	(132)
Repurchase agreements	234	34
Sales/issuances		
Other borrowed funds	17,272	16,525
Common stock	96	100
Repayments/maturities		
Bank notes and senior debt	(1,555)	(1,483)
Federal Home Loan Bank borrowings	(129)	(777)
Subordinated debt	(430)	
Other borrowed funds	(17,269)	(16,566)
Acquisition of treasury stock	(486)	(53)
Cash dividends paid	(407)	(409)
Net cash used by financing activities	(1,204)	(5,105)
INCREASE (DECREASE) IN CASH AND DUE FROM BANKS	413	(924)
Cash and due from banks at beginning of period	3,201	4,327

Cash and due from banks at end of period	$3,614	$3,403
CASH PAID FOR		
Interest	$574	$800
Income taxes	126	115
NON-CASH ITEMS		
Transfer from loans to loans held for sale, net	80	266
Transfer from loans to other assets	12	11

</TABLE>
See accompanying Notes to Consolidated Financial Statements.

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 unaudited interim consolidated financial statements ("consolidated financial statements") include the accounts of PNC and its subsidiaries, most of which are wholly owned, and certain partnership interests and variable interest entities. Such statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("generally accepted accounting principles" or "GAAP"). 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.

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

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

The notes included herein should be read in conjunction with the audited consolidated financial statements included in PNC's 2002 Annual Report on Form 10-K, as amended ("2002 Form 10-K").

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 direct investments in companies, interests in limited partnerships, and general partnership interests, 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 investments. The valuation procedures applied to direct investments include techniques such as multiples of cash flow 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.

Venture capital investments are consolidated when PNC is the sole general partner in a limited partnership and the determination has been made that PNC has control.

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 prices 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 method 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. If the decline is determined to be other than temporary, the cost basis of the investment is written down to a new cost basis that represents realizable value and the amount of the write-down is accounted for as a realized loss in the period in which the decline occurs. 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.

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 PNC's limited partner 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.

Investments are consolidated when PNC is the sole general partner in a limited partnership and the determination has been made that PNC has control. Unconsolidated general partnership interests where the determination has been made that PNC does not have control are accounted for under the equity method.

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 (or are) 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 entity 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. An entity 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 with subsequent changes based upon consolidation principles. FIN 46 also requires disclosures about VIEs that the entity is not required to consolidate but in which it has a significant variable interest. See Note 2 Variable Interest Entities for more information regarding PNC's adoption of FIN 46 as of July 1, 2003.

DEPRECIATION AND AMORTIZATION

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

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

STOCK-BASED COMPENSATION

Prior to January 2003, the Corporation accounted for employee stock-based compensation plans under the recognition and measurement provisions of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations. No stock-based employee compensation expense related to stock options was reflected in net income prior to 2003 as all options to purchase PNC and subsidiary stock granted under these plans had an exercise price equal to the market value of the underlying stock on the date of grant. Effective January 1, 2003, the Corporation adopted the fair value recognition provisions of SFAS No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123"), as amended by SFAS No. 148, "Accounting for Stock-Based Compensation-Transition and Disclosure," prospectively to all employee awards granted, modified or settled after January 1, 2003. Results for prior years have not been restated. The cost related to stock-based

employee compensation included in net income for the three months and nine months ended September 30, 2003, is less than that which would have been recognized if the fair value based method had been applied to all awards since the original effective date of SFAS 123.

The following table illustrates the effect on net income and earnings per share if the Corporation had applied the fair value recognition provisions of SFAS 123, as amended, to all outstanding and unvested awards in each period.

PRO FORMA NET INCOME AND EARNINGS PER SHARE

<TABLE>
<CAPTION>

In millions, except for per share data	Three months ended Sept. 30 2003	Three months ended Sept. 30 2002	Nine months ended Sept. 30 2003	Nine months ended Sept. 30 2002
<S>	<C>	<C>	<C>	<C>
Net income as reported	$281	$285	$727	$922
Add: Stock-based employee compensation expense (credit) included in reported net income, net of related tax effects	6	(3)	16	1
Deduct: Total stock-based employee compensation expense determined under the fair value method for all awards, net of related tax effects	(16)	(11)	(40)	(37)
Pro forma net income	$271	$271	$703	$886
Earnings per share				
Basic-as reported	$1.01	$1.00	$2.59	$3.25
Basic-pro forma	$.97	$.96	$2.51	$3.13
Diluted-as reported	$1.00	$1.00	$2.57	$3.23

Diluted-pro forma	$.97	$.95	$2.49	$3.11

</TABLE>

During the third quarter of 2002, the net credit to expense was due to forfeitures and adjustments of accruals related to performance-based awards under PNC's incentive plans.

For purposes of computing the 2003 stock option expense and pro forma results, the Corporation estimated the fair value of stock options and employee stock purchase plan 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 awards 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 as well as 2003 stock option expense.

OPTION PRICING ASSUMPTIONS

<TABLE>
<CAPTION>

Weighted-average for the nine months ended September 30	2003	2002
<S>	<C>	<C>
Risk-free interest rate	2.9%	4.5%
Dividend yield	3.5%	3.5%
Volatility	30.8%	26.5%
Expected life	5 yrs.	5 yrs.

</TABLE>

NOTE 2 VARIABLE INTEREST ENTITIES

In October 2003, the Financial Accounting Standards Board announced that the effective date of FIN 46 was deferred from July 1, 2003 to December 31, 2003 for interests held by public companies in VIEs created prior to February 1, 2003. However, PNC, as permitted, elected to adopt the accounting provisions of FIN 46 as of the original July 1, 2003 implementation date by consolidating those VIEs that management believes are currently subject to the standard and of which PNC is considered the primary beneficiary. Note 1, Accounting Policies, provides further background regarding FIN 46.

The adoption of FIN 46 resulted in increases of $6.5 billion and $5.1 billion to PNC's total assets and total liabilities, respectively, at September 30, 2003. Several line items in the Consolidated Statement of Income changed significantly with the inclusion of the results of the VIEs that were consolidated, but the impact on consolidated net income was minimal.

The following VIEs were consolidated by PNC in the third quarter of 2003:

- Market Street Funding Corporation ("Market Street"), a multi-seller asset-backed commercial paper conduit that is independently owned and managed. PNC Bank, N.A. provides credit enhancement, liquidity facilities and certain administrative services to Market Street. 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. 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 September 30, 2003, approximately $86 million was outstanding on this facility. This amount was eliminated in PNC's Consolidated Balance Sheet as of September 30, 2003 due to the consolidation of Market Street under FIN 46. An additional $257 million was

provided by a major insurer. Also at September 30, 2003, Market Street had committed liquidity facilities available supporting individual pools of receivables totaling $3.5 billion, of which $2.7 billion was provided by PNC Bank. As Market Street's program administrator, PNC received fees of $7.9 million for the nine months ended September 30, 2003. Commitment fees related to PNC's portion of the liquidity facilities amounted to $2.3 million for the nine months ended September 30, 2003. PNC holds no ownership interest in Market Street. Program administrator and commitment fees of $2.3 million and $.7 million, respectively, for the three months ended September 30, 2003 were eliminated in PNC's Consolidated Statement of

Income for the three and nine months ended September 30, 2003 due to the consolidation of Market Street under FIN 46. All of Market Street's assets at September 30, 2003 collateralize its commercial paper obligations. Neither creditors nor equity investors in Market Street have any recourse to the general credit of PNC.

The consolidation of Market Street was reflected in the Corporate Banking business segment and increased PNC's total assets and liabilities by $2.4 billion at September 30, 2003. The most significant increases to the Consolidated Balance Sheet were reflected in "Purchased customer receivables" of $2.5 billion and "Commercial paper" of $2.5 billion.

- - Six collateralized debt obligation ("CDO") funds for which BlackRock, a majority-owned subsidiary of PNC, acts as collateral manager. 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. The funds' assets totaling $2.6 billion at September 30, 2003 collateralize the funds' obligations. Neither creditors nor equity investors in the funds have any recourse to the general credit of BlackRock or PNC.

  The consolidation of the BlackRock CDOs increased PNC's total assets by $2.6 billion and total liabilities by $2.3 billion at September 30, 2003. The most significant increases to the Consolidated Balance Sheet were reflected in "Cash and due from banks" of $.1 billion, "Investments held by certain variable interest entities" of $2.3 billion, "Liabilities of certain variable interest entities" of $2.1 billion and "Minority and noncontrolling interests in consolidated entities" of $.3 billion.

- - Equity investments made by PNC Real Estate Finance in various limited partnerships that sponsor affordable housing projects utilizing the Low Income Housing Tax Credit 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 PNC's primary geographic region. The investments are funded through a combination of debt and equity, with equity typically comprising 30% to 60% of the total project capital. Also consolidated were entities in which PNC Real Estate Finance, as a national syndicator of affordable housing equity, serves as the general partner (together with the aforementioned limited partnership investments "LIHTC investments"). In these syndication transactions, PNC creates funds in which PNC is the general partner, and in some cases may also purchase a limited partnership interest in the fund. The fund's limited partners can remove the general partner without cause at any time. The purpose of this business is to generate income from the syndication of these funds and to generate servicing fees from the management of the funds. General partner activities include selecting, evaluating, structuring, negotiating, and closing the fund's investments in operating limited partnerships, as well as oversight of the ongoing operations of the fund portfolio. Neither creditors nor equity investors in the LIHTC investments have any recourse to the general credit of PNC.

  The consolidation of the LIHTC investments was reflected in the PNC Real Estate Finance business segment and increased PNC's total assets by $.5 billion and total liabilities by $.2 billion at September 30, 2003. The most significant increases to the Consolidated Balance Sheet were reflected in "Other assets" of $.5 billion, "Liabilities of certain variable interest entities" of $.2 billion and "Minority and noncontrolling interests in consolidated entities" of $.2 billion.

- - Six private investment funds, organized as limited partnerships, managed by the Hawthorn division of PNC Advisors ("Private Funds"). All of the Private Funds' $1.0 billion of assets at September 30, 2003, collateralize their obligations. Neither creditors nor investors in the Private Funds have recourse to the general credit of PNC.

  The consolidation of the Private Funds was reflected in the PNC Advisors business segment and increased PNC's total assets by $1.0 billion and total liabilities by $.1 billion at September 30, 2003. The most significant increases to the Consolidated Balance Sheet were reflected in "Cash and due from banks" of $.3 billion, "Other assets" of $.7 billion, "Liabilities of certain variable interest entities" of $.1 billion, and "Minority and noncontrolling interests in consolidated entities" of $.9 billion.

In addition to the variable interests in the consolidated VIEs discussed above, PNC holds significant variable interests in various other VIEs. These VIEs, which are not consolidated because PNC is not considered the primary beneficiary, are as follows:

- - BlackRock acts as trading adviser and special member to an entity which has created a series of municipal securities trusts in which it has retained interests. These trusts purchase fixed-rate, long-term, highly rated, insured or escrowed municipal bonds financed by the issuance of trust certificates. This entity had assets of $347 million at September 30, 2003. BlackRock's equity ownership in the entity was approximately $5.5 million at September 30, 2003 and represents its maximum potential loss.

- - As previously discussed, PNC Real Estate Finance has equity investments in various limited partnerships that sponsor affordable housing projects utilizing the Low Income Housing Tax Credit pursuant to Section 42 of the Internal Revenue Code. Certain of these entities were consolidated as PNC is considered the primary beneficiary. Additionally, PNC is considered to have a significant variable interest in certain of these entities in which PNC is not the primary beneficiary. These entities have total assets of $40.5 million. PNC uses the equity method to account for its investment in these entities. PNC has $6.2 million recorded as its investment at September 30, 2003 and has $.2 million in commitments to these entities; as a result, its maximum potential loss is $6.4 million.

As previously reported, management believes that the private equity fund previously identified in the 2002 Form 10-K for which a subsidiary of the Corporation acts as the investment manager is not required to be consolidated under the provisions of FIN 46.

In connection with the deferral of the effective date of FIN 46, the FASB is continuing to evaluate the scope of entities covered and other implementation issues related to FIN 46. Therefore, any modifications or refinement of the current FIN 46 guidance provided by the FASB could result in the consolidation of additional entities or the deconsolidation of entities previously included in PNC's consolidated financial statements.

NOTE 3 ACQUISITIONS

UNITED NATIONAL BANCORP ACQUISITION

On August 21, 2003, PNC and its wholly owned subsidiary PNC Bancorp, Inc. entered into an Agreement and Plan of Merger to acquire United National Bancorp, a bank holding company with over $3 billion in assets. A subsidiary of United National Bancorp, UnitedTrust Bank, provides a full range of commercial and retail bank services through 45 branches in New Jersey and seven branches in Pennsylvania. Under the terms of the merger agreement, United National Bancorp's shareholders are entitled to elect to receive the merger consideration in shares of PNC common stock or cash, subject to pro ration. The aggregate merger consideration is approximately 6.5 million shares of PNC common stock, subject to adjustment, and approximately $320 million in cash.

The transaction is expected to close in the first quarter of 2004. The merger is subject to customary closing conditions, including regulatory approvals and the approval of shareholders of United National Bancorp. A special meeting of United National Bancorp shareholders has been called for December 2, 2003 to consider this transaction. PNC has filed all applicable applications for approval of the merger and the bank combination with the Federal Reserve Bank of Cleveland, the Office of the Comptroller of the Currency and the New Jersey Department of Banking and Insurance.

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. 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 was serviced by PNC for an 18-month term. The Serviced Portfolio retained by NBOC primarily represented the portion of NBOC's U.S. asset-based loan portfolio with the highest risk. At the end of the servicing term, NBOC had the right to transfer the then remaining Serviced Portfolio to PNC ("Put Option"). NBOC's and PNC's strategy was to aggressively liquidate the Serviced Portfolio during the servicing term.

NBOC retained 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 absorbed realized credit losses on the Serviced Portfolio in addition to the specific reserves on individual identified loans. During the servicing term, the realized credit losses in the Serviced Portfolio exceeded $50 million plus the specific reserves, and PNC Business Credit advanced cash to NBOC for these excess losses net of recoveries ("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. NBOC exercised the Put Option effective July 15, 2003. At September 30, 2003, the Put Option liability was zero compared with $57 million at December 31, 2002. An $8 million reduction from the acquisition date amount was recognized in earnings in 2003 as other noninterest income. In addition, $7 million was paid to NBOC as Excess Loss Payments during 2003. The remaining liability of $42 million was eliminated upon exercise of the Put Option on July 15, 2003. The loans were recorded at the purchase price of $121 million net of the remaining Put Option liability of $42 million as determined by an independent third party in connection with the final valuation. The net recorded amount of $79 million equaled the fair value of the loans on July 15, 2003. This amount was comparable to the fair value at June 30, 2003, and represented approximately 65% of the purchase price of the loans. A total of $36 million of these loans was classified as nonperforming at September 30, 2003. PNC will continue to liquidate these loans in an orderly manner and these loans will be considered in the determination of the adequacy of the allowance for credit losses.

NOTE 4 RECENT ACCOUNTING PRONOUNCEMENTS

In April 2003, the FASB issued SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities." This statement amends and clarifies SFAS No. 133 for derivatives, including certain derivative instruments embedded in other contracts, and for hedging activities under SFAS No. 133. Except for certain specific implementation issues and provisions, the statement is effective for contracts entered into or modified after (and for hedging relationships designated after) June 30, 2003. The Corporation's adoption of SFAS No. 149 prospectively as of July 1, 2003 did not have a material impact on PNC's consolidated financial statements.

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity" ("SFAS 150"). See Note 5 Capital Securities of Subsidiary Trusts.

Derivatives Implementation Group Statement 133 Implementation Issue No. B36, "Embedded Derivatives: Modified Coinsurance Arrangements and Debt Instruments That Incorporate Credit Risk Exposures That Are Unrelated or Only Partially Related to the Creditworthiness of the Obligor under Those Instruments" ("DIG B36") is effective October 1, 2003. DIG B36 clarifies Statement 133 by requiring separate accounting for certain terms embedded in modified coinsurance agreements and credit-linked notes as derivatives under Statement 133. The initial effects of applying the requirements of DIG B36 to existing contracts as of October 1, 2003 will be reported as a cumulative effect-type adjustment of net income. While management is currently evaluating certain implementation issues related to the adoption of DIG B36, the impact of DIG B36 is not expected to have a material impact on the Corporation's consolidated financial position.

NOTE 5 CAPITAL SECURITIES OF SUBSIDIARY TRUSTS

SFAS 150 requires that certain financial instruments, which under prior GAAP could be designated as equity, be classified as liabilities on the balance sheet. SFAS 150 was effective for certain financial instruments entered into or modified after May 31, 2003, and otherwise was effective July 1, 2003 for PNC.

The Corporation previously classified its mandatorily redeemable capital securities of subsidiary trusts ("Capital Securities") between the liabilities and shareholders' equity sections of the Consolidated Balance Sheet. These securities were reclassified as borrowed funds under the provisions of SFAS 150 effective July 1, 2003. Additionally, the related dividends were reclassified from noninterest expense and included in interest expense in the Consolidated Statement of Income. Reclassification of prior period amounts was not permitted under SFAS 150. The adoption of SFAS 150 did not have a material effect on PNC's consolidated financial statements. However, the effect of reclassifying dividends to interest expense decreased the Corporation's net interest margin for the third quarter of 2003 by approximately 10 basis points.

The Corporation's 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 September 30, 2003 was 1.71%. 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. Cash distributions of $14 million were recognized as interest expense during the third quarter of 2003.

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.

Also, as indicated in Note 1, PNC consolidated certain VIEs as of July 1, 2003 as a result of the adoption of FIN 46. In November 2003, the FASB issued FASB Staff Position (FSP) 150-3, "Effective Date, Disclosures, and Transition for Mandatorily Redeemable Financial Instruments of Certain Nonpublic Entities and Certain Mandatorily Redeemable Noncontrolling Interests under FASB Statement No. 150, Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity." FSP 150-3 deferred indefinitely the classification and measurement provisions of SFAS 150 for certain mandatorily redeemable noncontrolling interests, including interests that are redeemed only upon the liquidation of a limited-life subsidiary. The lives of the VIEs constituting the CDO funds, LIHTC investments and Private Funds are contractually limited. The mandatorily redeemable noncontrolling interests in these entities are included in the Consolidated Balance Sheet under the caption, "Minority and noncontrolling interests in consolidated entities." Generally, at the termination date of these VIEs, the liquidation value of the noncontrolling interests would equal the residual value of the net assets of the respective entity at that date. The distribution of that liquidation value to the noncontrolling interest holders would generally be in proportion to their respective interests. Liquidation and settlement of these noncontrolling interests at September 30, 2003 would have resulted in payments of approximately $1.6 billion based on the terms of the respective entity's governing documents and the measurement principles included in SFAS 150.

The FASB is continuing to evaluate the scope, requirements and implications of FIN 46 and its relationship to the specific requirements of SFAS 150. Changes, if any, resulting from the FASB's deliberations regarding SFAS 150 could impact the presentation of certain line items in the Corporation's consolidated financial statements.

NOTE 6 CASH FLOWS

During the first nine months of 2003, divestiture activity that affected cash flows included a cash receipt of $20 million related to the January 2003 settlement of all issues in dispute between the Corporation and Washington Mutual, FA, in connection with the 2001 sale of the Corporation's residential mortgage banking business. The settlement was reported in PNC's fourth quarter 2002 results as a $16 million after-tax loss from discontinued operations. Also during the first quarter of 2003, PNC purchased the minority interests in PFPC, representing approximately 2% of PFPC outstanding common stock, from other PFPC shareholders and cashed out or converted all outstanding PFPC stock options. Net cash outflows during the first nine months of 2003 related to the PFPC actions totaled $42 million. During the second quarter of 2003, BlackRock entered into a binding agreement with an investment manager of a fund of hedge funds to purchase 80% of its outstanding equity for approximately $4 million in cash. On June 30, 2003, PFPC completed the previously announced agreement to sell its retirement services business to Wachovia Corp. which resulted in net cash proceeds of $31 million. During the third quarter of 2003, BlackRock made a contingency payment of $5 million related to the 2002 acquisition of Cyllenius.

During the first nine months of 2002, acquisition activity that affected cash flows consisted of $1.736 billion of acquired assets and $60 million of acquired liabilities, resulting in net cash disbursements of $1.676 billion. This activity consisted solely of the NBOC acquisition as described in Note 3.

NOTE 7 TRADING ACTIVITIES

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

Net trading income for the first nine months of 2003 totaled $178 million compared with $78 million for the first nine months of 2002 and was included in several line items within noninterest income in the Consolidated Statement of Income, as follows:

DETAILS OF TRADING ACTIVITIES

Nine months ended September 30 - in millions	2003	2002
Corporate services		$1
Investments held by certain VIEs		
Securities underwriting and trading	$81	
Derivatives trading	1	
Other noninterest income		
Securities underwriting and trading	62	39
Derivatives trading	15	19
Foreign exchange	19	19
Net trading income	$178	$78

NOTE 8 LEGAL PROCEEDINGS

On June 2, 2003, PNC ICLC Corp. ("PNCICLC"), an indirect non-bank subsidiary of the Corporation, entered into a Deferred Prosecution Agreement (the "Deferred Prosecution Agreement") with the United States Department of Justice, Criminal Division, Fraud Section (the "Department of Justice"). A copy of the Deferred Prosecution Agreement is attached as Exhibit 99.1 to the Current Report on Form 8-K filed by the Corporation on June 2, 2003 (the "Form 8-K"). Pursuant to the terms of the Deferred Prosecution Agreement, the United States filed a criminal complaint in the United States District Court for the Western District of Pennsylvania charging PNCICLC with conspiracy to commit securities fraud, in violation of Title 18, United States Code, Section 371. The Deferred Prosecution Agreement relates to the three 2001 transactions (the "PAGIC transactions") that gave rise to a financial statement restatement announced by the Corporation on January 29, 2002 and that were the subject of a July 2002 consent order between the Corporation and the United States Securities and Exchange Commission.

The Department of Justice has recommended to the District Court that the prosecution of PNCICLC be deferred for a period of twelve months in light of PNCICLC's exceptional remedial actions to date and its willingness to acknowledge responsibility for its behavior, continue its cooperation with the Department of Justice and other governmental regulatory agencies, demonstrate its future good faith conduct and full compliance with the securities laws and generally accepted accounting principles and consent to the establishment of a $90 million restitution fund and the assessment of a $25 million monetary penalty. The Department of Justice has further agreed that if PNCICLC is in full compliance with all of its obligations under the Deferred Prosecution Agreement, the Department of Justice will seek dismissal with prejudice of the complaint within 30 days of the twelve month anniversary of the Deferred Prosecution Agreement and at such time the Deferred Prosecution Agreement will be terminated. PNCICLC has timely paid the monetary penalty and established the restitution fund. The $90 million restitution fund will be available to satisfy claims, including for the settlement of the pending securities litigation referred to below. The restitution fund will be administered by Louis W. Fryman, chairman of Fox Rothschild LLP in Philadelphia, Pennsylvania.

The Form 8-K, together with its exhibits, contains a more complete description of the Deferred Prosecution Agreement and its impact on PNCICLC and the Corporation.

There are several pending judicial or administrative proceedings or other matters arising out of the PAGIC transactions. The impact of the final disposition of these matters cannot be assessed at this time. The Corporation intends to defend vigorously each of the lawsuits described below.

The several putative class action complaints filed during 2002 have been 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 "Class Period"). 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 PAGIC transactions and related matters. The Corporation and all other defendants have filed a motion to dismiss this lawsuit.

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. In June 2003, the Administrative Committee retained Independent Fiduciary Services, Inc. ("IFS") to serve as an

independent fiduciary charged with the exclusive authority and responsibility to act on behalf of the Plan in connection with the pending securities litigation referred to above and to evaluate any legal rights the Plan might have against any parties relating to the PAGIC transactions. This authority will include representing the Plan's interests in connection with the $90 million restitution fund set up under the Deferred Prosecution Agreement. The Department of Labor has been advised of the appointment of IFS.

In July 2003, a former employee brought a putative class action lawsuit under ERISA in the United States District Court for the Western District of Pennsylvania against the Corporation, its Chairman and Chief Executive Officer, its former Chief Financial Officer, the Plan administrator and certain past and present members of the Administrative Committee of the Plan. The complaint, brought on behalf of the Plan and all Plan participants for whose individual accounts the Plan purchased and/or held shares of the Corporation during the Class Period, alleged that the defendants breached their fiduciary duties related to disclosures regarding the PAGIC transactions and related matters and also breached their fiduciary duties by permitting the Plan to purchase and hold stock of the Corporation. The complaint sought, among other things, unquantified damages, declaratory and injunctive relief, and attorneys' fees and costs. In November 2003, the court dismissed the complaint without prejudice upon the joint stipulation of the parties.

The Corporation received a letter in June 2003 on behalf of an alleged shareholder of the Corporation demanding that

the Corporation take appropriate legal action against the Chairman and Chief Executive Officer, the former Chief Financial Officer, and the Controller, as well as any other individuals or entities allegedly responsible for causing damage to the Corporation as a result of the PAGIC transactions. The Board has referred this matter to a special committee of the Board for evaluation.

In July 2003, the lead underwriter on the Corporation's Executive Blended Risk insurance coverage filed a lawsuit for a declaratory judgment against the Corporation and PNCICLC in the United States District Court for the Western District of Pennsylvania. The complaint seeks a determination that the defendants breached the terms and conditions of the policy and, as a result, the policy does not provide coverage for any loss relating to or arising out of the Department of Justice investigation or the PAGIC transactions. Alternatively, the complaint seeks a determination that the policy does not provide coverage for the payments made pursuant to the Deferred Prosecution Agreement. The complaint also seeks attorneys' fees and costs. In September 2003, the Corporation moved to stay the action until resolution of the claims against the Corporation in the pending securities litigation described above.

In addition to the proceedings or other matters arising out of the PAGIC transactions, 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. However, at the present time, management is not in a position to determine whether any of such other pending or threatened legal proceedings will have a material adverse effect on the Corporation's results of operations in any future reporting period.

In connection with industry-wide investigations of practices regarding market timing, late day trading and employee trading in mutual funds, several of PNC's subsidiaries have received requests for information from state and federal regulatory authorities. These subsidiaries are fully cooperating in all of these matters.

NOTE 9 NONPERFORMING ASSETS
Nonperforming assets were as follows:

<TABLE>
<CAPTION>

In millions	September 30 2003	December 31 2002
<S>	<C>	<C>
Nonperforming loans (a)	$324	$309
Nonperforming loans held for sale (b)	35	97
Foreclosed assets	37	12
Total nonperforming assets (c)	$396	$418

</TABLE>

(a) Includes a troubled debt restructured loan of $1 million as of September 30, 2003 and December 31, 2002.

(b) Includes troubled debt restructured loans held for sale of $9 million and $17 million as of September 30, 2003 and December 31, 2002, respectively.
(c) Excludes equity management assets carried at estimated fair value of $38 million and $40 million as of September 30, 2003 and December 31, 2002, respectively. Such assets include troubled debt restructured assets of $7 million and $12 million, respectively.

NOTE 10 ALLOWANCES FOR CREDIT LOSSES AND UNFUNDED LOAN COMMITMENTS AND LETTERS OF CREDIT

Changes in the allowance for credit losses were as follows:

<TABLE>
<CAPTION>

In millions	2003	2002
<S>	<C>	<C>
Allowance at January 1	$673	$560
Charge-offs		
Commercial	(115)	(167)
Commercial real estate	(3)	(2)
Consumer	(29)	(30)
Residential mortgage	(2)	(5)
Lease financing	(42)	(20)
Total charge-offs	(191)	(224)
Recoveries		
Commercial	17	23
Commercial real estate		
Consumer	9	11
Residential mortgage	1	1
Lease financing	2	1
Total recoveries	29	36
Net charge-offs		
Commercial	(98)	(144)
Commercial real estate	(3)	(2)
Consumer	(20)	(19)
Residential mortgage	(1)	(4)
Lease financing	(40)	(19)
Total net charge-offs	(162)	(188)
Provision for credit losses	143	244
Acquired allowance (NBOC acquisition)		41
Transfer of allowance to other assets	(1)	
Net change in allowance for unfunded loan commitments and letters of credit	(5)	(9)
Allowance at September 30	$648	$648

</TABLE>

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

<TABLE>
<CAPTION>

In millions	2003	2002
<S>	<C>	<C>
Allowance at January 1	$84	$70
Net change in allowance for unfunded loan commitments and letters of credit	5	9
Allowance at September 30	$89	$79

</TABLE>

NOTE 11 SECURITIES

<TABLE>
<CAPTION>

		Unrealized		
In millions	Amortized Cost	Gains	Losses	Fair Value

<S>	<C>	<C>	<C>	<C>
SEPTEMBER 30, 2003				
SECURITIES AVAILABLE FOR SALE				
Debt securities				
U.S. Treasury and government agencies	$1,913	$26		$1,939
Mortgage-backed	7,255	52	$(66)	7,241
Commercial mortgage-backed	2,595	83		2,678
Asset-backed	2,487	14	(15)	2,486
State and municipal	76	2	(3)	75
Other debt	57	3		60
Total debt securities	14,383	180	(84)	14,479
Corporate stocks and other	412	5	(5)	412
Total securities available for sale	$14,795	$185	$(89)	$14,891
SECURITIES HELD TO MATURITY				
Debt securities				
Asset-backed	$2			$2
Total debt securities	2			2
Total securities held to maturity	$2			$2
DECEMBER 31, 2002				
SECURITIES AVAILABLE FOR SALE				
Debt securities				
U.S. Treasury and government agencies	$813	$13		$826
Mortgage-backed	6,110	108	$(2)	6,216
Commercial mortgage-backed	2,806	81		2,887
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				
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

</TABLE>

Total securities at September 30, 2003 were $14.9 billion compared with $13.8 billion at December 31, 2002. Securities represented 21% of total assets at September 30, 2003 and December 31, 2002. The increase in total securities compared with December 31, 2002 was primarily due to purchases during the first nine months of 2003 of United States government agency and mortgage-backed securities partially offset by the sale of securities classified as held to maturity at December 31, 2002.

The expected weighted-average life of securities available for sale was 2 years and 9 months at September 30, 2003 and 2 years and 8 months at December 31, 2002.

Securities classified as held to maturity are carried at amortized cost. Securities classified as held to maturity at September 30, 2003 were due to the Corporation's adoption of FIN 46 and are related to Market Street. Securities classified as held to maturity on December 31, 2002 were owned by companies formed with AIG that were consolidated in PNC's financial statements. In January 2003, these securities were sold and these companies were liquidated.

The expected weighted-average life of securities held to maturity was 2 years and 10 months at September 30, 2003 and 20 years and 2 months at December 31, 2002.

At September 30, 2003, the securities available for sale balance included a net unrealized gain of $96 million, which represented the difference between fair value and amortized cost. The comparable amount at December 31, 2002 was a net unrealized gain of $274 million.

Changes in the fair value of securities available for sale reflect an inverse relationship with changes in interest rates. A rise in interest rates subsequent to September 30, 2003 will adversely impact the fair value of securities available for sale at December 31, 2003 compared with the balance at September 30, 2003. 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.

Net securities gains were $101 million for the first nine months of 2003, including $25 million of gains related to the liquidation of the entities formed in 2001 in transactions with AIG, compared with $88 million for the first nine months of 2002.

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

SECURITIES SOLD

<TABLE>
<CAPTION>

Nine months ended September 30 In millions	Proceeds	Gross Gains	Gross Losses	Net Gains	Income Taxes
<S>	<C>	<C>	<C>	<C>	<C>
2003	$9,492	$112	$11	$101	$35
2002	13,689	100	12	88	31

</TABLE>

NOTE 12 GOODWILL AND OTHER INTANGIBLE ASSETS

In accordance with SFAS No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142"), the Corporation plans to conduct its annual goodwill impairment test on its reporting units during the fourth quarter of 2003, using data as of September 30, 2003. Additionally, the Corporation will perform interim impairment testing as needed based on the occurrence of adverse triggering events as required by SFAS 142. The fair value of PNC's reporting units is determined by using discounted cash flow and market comparability methodologies.

A summary of the changes in goodwill by business for the nine months ended September 30, 2003 follows:

GOODWILL

<TABLE>
<CAPTION>

In millions	December 31 2002	Goodwill Additions	Sales	September 30 2003
<S>	<C>	<C>	<C>	<C>
Regional Community Banking	$438			$438
Corporate Banking	39			39
PNC Real Estate Finance	302	$3		305
PNC Business Credit	298			298
PNC Advisors	152	1		153
BlackRock	175	3		178
PFPC	909	43	$(6)	946
Other		28		28
Total	$2,313	$78	$(6)	$2,385

</TABLE>

During the first quarter of 2003, PNC purchased the minority interests, representing approximately 2% of PFPC outstanding common stock, from other PFPC shareholders and cashed out or converted all outstanding PFPC stock options. This transaction resulted in the recognition of goodwill of $43 million during the first quarter of 2003, as the purchase price exceeded the book value of the shares acquired.

During the second quarter of 2003, PFPC completed the sale of its retirement services unit. This transaction resulted in a reduction in customer-related intangibles of $14 million and a reduction in goodwill of $6 million.

During the third quarter of 2003, goodwill of $28 million was recorded due to a change in the Corporation's ownership percentage of BlackRock resulting from BlackRock share repurchases.

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

OTHER INTANGIBLE ASSETS

<TABLE>
<CAPTION>

In millions	September 30 2003	December 31 2002
<S>	<C>	<C>
Customer-related intangibles		
Gross carrying amount	$185	$199
Accumulated amortization	(74)	(67)
Net carrying amount	$111	$132
Mortgage and other loan servicing rights		
Gross carrying amount	$332	$313
Accumulated amortization	(132)	(112)
Net carrying amount	$200	$201
Total	$311	$333

</TABLE>

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. As of September 30, 2003, the Corporation had three indefinite-lived other intangible assets included in "Customer-related intangibles" in the table above: two investment management contracts held by BlackRock and an intangible asset recorded pursuant to SFAS No. 87, "Employers' Accounting for Pensions." The aggregate carrying value of these indefinite-lived intangible assets was $10.4 million at September 30, 2003 and $3.5 million at December 31, 2002.

For customer-related intangibles, the estimated remaining useful lives range from one year 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 for the nine months ended September 30, 2003, are as follows:

CHANGES IN GOODWILL AND OTHER INTANGIBLES

<TABLE>
<CAPTION>

In millions	Goodwill	Customer-Related	Servicing Rights

Balance at December 31, 2002	$2,313	$132	$201
Additions/adjustments	78	8	19
Sales	(6)	(14)	
Amortization		(15)	(20)
Balance at September 30, 2003	$2,385	$111	$200

Amortization expense on intangible assets for the third quarter and the first nine months of 2003 was approximately $12 million and $35 million, respectively. Amortization expense on existing intangible assets for the remainder of 2003 and for 2004, 2005, 2006, 2007 and 2008 is estimated to be $11 million, $41 million, $38 million, $35 million, $34 million and $31 million, respectively.

NOTE 13 EARNINGS PER SHARE

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

In millions, except share and per share data	Three months ended September 30		Nine months ended September 30	
	2003	2002	2003	2002
CALCULATION OF BASIC EARNINGS PER COMMON SHARE				
Net income	$281	$285	$727	$922
Less: Preferred dividends declared			1	1
Net income applicable to basic earnings per common share	$281	$285	$726	$921
Basic weighted-average common shares outstanding (in thousands)	278,374	283,689	280,595	283,195
Basic earnings per common share	$1.01	$1.00	$2.59	$3.25
CALCULATION OF DILUTED EARNINGS PER COMMON SHARE				
Net income	$281	$285	$727	$922
Less: BlackRock adjustment for common stock equivalents			1	1
Net income applicable to diluted earnings per common share	$281	$285	$726	$921
Basic weighted-average common shares outstanding (in thousands)	278,374	283,689	280,595	283,195
Conversion of preferred stock Series A and B	92	95	92	99
Conversion of preferred stock Series C and D	724	786	737	803
Conversion of debentures	14	15	14	16
Exercise of stock options	420	207	338	654
Incentive share awards	467	422	444	426
Diluted weighted-average common shares outstanding (in thousands)	280,091	285,214	282,220	285,193

Diluted earnings per common share	$1.00	$1.00	$2.57	$3.23

</TABLE>

NOTE 14 SHAREHOLDERS' EQUITY AND COMPREHENSIVE INCOME

The following table sets forth the activity in shareholders' equity for the first nine months of 2003. The value of the Corporation's preferred stock outstanding as of September 30, 2003 and December 31, 2002 was less than $.5 million at each date and, therefore, is excluded from the following table.

<TABLE>
<CAPTION>

In millions, except per share data	Shares Outstanding Common Stock	Common Stock	Capital Surplus	Retained Earnings	Deferred Benefit Expense	Accumulated Other Comprehensive Income (Loss)(a)	Treasury Stock	Total
Balance at December 31, 2002	285	$1,764	$1,101	$7,187	$(9)	$321	$(3,505)	$6,859
Net income				727				727
Other comprehensive income (loss), net of tax (a)								
Net unrealized securities losses						(116)		(116)
Net unrealized losses on cash flow hedge derivatives						(58)		(58)
Comprehensive income								553
Cash dividends declared								
Common ($1.44 per share)				(406)				(406)
Preferred				(1)				(1)
Treasury stock activity	(8)		(2)				(362)	(364)
Tax benefit of stock option plans			5					5
Stock options granted			9					9
Subsidiary stock transactions			(3)					(3)
Deferred benefit expense					(15)			(15)
Balance at September 30, 2003	277	$1,764	$1,110	$7,507	$(24)	$147	$(3,867)	$6,637

</TABLE>

(a) A summary of the components of the change in accumulated other comprehensive income (loss) follows:

<TABLE>
<CAPTION>

Nine months ended September 30, 2003 In millions	Pretax Amount	Tax Benefit (Expense)	After-tax Amount
Unrealized securities losses	$(106)	$37	$(69)
Less: Reclassification adjustment for gains realized in net income	72	(25)	47

Net unrealized securities losses	(178)	62	(116)
Unrealized losses on cash flow hedge derivatives	(37)	13	(24)
Less: Reclassification adjustment for gains realized in net income	52	(18)	34
Net unrealized losses on cash flow hedge derivatives	(89)	31	(58)
Other comprehensive income (loss)	$(267)	$93	$(174)

</TABLE>

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

<TABLE>
<CAPTION>

	September 30, 2003		December 31, 2002	
In millions	Pretax	After-tax	Pretax	After-tax
<S>	<C>	<C>	<C>	<C>
Net unrealized securities gains	$96	$63	$274	$179
Net unrealized gains on cash flow hedge derivatives	119	77	208	135
Other (b)	11	7	11	7
Accumulated other comprehensive income	$226	$147	$493	$321

</TABLE>

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

NOTE 15 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 in the periods presented.

Results of individual businesses are presented based on PNC's management accounting practices and the Corporation's management structure. There is no comprehensive, authoritative body of guidance for management accounting equivalent to generally accepted accounting principles; therefore, the financial results of individual businesses are not necessarily comparable with similar information for any other company. Financial results are presented, to the extent practicable, as if each business operated on a stand-alone basis. Also, certain amounts for 2002 have been reclassified to conform with the 2003 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 changes to the measurement methods during the third quarter of 2003. 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. The impact of these differences is reflected in the "Intercompany eliminations" and "Other" categories. "Intercompany eliminations" reflects activities conducted among PNC's businesses that are eliminated in the consolidated results. "Other" includes differences between management accounting practices and generally accepted accounting principles, such as 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 BlackRock; and other corporate items. "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 business.

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 region.

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 offered through Corporate Banking are marketed 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. PNC Real Estate Finance also includes PNC MultiFamily Capital, a national provider of financial services for the multi-family housing industry, particularly affordable, senior and healthcare 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 private 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 its Hawthorn division. 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 provides services to individuals and corporations primarily within PNC's geographic region.

BlackRock is one of the largest publicly traded investment management firms in the United States with approximately $294 billion of assets under management at September 30, 2003. 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(R) brand name.

PFPC is among the largest providers of mutual fund transfer agency and accounting and administration services in the United States, offering a wide range of fund processing services to the investment management industry and providing processing solutions to the international marketplace through its Ireland and Luxembourg operations.

RESULTS OF BUSINESSES

<TABLE>
<CAPTION>

Three months ended September 30 In millions	Regional Community Banking	Corporate Banking	PNC Real Estate Finance	PNC Business Credit	PNC Advisors	BlackRock	PFPC
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
2003 INCOME STATEMENT							
Net interest income (expense)	$308	$76	$24	$35	$23	$43	$(16)
Noninterest income	194	88	55	12	208	147	188
Total revenue	502	164	79	47	231	190	172
Provision for credit losses	11	23	(8)	23	1		
Depreciation and amortization	10	2	1	1	3	6	5
Other noninterest expense	272	83	57	14	127	89	139
Earnings before minority and other interests and income taxes	209	56	29	9	100	95	28
Minority and other interests in income of consolidated entities			(11)		69	31	
Income taxes	71	19	6	3	11	24	12
Earnings	$138	$37	$34	$6	$20	$40	$16
Inter-segment revenue	$4	$1			$6	$4	$2
AVERAGE ASSETS (a)	$38,407	$13,558	$4,683	$3,926	$3,578	$3,484	$1,896
2002 INCOME STATEMENT							
Net interest income (expense)	$336	$87	$26	$35	$24	$1	$(19)
Noninterest income	240	89	28	8	126	137	190
Total revenue	576	176	54	43	150	138	171
Provision for credit losses	14	44	(2)	15	2		
Depreciation and amortization	9	3	4	1	2	5	4
Other noninterest expense	259	86	41	13	114	77	136
Earnings before minority and other interests and income taxes	294	43	11	14	32	56	31
Minority and other interests in income of consolidated entities			(2)				
Income taxes	102	13	(6)	6	12	23	12
Earnings	$192	$30	$19	$8	$20	$33	$19
Inter-segment revenue	$8	$1			$8	$4	$2
AVERAGE ASSETS (a)	$39,188	$13,337	$4,892	$3,814	$2,872	$790	$1,893
Nine months ended September 30 In millions							
2003 INCOME STATEMENT							
Net interest income (expense)	$956	$221	$80	$101	$65	$54	$(46)
Noninterest income	598	289	117	36	467	434	567
Total revenue	1,554	510	197	137	532	488	521
Provision for credit losses	32	63	(1)	51	2		
Depreciation and amortization	28	7	5	2	8	16	15
Other noninterest expense	814	271	135	42	365	257	434
Earnings before minority and other interests and income taxes	680	169	58	42	157	215	72
Minority and other interests in income of consolidated entities			(13)		69	31	
Income taxes	231	57	(3)	16	32	70	29
Earnings	$449	$112	$74	$26	$56	$114	$43

Inter-segment revenue	$16	$4			$19	$13	$6
AVERAGE ASSETS (a)	$38,608	$12,194	$4,738	$3,778	$3,104	$3,484	$1,884
2002 INCOME STATEMENT							
Net interest income (expense)	$1,074	$267	$86	$101	$76	$7	$(55)
Noninterest income	593	317	84	32	428	440	617
Total revenue	1,667	584	170	133	504	447	562
Provision for credit losses	37	139	(7)	72	3		
Depreciation and amortization	27	7	6	1	7	15	8
Other noninterest expense	770	265	113	40	361	265	459
Earnings before minority and other interests and income taxes	833	173	58	20	133	167	95
Minority and other interests in income of consolidated entities			(2)				
Income taxes	288	56	(7)	8	49	68	38
Earnings	$545	$117	$67	$12	$84	$99	$57
Inter-segment revenue	$15	$5			$31	$12	$6
AVERAGE ASSETS (a)	$39,010	$14,275	$5,017	$3,870	$2,976	$790	$1,891

<CAPTION>

Three months ended September 30 In millions	Other	Intercompany Eliminations	Consolidated
<S>	<C>	<C>	<C>
2003 INCOME STATEMENT			
Net interest income (expense)	$19		$512
Noninterest income	38	$(24)	906
Total revenue	57	(24)	1,418
Provision for credit losses			50
Depreciation and amortization	16		44
Other noninterest expense	28	(18)	791
Earnings before minority and other interests and income taxes	13	(6)	533
Minority and other interests in income of consolidated entities	13	(2)	100
Income taxes	8	(2)	152
Earnings	$(8)	$(2)	$281
Inter-segment revenue	$7	$(24)	
AVERAGE ASSETS (a)	$3,776	$(2,024)	$71,284
2002 INCOME STATEMENT			
Net interest income (expense)	$38		$528
Noninterest income	(20)	$(27)	771
Total revenue	18	(27)	1,299
Provision for credit losses			73
Depreciation and amortization	17		45
Other noninterest expense	40	(21)	745
Earnings before minority and other interests and income taxes	(39)	(6)	436
Minority and other interests in income of consolidated entities	6		4
Income taxes	(13)	(2)	147
Earnings	$(32)	$(4)	$285
Inter-segment revenue	$4	$(27)	
AVERAGE ASSETS (a)	$1,021	$(1,949)	$65,858

Nine months ended September 30 In millions			
2003 INCOME STATEMENT			
Net interest income (expense)	$105		$1,536
Noninterest income	40	$(71)	2,477
Total revenue	145	(71)	4,013
Provision for credit losses	(4)		143
Depreciation and amortization	55		136
Other noninterest expense	231	(59)	2,490
Earnings before minority and other interests and income taxes	(137)	(12)	1,244
Minority and other interests in income of consolidated entities	39	(2)	124
Income taxes	(34)	(5)	393
Earnings	$(142)	$(5)	$727
Inter-segment revenue	$13	$(71)	
AVERAGE ASSETS (a)	$1,777	$(1,946)	$67,621
2002 INCOME STATEMENT			
Net interest income (expense)	$117		$1,673
Noninterest income	(1)	$(79)	2,431
Total revenue	116	(79)	4,104
Provision for credit losses			244
Depreciation and amortization	54		125
Other noninterest expense	106	(68)	2,311
Earnings before minority and other interests and income taxes	(44)	(11)	1,424
Minority and other interests in income of consolidated entities	28		26
Income taxes	(20)	(4)	476
Earnings	$(52)	$(7)	$922
Inter-segment revenue	$10	$(79)	
AVERAGE ASSETS (a)	$1,017	$(2,005)	$66,841

</TABLE>

(a) Period-end balances for BlackRock.

Certain revenue and expense amounts shown in the preceding table differ from amounts included in the "Review of Businesses" section of the Financial Review of this Form 10-Q due to the presentation in the Financial Review of business revenues on a taxable-equivalent basis (except for BlackRock and PFPC) and classification differences related to BlackRock and PFPC. BlackRock income classified as net interest income in the preceding table represents the net of investment income and interest expense as presented in the "Review of Businesses" section. PFPC income classified as net interest income (expense) in the preceding table represents the interest components of nonoperating income (net of nonoperating expense) and debt financing as disclosed in the "Review of Businesses" section.

NOTE 16 COMMITMENTS AND GUARANTEES

EQUITY FUNDING COMMITMENTS

The Corporation has commitments to make additional equity investments in certain equity management entities of $194 million and affordable housing limited partnerships of $21 million at September 30, 2003.

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 September 30, 2003 had terms ranging from less than 1 year to 7 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 $5.2 billion at September 30, 2003. Assets valued, as of September 30, 2003, at approximately $1.8 billion secured certain specifically identified standby letters of credit and letter of credit risk participations having aggregate potential future payments of approximately $1.8 billion. In addition, a portion of the remaining

standby letters of credit and letter of credit risk participations issued on behalf of specific customers are also secured by collateral or guarantees which secure that customer's other obligations to PNC.

STANDBY BOND PURCHASE AGREEMENTS AND OTHER LIQUIDITY FACILITIES

PNC enters into Standby Bond Purchase Agreements to support municipal bond obligations and enters into certain other liquidity facilities to support individual pools of receivables acquired by unrelated commercial paper conduits. At September 30, 2003, PNC's total commitments under these facilities were $343 million and $282 million, respectively.

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; and 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 underwriters 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, commercial mortgage-backed securities 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 aggregate 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 aggregate potential exposure under this type of indemnification.

PNC engages in certain insurance activities which require its employees to be bonded. PNC satisfies this requirement by issuing letters of credit in an aggregate amount of approximately $5.1 million.

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. The Corporation and its subsidiaries 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 with respect to pending litigation or investigations during the first nine months of 2003. 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 PFPC on behalf of certain of its clients, PNC provides indemnification to those clients against the failure of the borrowers to return the securities. The market value of the securities lent 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 loaned securities. At September 30, 2003, the aggregate maximum potential exposure as a result of these indemnity obligations was $9.1 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.

STATISTICAL INFORMATION
THE PNC FINANCIAL SERVICES GROUP, INC.
CONSOLIDATED AVERAGE BALANCE SHEET AND NET INTEREST ANALYSIS

<TABLE>
<CAPTION>

Nine months ended September 30	2003			2002		
Taxable-equivalent basis Dollars in millions	Average Balances	Interest Income/Expense	Average Yields/Rates	Average Balances	Interest Income/Expense	Average Yields/Rates
<S>	<C>	<C>	<C>	<C>	<C>	<C>
ASSETS						
Interest-earning assets						
Loans held for sale	$1,671	$35	2.77%	$3,204	$117	4.83%
Securities						
Securities available for sale						
U.S. Treasury and government agencies/corporations	3,828	115	3.99	3,144	123	5.22
Other debt	9,955	309	4.14	7,670	317	5.52
State and municipal	61	4	8.78	61	4	9.16
Corporate stocks and other	486	9	2.66	480	11	3.03
Total securities available for sale	14,330	437	4.07	11,355	455	5.35
Securities held to maturity	24	2	7.88	356	13	4.78
Total securities	14,354	439	4.07	11,711	468	5.33
Loans, net of unearned income						
Commercial	14,908	640	5.66	16,089	719	5.90
Commercial real estate	2,155	76	4.66	2,474	99	5.26
Consumer	10,387	454	5.84	9,481	474	6.68

Residential mortgage	3,220	141	5.86	5,005	254	6.78
Lease financing	3,769	164	5.82	4,231	203	6.41
Other	361	10	3.57	405	13	4.19
Total loans, net of unearned income	34,800	1,485	5.66	37,685	1,762	6.21
Federal funds sold	652	6	1.24	1,282	17	1.75
Purchased customer receivables	841	11	1.75			
Investments held by certain variable interest entities	718	48	8.91			
Other	2,204	85	5.14	1,942	77	5.29
Total interest-earning assets/interest income	55,240	2,109	5.07	55,824	2,441	5.81
Noninterest-earning assets						
Allowance for credit losses	(676)			(619)		
Cash and due from banks	2,819			2,733		
Other assets	10,238			8,903		
Total assets	$67,621			$66,841		
LIABILITIES, MINORITY AND NONCONTROLLING INTERESTS, CAPITAL SECURITIES AND SHAREHOLDERS' EQUITY						
Interest-bearing liabilities						
Interest-bearing deposits						
Demand and money market	$22,231	122	.73	$21,446	185	1.16
Savings	2,108	5	.33	2,037	8	.49
Retail certificates of deposit	8,992	211	3.13	10,490	289	3.69
Other time	266	15	7.30	654	22	4.50
Deposits in foreign offices	221	2	1.04	417	6	1.72
Total interest-bearing deposits	33,818	355	1.40	35,044	510	1.94
Borrowed funds						
Federal funds purchased	683	6	1.13	721	9	1.61
Repurchase agreements	1,071	9	1.09	962	10	1.45
Bank notes and senior debt	3,570	58	2.14	5,421	111	2.69
Federal Home Loan Bank borrowings	1,159	(13)	(1.49)	1,617	4	.33
Subordinated debt	2,041	62	4.03	2,210	76	4.60
Mandatorily redeemable capital securities of subsidiary trusts	286	14	6.60			
Commercial paper	843	7	1.11			
Liabilities of certain variable interest entities	624	24	5.08			
Other borrowed funds	215	44	27.04	343	38	14.73
Total borrowed funds	10,492	211	2.66	11,274	248	2.92
Total interest-bearing liabilities/interest expense	44,310	566	1.70	46,318	758	2.18
Noninterest-bearing liabilities, minority interest, capital securities and shareholders' equity						
Demand and other noninterest-bearing deposits	10,492			9,079		
Allowance for unfunded commitments and letters of credit	79			80		
Accrued expenses and other liabilities	4,948			4,157		
Minority and noncontrolling interests in consolidated entities	539			196		
Mandatorily redeemable capital securities of subsidiary trusts	562			848		
Shareholders' equity	6,691			6,163		

Total liabilities, minority and noncontrolling interests, capital securities and shareholders' equity	$67,621			$66,841		
Interest rate spread			3.37			3.63
Impact of noninterest-bearing sources			.34			.37
Net interest income/margin		$1,543	3.71%		$1,683	4.00%

</TABLE>

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

<TABLE>
<CAPTION>

Third Quarter 2003			Second Quarter 2003			Third Quarter 2002		
Average Balances	Interest Income/Expense	Average Yields/Rates	Average Balances	Interest Income/Expense	Average Yields/Rates	Average Balances	Interest Income/Expense	Average Yields/Rates
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
$1,480	$8	2.11%	$1,754	$15	3.45%	$2,125	$24	4.43%
4,562	42	3.62	3,825	37	3.95	2,962	37	5.07
10,187	94	3.70	10,325	112	4.34	7,205	95	5.27
67	2	8.47	57	1	8.90	60	1	9.05
466	2	2.50	465	4	2.86	541	4	2.53
15,282	140	3.66	14,672	154	4.21	10,768	137	5.10
5		6.66		1		340	4	5.02
15,287	140	3.66	14,672	155	4.21	11,108	141	5.10
14,712	208	5.53	14,965	215	5.69	15,698	236	5.89
2,034	24	4.67	2,169	25	4.62	2,501	33	5.16
10,832	153	5.61	10,346	152	5.87	9,649	160	6.56
2,807	39	5.57	3,244	47	5.83	4,296	71	6.63
3,633	52	5.69	3,767	54	5.73	4,124	65	6.31
360	3	3.29	360	4	3.64	419	5	4.16

34,378	479	5.50	34,851	497	5.67	36,687	570	6.13
46		.98	116		1.22	2,212	10	1.75
2,495	11	1.77						
2,130	48	9.00						
2,601	34	5.11	1,863	27	5.82	2,110	28	5.27
58,417	720	4.88	53,256	694	5.19	54,242	773	5.64
(674)			(671)			(665)		
3,079			2,679			2,619		
10,462			10,301			9,662		
$71,284			$65,565			$65,858		
$22,475	35	.63	$22,141	41	.74	$21,376	62	1.15
2,133	1	.24	2,131	2	.37	2,050	2	.50
8,460	64	2.98	8,892	69	3.11	10,347	92	3.52
264	5	7.19	269	5	7.27	269	5	7.23
238	1	.92	220		1.11	215	1	1.52
33,570	106	1.25	33,653	117	1.40	34,257	162	1.88
1,306	3	1.03	692	3	1.28	42		2.97
1,204	3	.96	1,116	4	1.17	990	4	1.51
2,904	16	2.15	3,555	19	2.14	5,154	35	2.63
1,129	(5)	(1.88)	1,138	(5)	(1.49)	1,272		(.15)
1,949	19	3.82	2,025	20	4.01	2,210	25	4.61
848	14	6.67						
2,501	7	1.11						
1,851	24	5.08						
323	19	22.96	175	13	29.55	158	15	37.25
14,015	100	2.81	8,701	54	2.46	9,826	79	3.16
47,585	206	1.71	42,354	171	1.61	44,083	241	2.16
11,040			10,278			9,405		
77			77			73		
4,934			4,980			4,754		
1,104			252			218		
			848			848		
6,544			6,776			6,477		
$71,284			$65,565			$65,858		
		3.17			3.58			

3.48					
	.32		.33		.40
$514	3.49%	$523	3.91%	$532	3.88%

</TABLE>

Loan fees for the nine months ended September 30, 2003 and September 30, 2002 were $82 million and $80 million, respectively. Loan fees for the three months ended September 30, 2003, June 30, 2003 and September 30, 2002 were $29 million, $26 million and $22 million, respectively.

PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

On June 2, 2003, PNC ICLC Corp. ("PNCICLC"), an indirect non-bank subsidiary of the Corporation, entered into a Deferred Prosecution Agreement (the "Deferred Prosecution Agreement") with the United States Department of Justice, Criminal Division, Fraud Section (the "Department of Justice"). A copy of the Deferred Prosecution Agreement is attached as Exhibit 99.1 to the Current Report on Form 8-K filed by the Corporation on June 2, 2003 (the "Form 8-K"). Pursuant to the terms of the Deferred Prosecution Agreement, the United States filed a criminal complaint in the United States District Court for the Western District of Pennsylvania charging PNCICLC with conspiracy to commit securities fraud, in violation of Title 18, United States Code, Section 371. The Deferred Prosecution Agreement relates to the three 2001 transactions (the "PAGIC transactions") that gave rise to a financial statement restatement announced by the Corporation on January 29, 2002 and that were the subject of a July 2002 consent order between the Corporation and the United States Securities and Exchange Commission.

The Department of Justice has recommended to the District Court that the prosecution of PNCICLC be deferred for a period of twelve months in light of PNCICLC's exceptional remedial actions to date and its willingness to acknowledge responsibility for its behavior, continue its cooperation with the Department of Justice and other governmental regulatory agencies, demonstrate its future good faith conduct and full compliance with the securities laws and generally accepted accounting principles and consent to the establishment of a $90 million restitution fund and the assessment of a $25 million monetary penalty. The Department of Justice has further agreed that if PNCICLC is in full compliance with all of its obligations under the Deferred Prosecution Agreement, the Department of Justice will seek dismissal with prejudice of the complaint within 30 days of the twelve month anniversary of the Deferred Prosecution Agreement and at such time the Deferred Prosecution Agreement will be terminated. PNCICLC has timely paid the monetary penalty and established the restitution fund. The $90 million restitution fund will be available to satisfy claims, including for the settlement of the pending securities litigation referred to below. The restitution fund will be administered by Louis W. Fryman, chairman of Fox Rothschild LLP in Philadelphia, Pennsylvania.

The Form 8-K, together with its exhibits, contains a more complete description of the Deferred Prosecution Agreement and its impact on PNCICLC and the Corporation.

There are several pending judicial or administrative proceedings or other matters arising out of the PAGIC transactions. The impact of the final disposition of these matters cannot be assessed at this time. The Corporation intends to defend vigorously each of the lawsuits described below.

The several putative class action complaints filed during 2002 have been 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 "Class Period"). 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 PAGIC transactions and related matters. The Corporation and all other defendants have filed a motion to dismiss this lawsuit.

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. In June 2003, the Administrative Committee retained Independent Fiduciary Services, Inc. ("IFS") to serve as an

independent fiduciary charged with the exclusive authority and responsibility to act on behalf of the Plan in connection with the pending securities litigation referred to above and to evaluate any legal rights the Plan might have against any parties relating to the PAGIC transactions. This authority will include representing the Plan's interests in connection with the $90 million restitution fund set up under the Deferred Prosecution Agreement. The Department of Labor has been advised of the appointment of IFS.

In July 2003, a former employee brought a putative class action lawsuit under ERISA in the United States District Court for the Western District of Pennsylvania against the Corporation, its Chairman and Chief Executive Officer, its former Chief Financial Officer, the Plan administrator and certain past and present members of the Administrative Committee of the Plan. The complaint, brought on behalf of the Plan and all Plan participants for whose individual accounts the Plan purchased and/or held shares of the Corporation during the Class Period, alleged that the defendants breached their fiduciary duties related to disclosures regarding the PAGIC transactions and related matters and also breached their fiduciary duties by permitting the Plan to purchase and hold stock of the Corporation. The complaint sought, among other things, unquantified damages, declaratory and injunctive relief, and attorneys' fees and costs. In November 2003, the court

dismissed the complaint without prejudice upon the joint stipulation of the parties.

The Corporation received a letter in June 2003 on behalf of an alleged shareholder of the Corporation demanding that the Corporation take appropriate legal action against the Chairman and Chief Executive Officer, the former Chief Financial Officer, and the Controller, as well as any other individuals or entities allegedly responsible for causing damage to the Corporation as a result of the PAGIC transactions. The Board has referred this matter to a special committee of the Board for evaluation.

In July 2003, the lead underwriter on the Corporation's Executive Blended Risk insurance coverage filed a lawsuit for a declaratory judgment against the Corporation and PNCICLC in the United States District Court for the Western District of Pennsylvania. The complaint seeks a determination that the defendants breached the terms and conditions of the policy and, as a result, the policy does not provide coverage for any loss relating to or arising out of the Department of Justice investigation or the PAGIC transactions. Alternatively, the complaint seeks a determination that the policy does not provide coverage for the payments made pursuant to the Deferred Prosecution Agreement. The complaint also seeks attorneys' fees and costs. In September 2003, the Corporation moved to stay the action until resolution of the claims against the Corporation in the pending securities litigation described above.

In addition to the proceedings or other matters arising out of the PAGIC transactions, 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. However, at the present time, management is not in a position to determine whether any of such other pending or threatened legal proceedings will have a material adverse effect on the Corporation's results of operations in any future reporting period.

In connection with industry-wide investigations of practices regarding market timing, late day trading and employee trading in mutual funds, several of PNC's subsidiaries have received requests for information from state and federal regulatory authorities. These subsidiaries are fully cooperating in all of these matters.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

The following exhibit index lists Exhibits filed, or in the case of Exhibits 32.1 and 32.2 furnished, with this Quarterly Report on Form 10-Q:

EXHIBIT INDEX

12.1	Computation of Ratio of Earnings to Fixed Charges
12.2	Computation of Ratio of Earnings to Fixed Charges and Preferred Stock Dividends
31.1	Certification of Chairman and Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Vice Chairman and Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Chairman and Chief Executive Officer pursuant to 18 U.S.C. Section 1350
32.2	Certification of Vice Chairman and Chief Financial

Officer pursuant to 18 U.S.C. Section 1350

99.1	Termination of Agreement between The PNC Financial Services Group, Inc. and the Federal Reserve Bank of Cleveland
99.2	Termination of Agreement between PNC Bank, National Association and the Office of the Comptroller of the Currency
99.3	Agreement and Plan of Merger, dated as of August 21, 2003, by and among the Corporation, United National Bancorp and PNC Bancorp, Inc.*

*Incorporated by reference to Exhibit 99.1 of the Corporation's Current Report on Form 8-K dated September 2, 2003.

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.

As described in PNC's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003, the Corporation filed two Current Reports on Form 8-K ("Form 8-K") on July 21, 2003. In addition, the Corporation filed the following Reports on Form 8-K during and subsequent to the third quarter of 2003 through the date of this Quarterly Report on Form 10-Q on the dates indicated:

August 21, 2003

Item 9, Regulation FD Disclosure, regarding the Corporation's planned acquisition of United National Bancorp. Copies of a news release issued jointly by the Corporation and United National Bancorp and certain other information regarding the acquisition were filed as Exhibits to this Form 8-K.

September 2, 2003

Item 5, Other Events, regarding the Agreement and Plan of Merger ("Merger Agreement") entered into by the Corporation, United National Bancorp and a wholly-owned subsidiary of the Corporation on August 21, 2003. The Merger Agreement was filed as an Exhibit to this Form 8-K.

September 8, 2003

Item 12, Disclosure of Results of Operations and Financial Condition, regarding a presentation to investors by certain executives of the Corporation in connection with the Lehman Brothers 2003 Financial Services Conference in New York, New York. A copy of the electronic slides and related material used with this presentation was furnished as an Exhibit to this Form 8-K.

September 15, 2003

Item 5, Other Events, regarding the Corporation's news release announcing that the Federal Reserve Bank of Cleveland had lifted its formal written agreement with the Corporation. A copy of this news release was filed as an Exhibit to this Form 8-K.

September 29, 2003

Item 5, Other Events, regarding the Corporation's news release announcing that the Office of the Comptroller of the Currency had lifted its formal written agreement with PNC Bank, National Association, the Corporation's principal bank subsidiary. A copy of this news release was filed as an Exhibit to this Form 8-K.

October 1, 2003

Item 5, Other Events, regarding the Corporation's summary of reconciliations of non-GAAP financial measures included in the Corporation's 2002 Annual Report to Shareholders that was incorporated by reference into the Corporation's Annual Report on Form 10-K for the year ended December 31, 2002, as amended. The summary of reconciliations of non-GAAP financial measures was filed as an Exhibit to this Form 8-K.

October 16, 2003

Item 5, Other Events, and Item 12, Disclosure of Results of Operations and Financial Condition, regarding the Corporation's release of third quarter 2003 earnings. A copy of the Corporation's earnings press release was included as an Exhibit to this Form 8-K.

October 16, 2003
- ----------------
Item 5, Other Events, regarding supplementary financial information provided on the Corporation's website in connection with its October 16, 2003 release of third quarter 2003 earnings and related investor conference call. A copy of this supplementary financial information was filed as an Exhibit to this Form 8-K.

November 3, 2003
- ----------------
Item 5, Other Events, regarding information in connection with the public offering by PNC Funding Corp, a wholly owned subsidiary of the Corporation, of $600 million aggregate principal amount of 5.25% Subordinated Notes due 2015. The Underwriting Agreement, Form of Subordinated Notes and Form of Guarantees related to the Subordinated Notes were filed as Exhibits to this Form 8-K.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on November 14, 2003, on its behalf by the undersigned thereunto duly authorized.

THE PNC FINANCIAL SERVICES GROUP, INC.
/s/ William S. Demchak
- ----------------------
William S. Demchak
Vice Chairman and Chief Financial Officer
(Principal Financial Officer)

CORPORATE INFORMATION
THE PNC FINANCIAL SERVICES GROUP, INC.

CORPORATE HEADQUARTERS

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

STOCK LISTING

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

INTERNET INFORMATION

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

FINANCIAL INFORMATION

PNC is subject to the reporting requirements of the Securities Exchange Act of 1934 and as such files annual, quarterly and current reports as well as proxy materials with the Securities and Exchange Commission ("SEC"). Copies of these 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 in the Investors section. Copies may also be obtained without charge by contacting Shareholder Services at (800) 982-7652 or via e-mail 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 Relations, at (412) 762-8257 or via e-mail at investor.relations@pnc.com.

News media representatives and others seeking general information should contact:

Donna C. Peterman, Senior Vice President, Director of Corporate Communications, at (412) 762-4550 or via e-mail at corporate.communications@pnc.com.

COMMON STOCK PRICES/DIVIDENDS DECLARED

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

stock and the cash dividends declared per common share.

	High	Low	Close	Cash Dividends Declared
2003 QUARTER				
First	$45.950	$41.630	$42.380	$.48
Second	50.110	42.060	48.810	.48
Third	50.170	46.410	47.580	.48
Total				$1.44
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

DIVIDEND REINVESTMENT AND STOCK PURCHASE PLAN

The PNC Financial Services Group, Inc. Dividend Reinvestment and Stock Purchase Plan enables holders of common stock and preferred stock to purchase additional shares of common stock conveniently and without paying brokerage commissions or service charges. A prospectus and enrollment card may be obtained by contacting Shareholder Services at (800) 982-7652.

REGISTRAR AND TRANSFER AGENT

Computershare Investor Services, LLC
2 North LaSalle Street
Chicago, Illinois 60602
(800) 982-7652

EXHIBIT 12.1

THE PNC FINANCIAL SERVICES GROUP, INC. AND SUBSIDIARIES
Computation of Ratio of Earnings
to Fixed Charges

<TABLE>
<CAPTION>

	Nine months ended September 30	Year ended December 31				
Dollars in millions	2003	2002	2001	2000	1999	1998
EARNINGS						
Income from continuing operations before taxes	$1,120	$1,821	$ 564	$1,848	$1,788	$1,651
Fixed charges excluding interest on deposits	284	433	763	1,033	980	1,159
Subtotal	1,404	2,254	1,327	2,881	2,768	2,810
Interest on deposits	355	659	1,229	1,653	1,369	1,471
Total	$1,759	$2,913	$2,556	$4,534	$4,137	$4,281
FIXED CHARGES						
Interest on borrowed funds	$ 210	$ 316	$ 646	$ 915	$ 870	$1,065
Interest component of rentals	45	58	53	50	44	33
Amortization of notes and debentures	1	1	1	1	1	1
Distributions on mandatorily redeemable capital securities of subsidiary trusts	28	58	63	67	65	60
Subtotal	284	433	763	1,033	980	1,159
Interest on deposits	355	659	1,229	1,653	1,369	1,471
Total	$ 639	$1,092	$1,992	$2,686	$2,349	$2,630
RATIO OF EARNINGS TO FIXED CHARGES						
Excluding interest on deposits	4.94 x	5.21 x	1.74 x	2.79 x	2.82 x	2.42 x
Including interest on deposits	2.75	2.67	1.28	1.69	1.76	1.63

</TABLE>

EXHIBIT 12.2

THE PNC FINANCIAL SERVICES GROUP, INC. AND SUBSIDIARIES
Computation of Ratio of Earnings
to Fixed Charges and Preferred Stock Dividends

<TABLE>
<CAPTION>

	Nine months ended September 30	Year ended December 31				
Dollars in millions	2003	2002	2001	2000	1999	1998
<S>	<C>	<C>	<C>	<C>	<C>	<C>
EARNINGS						
Income from continuing operations before taxes	$1,120	$1,821	$ 564	$1,848	$1,788	$1,651
Fixed charges and preferred stock dividends excluding interest on deposits	285	434	783	1,063	1,010	1,188
Subtotal	1,405	2,255	1,347	2,911	2,798	2,839
Interest on deposits	355	659	1,229	1,653	1,369	1,471
Total	$1,760	$2,914	$2,576	$4,564	$4,167	$4,310
FIXED CHARGES						
Interest on borrowed funds	$ 210	$ 316	$ 646	$ 915	$ 870	$1,065
Interest component of rentals	45	58	53	50	44	33
Amortization of notes and debentures	1	1	1	1	1	1
Distributions on mandatorily redeemable capital securities of subsidiary trusts	28	58	63	67	65	60
Preferred stock dividend requirements	1	1	20	30	30	29
Subtotal	285	434	783	1,063	1,010	1,188
Interest on deposits	355	659	1,229	1,653	1,369	1,471
Total	$ 640	$1,093	$2,012	$2,716	$2,379	$2,659
RATIO OF EARNINGS TO FIXED CHARGES AND PREFERRED STOCK DIVIDENDS						
Excluding interest on deposits	4.93 x	5.20 x	1.72 x	2.74 x	2.77 x	2.39 x
Including interest on deposits	2.75	2.67	1.28	1.68	1.75	1.62

</TABLE>

EXHIBIT 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, James E. Rohr, certify that:

1. I have reviewed this report on Form 10-Q for the quarter ended September 30, 2003 of The PNC Financial Services Group, Inc.;

2. Based on my knowledge, this 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 report;

3. Based on my knowledge, the financial statements, and other financial information included in this 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 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-15(e) and 15d-15(e)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, 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 report is being prepared;

   b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 14, 2003

/s/ James E. Rohr

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James E. Rohr
Chairman and Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, William S. Demchak, certify that:

1. I have reviewed this report on Form 10-Q for the quarter ended September 30, 2003 of The PNC Financial Services Group, Inc.;

2. Based on my knowledge, this 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 report;

3. Based on my knowledge, the financial statements, and other financial information included in this 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 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-15(e) and 15d-15(e)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, 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 report is being prepared;

    b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 14, 2003

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

EXHIBIT 32.1

CERTIFICATION BY CHIEF EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2003 of The PNC Financial Services Group, Inc. (Corporation) as filed with the Securities and Exchange Commission on the date hereof (Report), I, James E. Rohr, Chairman and Chief Executive Officer of the Corporation, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge, that:

(1) The Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation for the dates and periods covered by the Report.

This certificate is being made for the exclusive purpose of compliance by the Chief Executive Officer of the Corporation with the requirements of Section 906 of the Sarbanes-Oxley Act of 2002, and may not be used by any person or for any reason other than as specifically required by law.

/s/ James E. Rohr
- ----------------------------
James E. Rohr
Chairman and Chief Executive Officer
November 14, 2003

EXHIBIT 32.2

CERTIFICATION BY CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2003 of The PNC Financial Services Group, Inc. (Corporation) as filed with the Securities and Exchange Commission on the date hereof (Report), I, William S. Demchak, Vice Chairman and Chief Financial Officer of the Corporation, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge, that:

(1) The Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation for the dates and periods covered by the Report.

This certificate is being made for the exclusive purpose of compliance by the Chief Financial Officer of the Corporation with the requirements of Section 906 of the Sarbanes-Oxley Act of 2002, and may not be used by any person or for any reason other than as specifically required by law.

/s/ William S. Demchak

William S. Demchak
Vice Chairman and Chief Financial Officer
November 14, 2003

Exhibit 99.1

Federal Reserve Release [logo]

PRESS RELEASE

Release Date: September 15, 2003

For immediate release

The Federal Reserve Board on Monday announced the termination of the enforcement actions listed below. The Federal Reserve's enforcement action web site, http://www.federalreserve.gov/boarddocs/enforcement, reports the terminations as they occur.

- The PNC Financial Services Group, Inc.,
  Pittsburgh, Pennsylvania
  Written Agreement dated July 12, 2002
  Terminated September 12, 2003

(Other announced terminations omitted)

Exhibit 99.2

#2003-110 Terminates
#2002-56

UNITED STATES OF AMERICA
DEPARTMENT OF THE TREASURY
OFFICE OF THE COMPTROLLER OF THE CURRENCY
TERMINATION OF THE
AGREEMENT BY AND BETWEEN
PNC BANK, NATIONAL ASSOCIATION
PITTSBURGH, PENNSYLVANIA
AND
THE OFFICE OF THE COMPTROLLER OF THE CURRENCY

WHEREAS, in an effort to protect the interests of the depositors, other customers, and shareholders of the PNC Bank, National Association, Pittsburgh, Pennsylvania (Bank), and to ensure the Bank's safe and sound operation and compliance with all applicable laws, rules and regulations, the Bank and the Comptroller of the Currency of the United States of America (Currency) entered into an Agreement dated July 17, 2002 (Agreement); and

WHEREAS, the Comptroller believes that the protection of the interests of the depositors, other customers, and shareholders of the Bank, as well as the Bank's safe and sound operation and compliance with all applicable laws, rules and regulations do not require the continued existence of the Agreement;

NOW THEREFORE, the Comptroller directs that the Agreement by and between the Bank and the Comptroller be, and it hereby, TERMINATED.

IN TESTIMONY WHEREOF, the undersigned, authorized and designated by the Comptroller as his authorized representative, has hereunto set her hand on behalf of the Comptroller.

/s/ Grace E. Dailey	9/26/03
Grace E. Dailey Deputy Comptroller Large Bank Supervision Office of the Comptroller of the Currency	Date