PNC BANK CORP.

Quarterly Report on Form 10-Q
For the quarterly period ended March 31, 1998

Page 1 represents a portion of the first quarter 1998 Financial Review which is not required by the Form 10-Q report and is not "filed" as part of the Form 10-Q.

The Quarterly Report on Form 10-Q and cross reference index is on page 32.

Financial Highlights

Three months ended March 31	1998	1997
FINANCIAL PERFORMANCE (in thousands, except per share data)		
Revenue		
Net interest income (taxable-equivalent basis)	$644,230	$637,283
Noninterest income	538,915	433,303
Total revenue	1,183,145	1,070,586
Net income	269,260	266,309
Per common share		
Basic earnings	$.88	$.81
Diluted earnings	.87	.80
Cash dividends declared	.39	.37
RATIOS		
Performance		
Return on		
Average common shareholders' equity	21.10%	19.48%
Average assets	1.51	1.54
Net interest margin	3.96	3.98
Noninterest income to total revenue	45.55	40.47
After-tax profit margin	22.76	24.88
Efficiency	61.53	59.54
Capital		
Leverage	7.36%	7.17%
Common shareholders' equity to assets	7.15	7.25
Asset Quality		
Net charge-offs to average loans	.67%	.47%
Nonperforming assets to loans and foreclosed assets	.61	.82
Allowance for credit losses to loans	1.67	2.13
Allowance for credit losses to nonperforming loans	320.96	346.11
PERIOD-END BALANCES (in millions, except per share data)		
Assets	$72,355	$71,166
Earning assets	65,210	64,255
Loans, net of unearned income	54,511	52,575
Securities available for sale	7,511	9,593
Deposits	46,068	44,902
Borrowed funds	18,375	18,547
Shareholders' equity	5,487	5,478
Common shareholders' equity	5,173	5,162
Book value per common share	$17.20	$16.45

Financial Review

This Financial Review should be read in conjunction with the PNC Bank Corp. and subsidiaries' ("Corporation" or "PNC Bank") unaudited Consolidated Financial Statements and the Financial Review and audited Consolidated Financial Statements included in the Corporation's 1997 Annual Report.

OVERVIEW

PNC BANK CORP. The Corporation is one of the largest diversified financial services companies in the United States and operates seven lines of business: Regional Community Banking, Corporate Banking, National Consumer Banking, Asset Management and Mutual Fund Servicing, Private Banking, Mortgage Banking, and Secured Lending. Financial products and services are customized for specific customer segments and offered nationally and in PNC Bank's primary geographic markets in Pennsylvania, New Jersey, Delaware, Ohio, Kentucky, Indiana, Massachusetts and Florida.

SUMMARY FINANCIAL RESULTS Net income for the first three months of 1998 was $269 million or $.87 per diluted share compared with $266 million and $.80, respectively, a year ago. Earnings were impacted by noncash expenses associated with purchase acquisitions. Excluding the impact of goodwill and other amortization related to purchase transactions, diluted earnings per share for the first quarter of 1998 and 1997 were $.93 and $.86, respectively.

Returns on average common shareholders' equity and average assets were 21.10% and 1.51% compared with 19.48% and 1.54%, respectively, in 1997.

Total revenue increased $113 million in the quarter-to-quarter comparison driven by growth in noninterest income. Noninterest income increased to $539 million in the first quarter of 1998, a 24.5% increase over the same period in 1997 reflecting significant growth in asset management, mutual fund servicing and mortgage banking. Noninterest income represented 46% of total revenue in the first quarter of 1998 compared with 40% in the prior-year quarter. Taxable-equivalent net interest income was $644 million, an increase of $7 million from the first quarter of 1997. The net interest margin was 3.96% compared with 3.98% in the prior year.

The provision for credit losses was $30 million for the first quarter of 1998 compared with $10 million in the prior year.

Noninterest expense increased $97 million to $741 million primarily due to amortization of mortgage servicing rights ("MSR"), incentive compensation commensurate with growth in fee-based revenue and higher marketing costs associated with national consumer banking initiatives. The efficiency ratio, computed excluding distributions on capital securities, was 61.5% for the first quarter of 1998 compared with 59.5% a year ago.

Average earning assets increased $1.4 billion from the prior-year quarter to $65.2 billion as higher loans and mortgages held for sale more than offset securities portfolio reductions. Average loans grew 4.2% to $54.1 billion, a $2.2 billion increase from the prior year. Growth in credit cards and middle market commercial loans more than offset the downsizing of the indirect automobile lending portfolio and the impact of loan securitizations. The increase in average mortgages held for sale was $1.4 billion reflecting higher production volume. Average securities decreased $2.3 billion to $7.8 billion or 11.9% of average earning assets. Loans represented 83.0% of average earning assets compared with 81.4% a year ago.

Shareholders' equity totaled $5.5 billion at March 31, 1998. The leverage ratio was 7.36% and Tier I and total risk-based capital ratios were 7.67% and 11.24%, respectively.

Asset quality and coverage ratios remained strong. The ratio of nonperforming assets to loans and foreclosed assets was .61% at March 31, 1998 and December 31, 1997. The allowance for credit losses was 321% of nonperforming loans and 1.67% of total loans at March 31, 1998 compared with 352% and 1.79%, respectively, at December 31, 1997. Net charge-offs were .67% of average loans for the first quarter of 1998 compared with .47% for the first quarter of 1997. The increase was primarily associated with consumer bankruptcies and an increase in credit card outstandings.

BUSINESS STRATEGIES Financial services providers today are challenged by intense competition, changing customer demands, increased pricing pressures and the ongoing impact of deregulation. Traditional loan and deposit activities face particularly challenging competitive pressures as both banks and nonbanks compete for customers with access to a broad array of banking, investment and capital markets products. Many of these traditional businesses have moderate growth expectations and require significant capital to support balance sheet leverage that entails credit and interest rate risk.

PNC Bank has responded to these challenges by transitioning to an organization comprised of distinct lines of business with highly focused customer segments. This approach provides the basis for differentiated businesses capable of competing in today's environment where banks and other financial service providers seek the same customers.

The Corporation has focused on altering the business mix and investing in specialized financial services businesses including asset management, mutual fund servicing, private banking, mortgage banking, treasury management and capital markets. These businesses are largely fee-based and less capital intensive and have superior growth outlooks on a national scale. More meaningful contributions from these businesses, coupled with disciplined management of traditional banking activities, expansion of national distribution capabilities and reduction of wholesale leverage activities have allowed PNC Bank to significantly improve the composition of the earnings stream.

REGIONAL COMMUNITY BANKING provides financial products and services to small business and retail customers within PNC Bank's geographic footprint. Regional Community Banking's focus is on employing information and customer knowledge to identify and meet consumer preferences for traditional and automated products and services through retail branches and alternative distribution channels.

CORPORATE BANKING provides credit, capital markets and treasury management products and services to large and mid-size businesses, institutions and government entities. Teams of specialists focus on specific industry segments, including communications, health care, public finance, large corporate, financial institutions, energy, metals and mining and emerging growth.

NATIONAL CONSUMER BANKING provides consumer products and services through technologically advanced cost efficient channels. National Consumer Banking's focus is on delivering convenient financial services nationally by expanding direct marketing and through establishing affinity relationships.

ASSET MANAGEMENT AND MUTUAL FUND SERVICING includes BlackRock, Inc. ("BlackRock") which offers fixed income, domestic and international equity and liquidity products; PFPC Inc. ("PFPC"), the Corporation's mutual fund servicing business; HAWTHORN, which serves the ultra-affluent market, and PNC Bank's institutional trust business.

BlackRock represents the recent combination of PNC Bank's investment advisory and asset management capabilities under a single organization and brand. This integration created one of the largest asset managers in the country, leveraging the BlackRock Financial Management reputation as an established world-class fixed income manager. BlackRock is focused on expanding marketing and delivery channels for a wide range of institutional and retail investment products.

PFPC specializes in providing institutional money managers, brokerage firms, pension managers and insurance companies with custom designed products including accounting and administration, transfer agent and custody services. PFPC is the second largest mutual fund accounting agent and the third largest mutual fund transfer agent in the United States and is focused on domestic and international expansion.

PRIVATE BANKING offers personalized investment management, brokerage, personal trust, estate planning and traditional banking services to the affluent. Services are provided by teams of specialists working together to provide advice and creative financial solutions.

MORTGAGE BANKING is focused on delivering mortgage originations and servicing, and expanding sales of products including second mortgages, home equity lines of credit, credit cards and insurance.

SECURED LENDING is engaged in commercial real estate banking, business credit and equipment leasing activities within PNC Bank's primary geographic markets and nationally.

Real estate banking provides comprehensive services to a broad base of clients including commercial and residential developers, investors, mortgage bankers and property management companies.

Business credit is among the top ten firms in the United States in asset-based financing providing asset-based lending, syndication and treasury management services.

Leasing provides equipment lease financing for a wide range of customers and is focused on growth from the existing PNC Bank corporate customer base and national markets.

Subsequent to quarter end, PNC Bank completed the acquisitions of the assets and servicing portfolio of Midland Loan Services, L.P. ("Midland") and the asset-based finance business of BTM Capital Corp. ("BTM Capital"), a subsidiary of The Bank of Tokyo-Mitsubishi, Ltd. These transactions are consistent with

Secured Lending's strategic plan to establish a national presence and expand fee-based revenue.

Financial
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LINE OF BUSINESS REVIEW

Financial results for PNC Bank's lines of business are derived from the Corporation's management accounting system. Line of business information is based on management accounting practices which conform to and support PNC Bank's current management structure and is not necessarily comparable with similar information for any other financial services institution.

The management accounting process uses various balance sheet and income statement assignments and transfers to measure business unit performance. Assignments and transfers change from time to time as the management accounting system is enhanced and business or product lines change. There is no comprehensive, authoritative body of guidance for management accounting equivalent to generally accepted accounting principles.

Financial statements for the lines of business do not necessarily use the same classifications as the consolidated financial statements. The financial results presented herein reflect each line of business as if operated on a stand-alone basis. Securities or borrowings and related interest rate spreads have been assigned to the lines of business based on their net asset or liability position.

Total line of business financial results differ from consolidated financial results primarily due to eliminations, different provision for credit loss methodologies and corporate administration and other unassigned items. Eliminations offset transactions between the lines of business which primarily relate to assigned securities or borrowings. Corporate administration and other unassigned includes net securities gains, certain holding company expenses and other items not assigned in the management accounting process.

Capital is assigned to each business unit based on management's assessment of inherent risks and equity levels at independent companies providing similar products and services. As a result, total capital assigned will differ from consolidated shareholders' equity.

<TABLE>
<CAPTION>

Three months ended March 31 - dollars in millions	Revenue		Earnings (Loss)		Return on Assigned Capital		Average Assets	
	1998	1997	1998	1997	1998	1997	1998	1997
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Regional Community Banking	$402	$404	$103	$100	30%	29%	$34,968	$35,422
Corporate Banking	179	155	56	50	20	19	14,832	14,636
National Consumer Banking	173	183	(13)	22	(8)	13	11,507	11,185
Asset Management and Mutual Fund Servicing	154	96	43	18	59	29	921	688
Private Banking	105	96	23	20	28	28	2,536	2,408
Mortgage Banking	104	66	16	3	18	4	11,569	9,650
Secured Lending	68	68	34	34	26	29	7,124	6,131
Total lines of business	1,185	1,068	262	247	23	22	83,457	80,120
Eliminations	(4)	(32)	(24)	(20)			(15,120)	(13,776)

Provision for credit losses			36	23				
Corporate administration and other unassigned	2	35	(5)	16			3,804	3,957
Total consolidated	$1,183	$1,071	$269	$266	21%	19%	$72,141	$70,301

</TABLE>

REGIONAL COMMUNITY BANKING

Three months ended March 31 - dollars in millions	1998	1997
INCOME STATEMENT		
Net interest income	$332	$336
Noninterest income	70	68
Total revenue	402	404
Provision for credit losses	8	5
Noninterest expense	223	233
Pretax earnings	171	166
Income taxes	68	66
Earnings	$103	$100
AVERAGE BALANCE SHEET		
Loans		
Consumer	$4,966	$4,893
Commercial	2,508	1,984
Residential mortgage	1,246	1,250
Other	202	410
Total loans	8,922	8,537
Assigned assets and other assets	26,046	26,885
Total assets	$34,968	$35,422
Net deposits		
Certificates	$15,237	$15,879
Money market	6,895	6,009
Noninterest-bearing demand	4,769	4,837
Interest-bearing demand	3,944	4,090
Savings	2,583	3,001
Total net deposits	33,428	33,816
Other liabilities	138	189
Assigned capital	1,402	1,417
Total funds	$34,968	$35,422
PERFORMANCE RATIOS		
After-tax profit margin	26%	25%
Efficiency	55	58
Noninterest income to total revenue	17	17
Return on assigned capital	30	29

Regional Community Banking contributed 39% of total line of business earnings in the first quarter of 1998 compared with 40% in the first quarter of 1997. Earnings increased $3 million or 3% primarily due to a reduction in noninterest expense.

Total revenue was essentially unchanged in the first quarter of 1998 as higher transaction fees were offset by lower net interest income associated with lower deposits.

The $3 million increase in the provision for credit losses resulted from recoveries in the first quarter of 1997.

Noninterest expense declined $10 million or 4% reflecting the impact of continued strategies designed to respond to customer behavior while improving the effectiveness and efficiency of the delivery system. These initiatives are expected to continue to positively impact results, and will be enhanced by the sale of 16 branches in Pennsylvania which is anticipated to close during the second quarter of 1998.

CORPORATE BANKING

Three months ended March 31 - dollars in millions	1998	1997
INCOME STATEMENT		
Credit-related revenue	$79	$75
Noncredit revenue		
Treasury management	54	48
Equity management	23	15
Capital markets	15	13
Other	8	4
Total noncredit revenue	100	80
Total revenue	179	155
Provision for credit losses	2	(9)
Noninterest expense	90	85
Pretax earnings	87	79
Income taxes	31	29
Earnings	$56	$50
AVERAGE BALANCE SHEET		
Loans	$13,853	$13,756
Other assets	979	880
Total assets	$14,832	$14,636
Net deposits	$2,487	$2,074
Assigned funds and other liabilities	11,228	11,513
Assigned capital	1,117	1,049
Total funds	$14,832	$14,636
PERFORMANCE RATIOS		
After-tax profit margin	31%	32%
Efficiency	50	55
Noncredit revenue to total revenue	56	52
Return on assigned capital	20	19

Corporate Banking contributed 21% of total line of business earnings in the first quarter of 1998 compared with 20% in the same period last year. Earnings increased $6 million or 12% in 1998 driven by growth in noncredit revenue.

Credit-related revenue primarily represents net interest income from loans. Noncredit revenue, which includes noninterest income and the benefit of compensating balances in lieu of fees, increased $20 million or 25%. This increase reflects the emphasis on expanding revenue from fee-based services as well as higher equity management gains. The ratio of noncredit revenue to total revenue increased from 52% a year ago to 56% in the first quarter of 1998.

Noninterest expense increased $5 million or 6% reflecting higher operating costs associated with growth and investment in treasury management and capital markets services.

NATIONAL CONSUMER BANKING

Three months ended March 31 - dollars in millions	1998	1997
INCOME STATEMENT		
Net interest income	$120	$102
Noninterest income	53	81
Total revenue	173	183
Provision for credit losses	78	52

Noninterest expense	116	95
Pretax earnings (loss)	(21)	36
Income taxes (benefit)	(8)	14
Earnings (loss)	$(13)	$22
AVERAGE BALANCE SHEET		
Loans		
Dealer finance	$5,018	$5,336
Credit card	3,748	3,043
Education	1,366	1,762
Other	638	396
Total loans	10,770	10,537
Other assets	737	648
Total assets	$11,507	$11,185
Net deposits	$114	$80
Assigned funds and other liabilities	10,702	10,416
Assigned capital	691	689
Total funds	$11,507	$11,185
PERFORMANCE RATIOS		
After-tax profit margin	(8)%	12%
Efficiency	67	52
Noninterest income to total revenue	31	44
Return on assigned capital	(8)	13

National Consumer Banking's results are predominated by start-up investments primarily in AAA and other affinity businesses. As these investments mature and scale of the business increases, management expects returns will improve. During the first quarter of 1998 National Consumer Banking incurred a loss of $13 million in the first quarter of 1998 compared with earnings of $22 million in the prior-year quarter. Earnings in the first quarter of 1997 included pretax income of $24 million from securitization of education loans and $13 million from the establishment of the merchant services joint venture that was used to support investments and marketing costs associated with AAA.

The loss in the first quarter of 1998 resulted from AAA and credit card initiatives which reduced earnings by $27 million. These initiatives were unfavorably impacted by intense industry competition, including aggressive teaser rates offered on credit cards, higher credit costs and increased marketing expense associated with national business expansion. Management currently expects that the AAA initiative will be profitable in mid 1999.

The increase in the provision for credit losses of $26 million or 50% related to consumer bankruptcies and an increase in credit card outstandings. Management has undertaken enhanced collection efforts and a more focused marketing strategy directed at PNC Bank's geographic footprint and affinity relationships. As a result, the growth rate in credit card outstandings is expected to slow and net charge-offs are expected to remain relatively stable during the remainder of 1998.

ASSET MANAGEMENT AND MUTUAL FUND SERVICING

<TABLE>
<CAPTION>

	Asset Management		Mutual Fund Servicing		Total	
Three months ended March 31 - dollars in millions	1998	1997	1998	1997	1998	1997
<S>	<C>	<C>	<C>	<C>	<C>	<C>

INCOME STATEMENT						
Advisory, processing and other fees	$88	$60	$41	$33	$129	$93
Other income	20				20	
Net interest income	3	1	2	2	5	3
Total revenue	111	61	43	35	154	96
Operating expense	63	44	28	22	91	66
Pretax earnings	48	17	15	13	63	30
Income taxes	14	7	6	5	20	12
Earnings	$34	$10	$9	$8	$43	$18
AVERAGE BALANCE SHEET						
Loans	$55	$17	$89	$57	$144	$74
Assigned assets and other assets	664	495	113	119	777	614
Total assets	$719	$512	$202	$176	$921	$688
Net deposits	$455	$308	$103	$87	$558	$395
Other liabilities	47	24	19	17	66	41
Assigned capital	217	180	80	72	297	252
Total funds	$719	$512	$202	$176	$921	$688
PERFORMANCE RATIOS						
After-tax profit margin	31%	16%	21%	23%	28%	19%
Efficiency	57	72	65	63	59	69
Noninterest income to total revenue	97	98	95	94	97	97
Return on assigned capital	64	23	46	45	59	29

</TABLE>

Asset Management and Mutual Fund Servicing contributed 16% of total line of business earnings in the first quarter of 1998 compared with 7% in the first quarter of 1997. Earnings increased $25 million to $43 million in the first quarter of 1998 due to an increase in revenue.

During the first quarter of 1998 PNC Bank's fixed income, equity and liquidity capabilities were consolidated under BlackRock. This combination created one of the largest asset managers in the United States with a focus on expanding marketing and delivery channels for a wide range of institutional and retail investment products.

Asset Management earnings increased $24 million over the prior year, primarily due to after-tax gains of $16 million realized in the first quarter of 1998 from the sale of an equity stake to BlackRock management. Excluding these gains, earnings increased $8 million or 80% due to strong revenue growth resulting from new business and market appreciation. Operating expense increased $19 million commensurate with the growth in revenue.

Fee income is driven by the level of assets under management which are summarized in the following table:

ASSETS UNDER MANAGEMENT

March 31 - in billions	1998	1997
BlackRock		
Fixed income	$59	$47
Liquidity	42	34
Equity and other	15	10
Total BlackRock	116	91
Other		
Fixed income	7	5
Equity	26	20
Total other	33	25
Total assets under management	$149	$116
Proprietary mutual funds		
BlackRock Funds	$16	$12
Other	20	18
Total proprietary mutual funds	$36	$30

Assets under management totaled $149 billion at March 31, 1998, a 28% increase compared with a year ago. BlackRock had managed assets of $116 billion at March 31, 1998, an increase of 27% over the prior-year quarter. The remaining managed assets are comprised of personal and corporate trust assets.

Total assets under administration were $456 million at March 31, 1998, an increase of $109 billion of 31% in the year-to-year comparison.

Mutual Fund Servicing experienced double digit growth in assets and accounts serviced compared with the first quarter of 1997 leading to a 23% increase in total revenue. Operating expenses increased $6 million due to higher compensation expense commensurate with revenue growth and increased investments in technology and facilities associated with business expansion.

PFPC's assets and accounts serviced were as follows:

March 31	1998	1997
Assets (billions)		
Custody	$248	$203
Accounting/administration	218	138
Accounts (millions)		
Shareholder	4.7	4.5
Checking and credit/debit card	2.1	1.7

Revenue from investment management and mutual fund servicing is included in the Asset Management and Mutual Fund Servicing line of business. Revenue from marketing asset management products and services to consumers is included primarily in Private Banking. The following table sets forth revenue and earnings from asset management products, services and activities included in each line of business.

Three months ended March 31 - in millions	Revenue	Earnings
1998		
Asset Management and Mutual Fund Servicing	$154	$43
Private Banking	60	18
Total	$214	$61
1997		
Asset Management and		

Mutual Fund Servicing	$96	$18
Private Banking	54	13
Total	$150	$31

Asset Management and Mutual Fund Servicing revenue is primarily affected by the volume of new business, the value of assets managed and serviced, investment performance and financial market conditions. Revenue may be positively affected by strong investment performance or improving financial markets. Conversely, declining performance or deteriorating financial markets may have an adverse effect on revenue.

PRIVATE BANKING

Three months ended March 31 - dollars in millions	1998	1997
INCOME STATEMENT		
Net interest income	$29	$27
Noninterest income		
Investment management and trust	58	52
Brokerage	16	15
Other	2	2
Total noninterest income	76	69
Total revenue	105	96
Provision for credit losses	1	2
Noninterest expense	68	61
Pretax earnings	36	33
Income taxes	13	13
Earnings	$23	$20
AVERAGE BALANCE SHEET		
Loans		
Residential mortgage	$987	$1,060
Consumer	920	803
Commercial	540	407
Other	32	72
Total loans	2,479	2,342
Other assets	57	66
Total assets	$2,536	$2,408
Net deposits	$1,779	$1,609
Assigned funds and other liabilities	423	510
Assigned capital	334	289
Total funds	$2,536	$2,408
PERFORMANCE RATIOS		
After-tax profit margin	22%	21%
Efficiency	65	64
Noninterest income to total revenue	72	72
Return on assigned capital	28	28

Private Banking contributed 9% of total line of business earnings in the first quarter of 1998 compared with 8% a year ago. Earnings increased $3 million or 15% due to revenue growth.

Noninterest income increased $7 million or 10% in the first quarter of 1998 due to higher assets under administration driven by new business and market value appreciation. This growth resulted from an enhanced sales management process focused on delivering investment management and brokerage products. Assets under administration were $62 billion at March 31, 1998, an increase of $13 billion from March 31, 1997. Net interest income increased $2 million or 7% due to loan and deposit growth.

Noninterest expense increased $7 million due to additional sales and service personnel, higher incentive compensation commensurate with revenue growth, and investments in technology designed to improve customer service quality.

Private Banking revenue is primarily affected by the volume of new business, the value of assets managed and serviced, investment performance and financial market conditions. Revenue may be positively affected by strong investment performance or improving financial markets. Conversely, declining performance or deteriorating financial markets may have an adverse effect on revenue.

MORTGAGE BANKING

Three months ended March 31 - dollars in millions	1998	1997
INCOME STATEMENT		
Servicing fees	$41	$38
Origination and securitization	42	12
Sales of servicing and other	7	1
MSR amortization	(33)	(7)
Hedging activities	7	(7)
Net mortgage banking revenue	64	37
Net interest income	40	29
Total revenue	104	66
Operating expense	77	60
Pretax earnings	27	6
Income taxes	11	3
Earnings	$16	$3
AVERAGE BALANCE SHEET		
Residential mortgage loans	$7,761	$7,573
Mortgages held for sale	2,321	958
Other assets	1,487	1,119
Total assets	$11,569	$9,650
Escrow deposits	$719	$564
Assigned funds and other liabilities	10,494	8,764
Assigned capital	356	322
Total funds	$11,569	$9,650
PERFORMANCE RATIOS		
After-tax profit margin	15%	5%
Efficiency	70	89
Net mortgage banking revenue to total revenue	62	56
Return on assigned capital	18	4

Mortgage Banking contributed 6% of total line of business earnings in the first quarter of 1998 compared with 1% in the first quarter of 1997. Earnings increased $13 million to $16 million in the first quarter of 1998 primarily due to an increase in revenue.

Net mortgage banking revenue increased $27 million or 73% resulting from higher loan origination and securitization income, reflecting significant mortgage refinance activity, and gains on sales of MSR. Net interest income increased $11 million or 38% in the comparison due to a $1.4 billion increase in mortgages held for sale reflecting higher production volume.

Operating expense increased $17 million in the first quarter of 1998 reflecting a $9 million increase in origination expenses. PNC Bank's investments to build a superior technology platform contributed to an improvement in the efficiency ratio to 70% in the first quarter of 1998.

During the first quarter of 1998 Mortgage Banking funded $2.3 billion of residential mortgages with 69% representing retail originations. The comparable amounts were $1.1 billion and 65%, respectively, in the first quarter of 1997. The year-to-year increase reflects the combination of higher refinance activity and initiatives to expand retail origination capabilities. At March 31, 1998 the mortgage servicing portfolio totaled $42.5 billion, including $33.6 billion of loans serviced for others, had a weighted-average coupon of 7.91% and an estimated fair value of $515 million. Capitalized MSR totaled $406 million at March 31, 1998 compared with $344 million a year ago.

MORTGAGE SERVICING PORTFOLIO

In millions	1998	1997
January 1	$40,701	$39,543
Originations	2,260	1,090
Purchases	3,512	1,312
Repayments	(2,962)	(1,212)
Sales	(1,030)	(39)
March 31	$42,481	$40,694

MSR value and amortization are affected by changes in interest rates. If interest rates decline and the rate of prepayment increases, the underlying servicing fees and related MSR value would also decline. Higher prepayment activity resulted in higher amortization in 1998. In a period of rising interest rates, a converse relationship would exist. The Corporation seeks to manage this risk by using financial instruments with values that move in the opposite direction of MSR value changes. Accordingly, increased hedging activity mitigated the higher amortization expense. Net mortgage banking revenue includes servicing fees, MSR amortization and the impact from securities and interest rate floors used to hedge the value of MSR.

SECURED LENDING

Three months ended March 31 - dollars in millions	1998	1997
INCOME STATEMENT		
Net interest income	$57	$49
Noninterest income	11	19
Total revenue	68	68
Provision for credit losses	(6)	(4)
Noninterest expense	23	15
Pretax earnings	51	57
Income taxes	17	23
Earnings	$34	$34
AVERAGE BALANCE SHEET		
Loans		
Commercial	$2,924	$2,019
Project and construction	1,968	1,971
Lease financing	1,069	811
Commercial mortgages	1,039	1,166
Other	18	47
Total loans	7,018	6,014
Other assets	106	117
Total assets	$7,124	$6,131
Net deposits	$918	$629
Assigned funds and other liabilities	5,683	5,025
Assigned capital	523	477
Total funds	$7,124	$6,131
PERFORMANCE RATIOS		
After-tax profit margin	50%	50%
Efficiency	34	22
Noninterest income to total revenue	16	28
Return on assigned capital	26	29

Secured Lending contributed 13% of total line of business earnings in the first quarter of 1998 compared with 14% in the first quarter of last year. Earnings in the first quarter of 1998 and 1997 totaled $34 million.

Higher net interest income was primarily due to a 17% increase in average loans. The decline in noninterest income resulted from nonrecurring gains of $12 million in the first quarter of 1997. The increase in noninterest expense in 1998 resulted from a decrease in expense recoveries from workout activities.

On April 3, 1998, PNC Bank completed the acquisition of Midland, the nation's largest servicer of commercial mortgage-backed securities with a total servicing portfolio of approximately $25 billion. This transaction greatly expands PNC Bank's commercial real estate financial services capabilities including origination, securitization, servicing, investment advisory and risk management. Midland is expected to add approximately $100 million to noninterest income and approximately $70 million to noninterest expense on an annual basis and, net of financing cost, is expected to contribute positively to earnings in 1998 and provide significant revenue growth opportunities as more real estate customers demand sophisticated, technology-driven services and increased access to capital markets.

On April 15, 1998, the Corporation completed the acquisition of the asset-based finance business of BTM Capital. The purchase included a $600 million portfolio of asset-based loans and loan commitments and regional sales offices. This transaction is expected to enhance the growth of this business on a national basis.

FORWARD-LOOKING STATEMENTS

PNC Bank has made, and may continue to make, various forward-looking statements with respect to earnings per share, credit quality, interest rate and market risk, corporate objectives, revenue composition and growth, Year 2000, AAA Financial Services, BlackRock, Midland, BTM Capital and other financial and business matters. The Corporation cautions that these forward-looking statements are subject to numerous assumptions, risks and uncertainties, all of which change over time and the Corporation assumes no duty to update forward-looking statements. Actual results could differ materially from forward-looking statements.

In addition to factors previously disclosed by the Corporation and those identified elsewhere in this Financial Review, the following factors, among others, could cause actual results to differ materially from forward-looking statements: continued pricing pressures on loan and deposit products; the success and timing of AAA and other business initiatives and strategies, several of which are in early stages and therefore susceptible to greater uncertainty than more mature businesses; competition; changes in economic conditions; customer borrowing, repayment, investment and deposit practices; continued customer disintermediation; customers' acceptance of PNC Bank's products and services; and the extent and timing of technological advancement, capital management actions, actions of the Federal Reserve Board and legislative and regulatory actions and reforms.

CONSOLIDATED INCOME STATEMENT REVIEW

INCOME STATEMENT HIGHLIGHTS

Three months ended March 31 - in millions	1998	1997	Change
Net interest income (taxable-equivalent basis)	$644	$637	$7
Provision for credit losses	30	10	20
Noninterest income before net securities gains	516	417	99
Net securities gains	23	16	7
Noninterest expense	741	644	97
Income taxes	136	143	(7)
Net income	269	266	3

Taxable-equivalent net interest income increased to $644 million for the first quarter of 1998, a $7 million increase over the same period a year ago. This increase resulted from a higher-yielding earning asset mix which offset the impact of spread compression and a change in deposit mix. Average loans increased $2.2 billion to $54.1 billion in the quarter-to-quarter comparison while average securities declined $2.3 billion to $7.8 billion. The net interest margin was 3.96% compared with 3.98% in the prior-year period.

Financial
Review

<TABLE>
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NET INTEREST INCOME ANALYSIS

Taxable-equivalent basis Three months ended March 31 - dollars in millions	Average Balances 1998	1997	Change	Interest Income/Expense 1998	1997	Change	Average Yields/Rates 1998	1997	Change
Interest-earning assets									
Securities	$7,784	$10,089	$(2,305)	$117	$158	$(41)	6.01%	6.27%	(26) bp
Loans, net of unearned income									
Consumer (excluding credit card)	11,186	11,827	(641)	236	245	(9)	8.56	8.41	15
Credit card	3,748	3,043	705	133	101	32	14.38	13.22	116
Residential mortgage	12,784	12,781	3	233	237	(4)	7.31	7.44	(13)
Commercial	20,665	18,406	2,259	407	360	47	7.87	7.82	5
Commercial real estate	3,624	4,101	(477)	79	89	(10)	8.68	8.67	1
Other	2,076	1,764	312	36	29	7	6.99	6.67	32
Total loans, net of unearned income	54,083	51,922	2,161	1,124	1,061	63	8.36	8.20	16
Other	3,322	1,814	1,508	57	30	27	6.96	6.68	28
Total interest-earning assets/ interest income	65,189	63,825	1,364	1,298	1,249	49	8.00	7.86	14
Noninterest-earning assets	6,952	6,476	476						
Total assets	$72,141	$70,301	$1,840						
Interest-bearing liabilities									
Deposits									
Demand and money market	$14,153	$12,962	$1,191	103	87	16	2.97	2.74	23
Savings	2,646	3,063	(417)	13	15	(2)	1.99	1.96	3
Other time	17,346	17,721	(375)	234	234		5.46	5.34	12
Deposits in foreign offices	800	787	13	11	10	1	5.68	5.28	40
Total interest-bearing deposits	34,945	34,533	412	361	346	15	4.19	4.06	13
Borrowed funds	19,989	18,594	1,395	293	266	27	5.85	5.76	9
Total interest-bearing liabilities/ interest expense	54,934	53,127	1,807	654	612	42	4.79	4.66	13
Noninterest-bearing liabilities, capital securities and shareholders' equity	17,207	17,174	33						
Total liabilities and shareholders' equity	$72,141	$70,301	$1,840						
Interest rate spread							3.21	3.20	1
Impact of noninterest-bearing sources							.75	.78	(3)
Net interest income/margin				$644	$637	$7	3.96%	3.98%	(2) bp

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</TABLE>

Changes in net interest income and margin result from the interaction between the volume and composition of earning assets, related yields and associated funding costs. Accordingly, portfolio size, composition and related yields earned and rates paid can have a significant impact on net interest income and margin.

For the first three months of 1998, average loans comprised 83.0% of average earning assets compared to 81.4% for the prior-year period. A higher percentage of loans in the earning asset base coupled with growth in higher yielding asset categories, predominantly middle market commercial loans and credit card, contributed positively to net interest income and margin. These positive impacts were offset by declining spreads primarily attributable to competitive pressures on certain loan and deposit products. Funding cost is affected by the composition of and rates paid on various funding sources. Average deposits comprised 61.9% and 62.8% of PNC Bank's total sources of funding for the three months ended March 31, 1998 and 1997, respectively, with the remainder primarily comprised of wholesale funding obtained at prevailing market rates.

Management anticipates modest balance sheet growth and continuation of the challenging competitive environment throughout 1998.

PROVISION FOR CREDIT LOSSES The provision for credit losses was $30 million in the first quarter of 1998 compared with $10 million in the prior-year period. Management anticipates the Corporation will record higher provisions for credit losses throughout the remainder of 1998.

NONINTEREST INCOME Three months ended March 31 - dollars in millions	1998	1997	Change Amount	 Percent
Asset management	$141	$107	$34	31.8%
Mutual fund servicing	40	33	7	21.2
Service charges on deposits	40	42	(2)	(4.8)
Consumer service fees				
Credit card	27	19	8	42.1
Brokerage	15	13	2	15.4
Insurance	10	9	1	11.1
Other	37	35	2	5.7
Total consumer service fees	89	76	13	17.1
Corporate finance and capital markets	52	49	3	6.1
Mortgage banking				
Servicing	29	28	1	3.6
Origination	17	8	9	NM
Marketing	25	3	22	NM
Sales of servicing	7	1	6	NM
Total mortgage banking	78	40	38	95.0
Net securities gains	23	16	7	43.8
Other	76	70	6	8.6
Total	$539	$433	$106	24.5%

NM - not meaningful

Noninterest income totaled $539 million in the first quarter of 1998, a $106 million or 24.5% increase compared with the prior-year period driven by strong asset management, mutual fund servicing and mortgage banking growth.

Asset management and mutual fund servicing benefited from significant new business and strong financial markets.

Mortgage banking revenue grew primarily due to higher marketing gains and origination volume reflecting significant mortgage refinance activity in the first quarter of 1998. Net securities gains were $23 million in the first quarter of 1998 including $9 million from sales of securities that hedged MSR.

NONINTEREST EXPENSE   Change
Three months ended March 31 -   -------------------

dollars in millions	1998	1997	Amount	Percent
Staff expense				
Compensation	$291	$250	$41	16.4%
Employee benefits	63	58	5	8.6
Total staff expense	354	308	46	14.9
Net occupancy and equipment				
Net occupancy	49	47	2	4.3
Equipment	47	42	5	11.9
Total net occupancy and equipment	96	89	7	7.9
Amortization				
Goodwill	13	13		
Mortgage servicing rights	33	8	25	NM
Other	11	9	2	22.2
Total amortization	57	30	27	90.0
Marketing	37	23	14	60.9
Distributions on capital securities	13	7	6	85.7
Other	184	187	(3)	(1.6)
Total	$741	$644	$97	15.1%

NM - not meaningful

Noninterest expense increased $97 million to $741 million in the first quarter of 1998 primarily due to MSR amortization, incentive compensation commensurate with growth in fee-based revenue and higher marketing costs associated with national consumer banking initiatives. Average full-time equivalent employees totaled approximately 25,000 in the first three months of 1998 compared with approximately 24,500 in the prior-year period.

YEAR 2000 The Corporation has been working since 1995 to prepare its computer systems and applications for the year 2000. This process involves reviewing, modifying and replacing existing hardware and software as necessary and communicating with external service providers and customers to determine whether they are addressing their year 2000 issues appropriately. The Corporation is also assessing the potential for computer systems of third parties such as vendors, customers, governmental entities and others to impact the Corporation's business operations.

Given the Corporation's common technology infrastructure and the progress made to date, management estimates the review and modification of its computer systems and applications will be substantially completed by December 31, 1998. The estimated total cost to become year 2000 compliant, which is being expensed as incurred, is approximately $30 million substantially all of which will be incurred by the end of 1998. Failure of the Corporation or third parties to correct year 2000 issues could cause disruption of operations resulting in increased operating costs and other adverse effects. In addition, to the extent customers' financial positions are

weakened as a result of year 2000 issues, credit quality could be affected. It is not possible to predict with certainty all of the adverse effects which may result from a failure of the Corporation or third parties to become fully year 2000 compliant.

BALANCE SHEET REVIEW

PERIOD-END BALANCE SHEET HIGHLIGHTS

In millions	March 31 1998	December 31 1997	Change
Assets	$72,355	$75,120	$(2,765)
Earning assets	65,210	66,688	(1,478)
Loans, net of unearned income	54,511	54,245	266
Securities	7,511	8,522	(1,011)
Deposits	46,068	47,649	(1,581)
Borrowed funds	18,375	19,622	(1,247)
Shareholders' equity	5,487	5,384	103

LOANS Loans outstanding increased $266 million from year-end 1997 to $54.5 billion at March 31, 1998. Loan portfolio composition continues to be geographically diversified among numerous industries and types of businesses and remained relatively consistent in the comparison. As the Corporation's businesses evolve, the loan portfolio is expected to remain diversified. Management anticipates modest loan portfolio growth in 1998. Certain reclassifications of loan balances were made for the current reporting period; however, prior period amounts were not restated.

LOANS

In millions	March 31 1998	December 31 1997
Consumer		
Home equity	$5,004	$4,848
Credit card	3,729	3,830
Automobile	3,099	3,221
Education	1,197	1,223
Other	1,806	1,913
Total consumer	14,835	15,035
Residential mortgage	12,351	12,785
Commercial		
Manufacturing	4,242	3,838
Retail/wholesale	3,900	3,575
Service providers	2,671	2,497
Real estate related	2,343	2,047
Communications	1,273	1,154
Health care	1,415	1,504
Financial services	1,516	1,027
Other	4,463	4,347
Total commercial	21,823	19,989
Commercial real estate		
Mortgage	1,351	1,848
Real estate project	2,116	2,126
Total commercial real estate	3,467	3,974
Lease financing and other	2,428	2,874
Unearned income	(393)	(412)
Total, net of unearned income	$54,511	$54,245

NET UNFUNDED COMMITMENTS

In millions	March 31 1998	December 31 1997
Consumer (excluding credit card)	$3,485	$3,363
Credit card	16,981	16,385
Residential mortgage	2,234	2,144
Commercial	31,750	29,707
Commercial real estate	1,216	1,167
Other	842	1,082
Total	$56,508	$53,848

Commitments to extend credit represent arrangements to lend funds provided there is no violation of specified contractual conditions. Commercial commitments are reported net of $4.9 billion and $5.9 billion of participations, assignments and syndications, primarily to financial institutions, at March 31, 1998 and December 31, 1997, respectively.

Net outstanding letters of credit totaled $4.6 billion and $4.7 billion at March 31, 1998 and December 31, 1997, respectively, and consisted primarily of standby letters of credit which commit the Corporation to make payments on behalf of customers when certain specified future events occur.

SECURITIES AVAILABLE FOR SALE The securities portfolio declined $1.0 billion from year-end 1997 to $7.5 billion at March 31, 1998. The expected weighted-average life of the securities portfolio was 3 years and 3 months at March 31, 1998 compared with 2 years and 9 months at year end 1997.

SECURITIES AVAILABLE FOR SALE

	March 31, 1998		December 31, 1997	
In millions	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Debt securities				
U.S. Treasury and				

government agencies	$2,017	$2,001	$1,102	$1,105
Mortgage-backed	4,123	4,083	4,672	4,623
Asset-backed	793	794	2,079	2,083
State and municipal	147	153	170	177
Other debt	34	33	34	33
Corporate stocks and other	446	447	501	501
Total	$7,560	$7,511	$8,558	$8,522

Securities available for sale may be sold as part of the overall asset/liability management process. Realized gains and losses are reflected in the results of operations and include gains or losses on associated financial derivatives. During the first quarter of 1998, $3.8 billion of securities were sold at a $23 million net gain of which $9 million was from sales of securities that hedged MSR. No financial derivatives were designated to securities available for sale at March 31, 1998 and December 31, 1997.

FUNDING SOURCES Deposits were $46.1 billion at March 31, 1998, a decline of $1.6 billion from year end, primarily due to a decrease in short-term foreign deposits. A $1.2 billion decrease in borrowed funds from $19.6 billion at year-end 1997 was primarily the result of a decline in federal funds purchased partially offset by an increase in repurchase agreements and other borrowed funds.

FUNDING SOURCES

In millions	March 31 1998	December 31 1997
Deposits		
Demand, savings and money market	$27,171	$27,475
Time	17,110	17,125
Foreign	1,787	3,049
Total deposits	46,068	47,649
Borrowed funds		
Bank notes and senior debt	9,503	9,826
Federal funds purchased	773	3,632
Repurchase agreements	1,827	714
Other borrowed funds	4,591	3,753
Subordinated debt	1,681	1,697
Total borrowed funds	18,375	19,622
Total	$64,443	$67,271

CAPITAL The access to and cost of funding new business initiatives including acquisitions, deposit insurance costs, ability to pay dividends and the level and nature of regulatory oversight depend, in large part, on a financial institution's capital strength. The minimum regulatory capital ratios are 4% for Tier I risk-based, 8% for total risk-based and 3% for leverage. However, regulators may require higher capital levels when particular circumstances warrant. To qualify as well capitalized, regulators require banks to maintain capital ratios of at least 6% for Tier I, 10% for total risk-based and 5% for leverage.

At March 31, 1998, the Corporation and each bank subsidiary met the well capitalized capital ratio requirements.

RISK-BASED CAPITAL

Dollars in millions	March 31 1998	December 31 1997
Capital components		
Shareholders' equity		
Common	$5,172	$5,069
Preferred	315	315
Trust preferred capital securities	650	650
Goodwill and other	(925)	(949)
Net unrealized securities losses	32	23
Tier I risk-based capital	5,244	5,108
Subordinated debt	1,589	1,666

Eligible allowance for credit losses	856	861
Total risk-based capital	$7,689	$7,635
Assets		
Risk-weighted assets and off-balance-sheet instruments	$68,415	$68,756
Average tangible assets	71,227	69,948
Capital ratios		
Tier I risk-based	7.67%	7.43%
Total risk-based	11.24	11.11
Leverage	7.36	7.30

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.

During the first quarter of 1998, PNC Bank repurchased 1.7 million shares of common stock. Subsequent to quarter end, the Corporation's board of directors authorized the repurchase of up to 10 million shares of common stock through April 30, 1999. These purchases may be made in open market or privately negotiated transactions.

RISK MANAGEMENT

In the normal course of business, the Corporation assumes various types of risk, the most significant of which are credit, liquidity and interest rate risk. Market risk is also inherent in the Corporation's business operations. Market risk is the risk of loss associated with adverse changes in the fair value of financial instruments due to changes in interest rates, exchange rates and equity prices. To manage these risks, PNC Bank has risk management processes designed to provide for risk identification, measurement, monitoring and control.

CREDIT RISK Credit risk represents the possibility that a customer or counterparty may not perform in accordance with contractual terms. Credit risk is inherent in the financial services business and results from extending credit to customers, purchasing securities and entering into off-balance-sheet financial derivative transactions. The Corporation seeks to manage credit risk through diversification, limiting exposure to any single industry or customer and requiring collateral or selling participations to third parties.

NONPERFORMING ASSETS

Dollars in millions	March 31 1998	December 31 1997
Nonperforming loans		
Commercial	$145	$128
Commercial real estate		
Mortgage	46	84
Real estate project	35	10
Residential mortgage	51	44
Consumer	7	10
Total nonperforming loans	284	276
Foreclosed assets		
Commercial real estate	23	27
Residential mortgage	19	21
Other	9	9
Total foreclosed assets	51	57
Total nonperforming assets	$335	$333
Nonperforming loans to loans	.52%	.51%
Nonperforming assets to loans and foreclosed assets	.61	.61
Nonperforming assets to assets	.46	.44

The amount of nonperforming loans that were current as to principal and interest was $34 million at March 31, 1998 and December 31, 1997. There were no restructured loans outstanding for either period presented.

CHANGE IN NONPERFORMING ASSETS

In millions	1998	1997
January 1	$333	$459
Transferred from accrual	78	70
Returned to performing	(1)	(14)
Principal reductions	(50)	(56)
Sales	(16)	(16)
Charge-offs and valuation adjustments	(9)	(14)
March 31	$335	$429

ACCRUING LOANS
PAST DUE 90 DAYS OR MORE

	Amount		Percent of Loans	
Dollars in millions	March 31 1998	December 31 1997	March 31 1998	December 31 1997
Consumer				
Guaranteed education	$18	$26	1.51%	2.32%
Credit card	72	69	1.92	1.80
Other	32	32	.32	.33
Total consumer	122	127	.82	.87
Residential mortgage	60	60	.49	.47
Commercial	43	78	.18	.39
Commercial real estate	9	23	.27	.59
Total	$234	$288	.43	.53

ALLOWANCE FOR CREDIT LOSSES In determining the adequacy of the allowance for credit losses, the Corporation makes allocations to specific problem loans based on discounted cash flow analyses or collateral valuations for impaired loans and to pools of watchlist and nonwatchlist loans for various credit risk factors. Allocations to loan pools are developed by risk rating and industry classifications and based on management's judgment concerning historical loss trends and other relevant factors. These factors may include, among others, local, regional and national economic conditions, portfolio concentrations, industry competition and consolidation and the impact of government regulation. Consumer and residential mortgage loan allocations are based on historical loss experience adjusted for portfolio activity and current economic conditions.

ALLOWANCE FOR CREDIT LOSSES

In millions	1998	1997
January 1	$972	$1,166
Charge-offs	(107)	(89)
Recoveries	17	29
Net charge-offs	(90)	(60)
Provision for credit losses	30	10
Acquisitions		3
March 31	$912	$1,119

The allowance as a percent of nonperforming loans and period-end loans was 321% and 1.67%, respectively, at March 31, 1998. The comparable year-end 1997 amounts were 352% and 1.79%.

CHARGE-OFFS AND RECOVERIES

Three months ended March 31 - dollars in millions	Charge-offs	Recoveries	Net Charge-offs	Percent of Average Loans
1998				
Consumer	$25	$10	$15	.54%
Credit card	72	3	69	7.47

Residential mortgage	2		2	.06
Commercial	6	3	3	.06
Commercial real estate	2	1	1	.11
Total	$107	$17	$90	.67
1997				
Consumer	$30	$9	$21	.72%
Credit card	46	7	39	5.20
Residential mortgage	2	1	1	.03
Commercial	10	9	1	.02
Commercial real estate	1	3	(2)	(.20)
Total	$89	$29	$60	.47

Credit card net charge-offs increased $30 million in the quarter-to-quarter comparison. This increase was primarily due to a higher level of consumer bankruptcies and higher outstandings.

LIQUIDITY RISK Liquidity represents an institution's ability to generate cash or otherwise obtain funds at reasonable rates to satisfy commitments to borrowers and demands of depositors and debtholders and to invest in strategic initiatives. Liquidity risk represents the possibility the Corporation would be unable to generate cash or otherwise obtain funds at reasonable rates to satisfy such obligations or investments in strategic initiatives. Liquidity risk is managed through the coordination of the expected maturities of assets, liabilities and off-balance-sheet positions and is enhanced by the ability to raise funds in capital markets through direct borrowing or asset securitizations. The ability to raise funds in the capital markets depends, among other factors, on credit ratings, market conditions, capital considerations and investor demand.

Liquid assets consist of cash and due from banks, short-term investments, loans held for sale and securities available for sale. At March 31, 1998, such assets totaled $13.2 billion, with $5.4 billion pledged as collateral for borrowing, trust and other commitments. Liquidity is also provided by residential mortgages which may be used as collateral for funds obtained through the Federal Home Loan Bank ("FHLB") system. At March 31, 1998, approximately $3.9 billion of residential mortgages were available as collateral for borrowings from the FHLB. In addition, bank affiliates have access to funds as issuers of unsecured notes in domestic and foreign markets.

During the first three months of 1998, cash and due from banks decreased $1.7 billion to $2.6 billion compared with a decrease of $920 million during the year-earlier period. Net cash used by operating activities totaled $83 million in the first three months of 1998 compared with $73 million provided a year earlier. Investing activities provided net cash of $1.3 billion and $1.4 billion in the first three months of 1998 and 1997, respectively. Net cash used by financing activities totaled $3.0 billion in the first three months of 1998 compared with $2.4 billion used a year earlier.

The principal source of parent company revenue and cash flow is dividends from subsidiary banks. PNC Bancorp, Inc. is a wholly-owned subsidiary of the parent company and is the holding company for all bank subsidiaries. There are legal limitations on the ability of bank subsidiaries to pay dividends and make other distributions to PNC Bancorp, Inc. and in turn the parent company. Without regulatory approval, the amount available for dividend payments to PNC Bancorp, Inc. by all bank subsidiaries was $732 million at March 31, 1998. Dividends may also be impacted by capital needs, regulatory requirements, corporate policies, contractual restrictions and other factors.

Liquidity for the parent company and subsidiaries is also generated through the issuance of securities in public or private markets and lines of credit. The Corporation has unused capacity under effective shelf registration statements of approximately $1.4 billion of debt and equity securities. After March 31, 1998, the Corporation issued $140 million of subordinated debt under a shelf registration statement and filed a shelf registration statement relating to $600 million of trust preferred capital securities. In addition, the Corporation had a $500 million unused line of credit.

Management believes the Corporation has sufficient liquidity to meet current obligations to borrowers, depositors, debtholders and others. The impact of replacing maturing liabilities is reflected in the income simulation model used in the overall asset/liability management process.

INTEREST RATE RISK Interest rate risk arises primarily through the Corporation's core business activities of extending loans and accepting deposits. Many factors, including economic and financial conditions, movements in market interest rates and consumer preferences affect the spread between interest earned on assets and interest paid on liabilities. In managing interest rate risk, the Corporation seeks to minimize its reliance on a particular interest rate scenario as a source of earnings, while maximizing net interest income and net interest margin. To achieve these objectives, the Corporation uses securities purchases and sales, long-term and short-term funding vehicles, financial derivatives and other capital markets instruments.

Interest rate risk is centrally managed by Asset and Liability ("A&L") Management. The Corporation actively measures and monitors all components of interest rate risk including term structure or repricing risk, yield curve or nonparallel rate shift risk, basis risk and options risk. Senior management's Corporate Asset & Liability Committee ("ALCO") provides strategic direction to A&L Management and, in doing so, reviews capital markets activities and interest rate risk exposures. The Finance Committee of the Board of Directors is responsible for overseeing the Corporation's interest rate risk management process.

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

The income simulation model is the primary tool used to measure the direction and magnitude of changes in net interest income resulting from changes in interest rates. Forecasting net interest income and its sensitivity to changes in interest rates requires that the Corporation make assumptions about the volume and characteristics of new business and the behavior of existing positions. These business assumptions are based on the Corporation's experience, line of business plans and published industry experience with input by key line of business managers. Any significant changes in major assumptions are reviewed by ALCO. This review includes an assessment of the motivation for the change and its effect on the simulated results. Key assumptions employed in the model include prepayment speeds on mortgage-related assets and consumer loans, loan volumes and pricing, deposit volumes and pricing, the expected life and repricing characteristics of nonmaturity loans and deposits and management's financial and capital plans.

Because these assumptions are inherently uncertain, the model cannot precisely estimate net interest income or precisely predict the effect of higher or lower interest rates on net interest income. Actual results will differ from simulated results due to timing, magnitude and frequency of interest rate changes, the difference between actual experience and the assumed volume and characteristics of new business and the behavior of existing positions, and changes in market conditions and management strategies, among other factors.

The Corporation's interest rate risk management policies provide that net interest income should not decrease by more than 3% if interest rates gradually increase or decrease from current rates by 100 basis points over a twelve-month period. Through the first three months of 1998, the Corporation's interest rate risk exposures were consistently within policy limits. At March 31, 1998, if interest rates were to increase by 100 basis points over the next twelve months, net interest income would decline by 0.8%. If interest rates were to decrease by 100 basis points over the next twelve months, net interest income would increase by 0.1%.

The Corporation models additional interest rate scenarios covering a wider range of rate movements to identify yield curve, term structure and basis risk exposures. These scenarios are developed based on historical rate relationships or management's expectations regarding the future direction and level of interest rates. Depending on market conditions and other factors, these scenarios may be modeled more or less frequently. Such analyses are used in conjunction with the income simulation model and economic value of equity model to identify inherent risk and develop appropriate strategies.

The Corporation measures the sensitivity of the value of its balance sheet and off-balance-sheet positions to movements in interest rates using an economic value of equity sensitivity model. The model computes the value of all current on-balance-sheet and off-balance-sheet positions under a range of instantaneous interest rate changes. The resulting change in the value of equity is the measure of overall long-term interest rate risk inherent in the Corporation's existing on-balance-sheet and off-balance-sheet positions. The Corporation uses the economic value of equity model to complement the income simulation modeling process.

The Corporation's recently amended risk management policies provide that the change in economic value of equity should not decline by more than 1.5% as a percentage of the book value of assets for a 200 basis point instantaneous increase or decrease in interest rates.

Economic value of equity sensitivities are periodically reported to ALCO and the Finance Committee of the Board of Directors. Based on the results of the economic value of equity model at March 31, 1998, if interest rates were to increase by 200 basis points, the economic value of existing on-balance-sheet and off-balance-sheet positions would decline by 0.48% of assets. If interest rates were to decrease by 200 basis points, the economic value of existing on-balance-sheet and off-balance-sheet positions would decline by 0.18% of assets.

MARKET RISK Most of PNC Bank's trading activities are designed to provide capital markets services for Corporate Banking and Private Banking customers. While some market risk exposure is a necessary outgrowth of providing services to customers, the performance of PNC Bank's trading operations is predominantly based on providing services to customers and not on positioning the Corporation's portfolio for gains from market movements.

PNC Bank's market risk is predominantly related to interest rate risk associated with normal loan and deposit taking. Market risk associated with trading, capital markets and foreign exchange activities is managed using a value-at-risk approach that combines interest rate risk, foreign exchange rate risk, spread risk and volatility risk. Exposure is measured as the maximum loss due to a two standard deviation one day move. The combined quarter-end value-at-risk of all trading operations was less than $300 thousand.

FINANCIAL DERIVATIVES

A variety of off-balance-sheet financial derivatives are used as part of the overall interest rate risk management process to manage interest rate risk inherent in the Corporation's line of business activities. Interest rate swaps and purchased interest rate caps and floors are the primary instruments used for these purposes. Interest rate swaps are agreements to exchange fixed and floating interest rate payments calculated on a notional principal amount. The floating rate is based on a money market index, primarily short-term LIBOR indices. Purchased interest rate caps and floors are agreements where, for a fee, the counterparty agrees to pay the Corporation the amount, if any, by which a specified market interest rate exceeds or is less than a defined rate applied to a notional amount, respectively.

Forward contracts provide for the delivery of financial instruments at a specified future date and at a specified price or yield. Such contracts are primarily used to manage risk positions associated with certain mortgage banking activities.

Financial derivatives involve, to varying degrees, interest rate and credit risk in excess of the amount recognized in the balance sheet, but less than the notional amount of the contract. For interest rate swaps, caps and floors, only periodic cash payments and, with respect to caps and floors, premiums, are exchanged. Therefore, cash requirements and exposure to credit risk are significantly less than the notional value.

The following table sets forth changes in off-balance-sheet financial derivatives used for interest rate risk management and mortgage banking activities during the first three months of 1998.

<TABLE>
<CAPTION>
FINANCIAL DERIVATIVES ACTIVITY
Weighted-

1998 - dollars in millions	January 1	Additions	Maturities	Terminations	March 31	Average Maturity
Interest rate risk management						
Interest rate swaps						
Receive fixed	$4,320	$1,815	$(477)	$(40)	$5,618	2 yr. 0 mo.
Pay fixed	448	251	(42)	(190)	467	6 yr. 4 mo.
Basis swaps	1,011	100			1,111	4 yr. 9 mo.
Interest rate caps	542	84	(35)		591	3 yr. 11 mo.
Interest rate floors	3,645	3,181	(1,000)		5,826	1 yr. 9 mo.
Total interest rate risk management	9,966	5,431	(1,554)	(230)	13,613	
Mortgage banking activities						
Forward contracts						
Commitments to purchase loans	1,652	4,461	(4,378)		1,735	2 mo.
Commitments to sell loans	1,335	6,150	(4,998)		2,487	2 mo.
Interest rate floors - MSR	1,470	250			1,720	4 yr. 3 mo.
Total mortgage banking activities	4,457	10,861	(9,376)		5,942	
Total	$14,423	$16,292	$(10,930)	$(230)	$19,555	

</TABLE>

During the first quarter of 1998, financial derivatives used in interest rate risk management increased net interest income by $2 million compared with a $3 million increase in the prior-year period.

The following table sets forth by designated assets and liabilities the notional value and the estimated fair value of financial derivatives used for interest rate risk management and mortgage banking activities. Weighted-average interest rates presented are those expected to be in effect based on the implied forward yield curve.

FINANCIAL DERIVATIVES

<TABLE>
<CAPTION>

			Forward Yield Curve	
March 31, 1998 - dollars in millions	Notional Value	Estimated Fair Value	Paid	Received
Interest rate risk management				
Asset rate conversion				
Interest rate swaps (1)				
Receive fixed designated to loans	$4,545	$50	5.75%	6.09%
Pay fixed designated to loans	208	(1)	6.63	5.84
Basis swaps designated to other earning assets	337	3	5.63	

				5.93
Interest rate caps designated to loans (2)	591	5	NM	NM
Interest rate floors designated to loans (3)	5,826	1	NM	NM
Total asset rate conversion	11,507	58		
Liability rate conversion				
Interest rate swaps (1)				
Receive fixed designated to:				
Interest-bearing deposits	400	10	5.84	6.28
Borrowed funds	673	30	5.85	6.38
Pay fixed designated to borrowed funds	259	4	6.09	6.09
Basis swaps designated to borrowed funds	774	5	5.88	5.91
Total liability rate conversion	2,106	49		
Total interest rate risk management	13,613	107		
Mortgage banking activities				
Forward contracts				
Commitments to purchase loans	1,735	(2)	NM	NM
Commitments to sell loans	2,487	(5)	NM	NM
Interest rate floors - MSR (3)	1,720	26	NM	NM
Total mortgage banking activities	5,942	19		
Total financial derivatives	$19,555	$126		

</TABLE>

(1) The floating rate portion of interest rate contracts is based on money-market indices. As a percent of notional value, 69% were based on 1-month LIBOR, 25% on 3-month LIBOR and the remainder on other short-term indices.
(2) Interest rate caps with notional values of $313 million, $139 million and $135 million require the counterparty to pay the excess, if any, of 3-month LIBOR over a weighted-average strike of 6.32%, 1-month LIBOR over a weighted-average strike of 5.89% and Prime over a weighted-average strike of 8.84%, respectively.
(3) Interest rate floors with notional values of $5.6 billion and $1.7 billion require the counterparty to pay the Corporation the excess, if any, of the weighted-average strike of 5.04% over 3-month LIBOR and the weighted-average strike of 5.82% over 10-year CMT, respectively.
At March 31, 1998, 1-month LIBOR was 5.69%, 3-month LIBOR was 5.71%, Prime was 8.5% and 10-year CMT was 5.67%.
NM - not meaningful

CUSTOMER-RELATED DERIVATIVES To accommodate customer needs, PNC Bank enters into financial derivatives 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. These positions are recorded at estimated fair value and changes in value are included in the results of operations. The opposing schedule sets forth information relating to positions associated with customer derivatives.

March 31, 1998 - in millions	Notional Value	Positive Fair Value	Negative Fair Value	Net Asset (Liability)
Interest rate				
Swaps	$4,394	$20	$(19)	$1
Caps/floors				
Sold	1,978		(5)	(5)
Purchased	1,795	4		4
Foreign exchange	1,397	21	(21)	
Other	1,068	1	(1)	
Total	$10,632	$46	$(46)	

Consolidated
Statement of Income

<TABLE>
<CAPTION>

Three months ended March 31 - in thousands, except per share data	1998	1997
INTEREST INCOME		
Loans and fees on loans	$1,118,644	$1,055,908
Securities	115,253	156,205
Other	57,610	30,043
Total interest income	1,291,507	1,242,156
INTEREST EXPENSE		
Deposits	361,522	346,155
Borrowed funds	292,581	266,076
Total interest expense	654,103	612,231
Net interest income	637,404	629,925
Provision for credit losses	30,000	10,000
Net interest income less provision for credit losses	607,404	619,925
NONINTEREST INCOME		
Asset management	141,065	106,899
Mutual fund servicing	40,521	32,673
Service charges on deposits	39,964	41,754
Consumer service fees	88,943	76,311
Corporate finance and capital markets	51,712	49,356
Mortgage banking	77,694	40,232
Net securities gains	22,842	16,426
Other	76,174	69,652
Total noninterest income	538,915	433,303
NONINTEREST EXPENSE		
Staff expense	354,284	308,432
Net occupancy and equipment	95,809	89,284
Amortization	57,179	29,831
Marketing	37,396	22,841
Distributions on capital securities	13,193	6,956
Other	183,379	187,047
Total noninterest expense	741,240	644,391
Income before income taxes	405,079	408,837
Income taxes	135,819	142,528
Net income	$269,260	$266,309
EARNINGS PER COMMON SHARE		
Basic	$.88	$.81
Diluted	.87	.80
CASH DIVIDENDS DECLARED PER COMMON SHARE	.39	.37
AVERAGE COMMON SHARES OUTSTANDING		
Basic	300,567	321,752
Diluted	306,148	327,917

</TABLE>

See accompanying Notes to Consolidated Financial Statements.

Consolidated
Balance Sheet

<TABLE>
<CAPTION>

Dollars in millions, except par value	March 31 1998	December 31 1997
<S>	<C>	<C>
ASSETS		
Cash and due from banks	$2,581	$4,303
Short-term investments	718	1,526
Loans held for sale	2,399	2,324
Securities available for sale	7,511	8,522
Loans, net of unearned income of $393 and $412	54,511	54,245
Allowance for credit losses	(912)	(972)
Net loans	53,599	53,273
Other	5,547	5,172
Total assets	$72,355	$75,120
LIABILITIES		
Deposits		
Noninterest-bearing	$10,117	$10,158
Interest-bearing	35,951	37,491
Total deposits	46,068	47,649
Borrowed funds		
Bank notes and senior debt	9,503	9,826
Federal funds purchased	773	3,632
Repurchase agreements	1,827	714
Other borrowed funds	4,591	3,753
Subordinated debt	1,681	1,697
Total borrowed funds	18,375	19,622
Other	1,775	1,815
Total liabilities	66,218	69,086
Mandatorily redeemable capital securities of subsidiary trusts	650	650
SHAREHOLDERS' EQUITY		
Preferred stock	7	7
Common stock - $5 par value		
Authorized: 450,000,000 shares		
Issued: 350,353,116 and 348,447,600 shares	1,752	1,742
Capital surplus	1,088	1,042
Retained earnings	4,788	4,641

Deferred benefit expense	(43)	(41)
Accumulated other comprehensive income	(32)	(23)
Common stock held in treasury at cost: 49,543,007 and 48,017,641 shares	(2,073)	(1,984)
Total shareholders' equity	5,487	5,384
Total liabilities, capital securities and shareholders' equity	$72,355	$75,120

</TABLE>

See accompanying Notes to Consolidated Financial Statements.

Consolidated
Statement of Cash Flows

<TABLE>
<CAPTION>

Three months ended March 31 - in millions	1998	1997
OPERATING ACTIVITIES		
Net income	$269	$266
Adjustments to reconcile net income to net cash provided (used) by operating activities		
Provision for credit losses	30	10
Depreciation, amortization and accretion	94	73
Deferred income taxes	10	52
Net securities gains	(23)	(16)
Net gain on sales of assets	(55)	(48)
Changes in		
Loans held for sale	(75)	(434)
Other	(333)	170
Net cash provided (used) by operating activities	(83)	73
INVESTING ACTIVITIES		
Net change in loans	(1,305)	(1,450)
Repayment of securities available for sale	412	650
Sales		
Securities available for sale	3,832	3,691
Loans	979	692
Foreclosed assets	17	21
Purchases		
Securities available for sale	(3,225)	(2,112)
Loans	(51)	(105)
Net cash received for acquisitions/divestitures		

	29	
Other	635	28
Net cash provided by investing activities	1,323	1,415
FINANCING ACTIVITIES		
Net change in		
Noninterest-bearing deposits	(41)	(966)
Interest-bearing deposits	(1,536)	197
Federal funds purchased	(2,859)	(996)
Sale/issuance		
Bank notes and senior debt	1,949	2,480
Repurchase agreements	28,553	17,541
Other borrowed funds	25,664	24,823
Common stock	43	52
Repayment/maturity		
Bank notes and senior debt	(2,272)	(1,760)
Repurchase agreements	(27,440)	(17,655)
Other borrowed funds	(24,799)	(25,483)
Subordinated debt	(6)	
Acquisition of treasury stock	(96)	(516)
Cash dividends paid	(122)	(125)
Net cash provided (used) by financing activities	(2,962)	(2,408)
DECREASE IN CASH AND DUE FROM BANKS	(1,722)	(920)
Cash and due from banks at beginning of year	4,303	4,016
Cash and due from banks at end of period	$2,581	$3,096
CASH PAID FOR		
Interest	$659	$629
Income taxes	5	2
NONCASH ITEMS		
Transfers from loans to other assets	13	17
Conversion of debt to equity	16	6

</TABLE>

See accompanying Notes to Consolidated Financial Statements.

Notes to
Consolidated Financial Statements

BUSINESS PNC Bank Corp. ("Corporation" or "PNC Bank") is one of the largest diversified financial services organizations in the United States. The

Corporation's major businesses include Regional Community Banking, Corporate Banking, National Consumer Banking, Asset Management and Mutual Fund Servicing, Private Banking, Mortgage Banking, and Secured Lending. Financial products and services are customized for specific customer segments and offered nationally and in PNC Bank's primary geographic markets in Pennsylvania, New Jersey, Delaware, Ohio, Kentucky, Indiana, Massachusetts and Florida. PNC Bank is subject to intense competition from other financial services companies with respect to these businesses and is subject to the regulations of certain federal and state agencies and undergoes periodic examinations by certain regulatory authorities.

ACCOUNTING POLICIES

BASIS OF FINANCIAL STATEMENT PRESENTATION The unaudited consolidated interim financial statements have been prepared in accordance with generally accepted accounting principles and include the accounts of PNC Bank and its subsidiaries, most of which are wholly owned. In the opinion of management, the financial statements reflect all adjustments, which are of a normal recurring nature, necessary for a fair statement of the results for the interim periods presented. Certain prior period amounts have been reclassified to conform to reporting classifications utilized for the current reporting period. These reclassifications did not impact the Corporation's financial condition or results of operations.

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

The notes included herein should be read in conjunction with the audited consolidated financial statements included in PNC Bank's 1997 Annual Report.

ALLOWANCE FOR CREDIT LOSSES The allowance for credit losses is a reserve for estimated credit losses established through provisions charged against income. Loans deemed to be uncollectible are charged against the allowance account and recoveries of previously charged-off loans are credited to the allowance.

The allowance is maintained at a level believed by management to be sufficient to absorb estimated potential credit losses. Management's determination of the adequacy of the allowance is based on evaluations of the credit portfolio and other relevant factors. This evaluation is inherently subjective as it requires material estimates including, among others, the amounts and timing of expected future cash flows on impaired loans, estimated losses on consumer loans and residential mortgages, and general amounts for historical loss experience, economic conditions, uncertainties in estimating losses and inherent risks in the various credit portfolios, all of which may be susceptible to significant change.

SOFTWARE COSTS Effective January 1, 1998, the Corporation adopted Statement of Position ("SOP") 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use." SOP 98-1 requires the capitalization of certain costs incurred in connection with developing or obtaining software for internal use. Qualifying software costs are capitalized and amortized over the estimated useful life of the software. Prior to the adoption of SOP 98-1, software costs were expensed as incurred. Restatement of prior year financial statements was not required. The adoption of SOP 98-1 did not have a material impact on the Corporation's financial position or results of operations.

FINANCIAL DERIVATIVES The Corporation uses off-balance-sheet financial derivatives as part of the overall asset/liability management process, in mortgage banking activities and in providing risk management services to customers. Substantially all such instruments are used to manage risk related to changes in interest rates. Financial derivatives primarily consist of interest rate swaps, purchased interest rate caps and floors, forward contracts and foreign exchange contracts.

To accommodate customer needs, PNC Bank also enters into financial derivative transactions primarily consisting of interest rate swaps, caps, floors and foreign exchange contracts. Interest rate risk exposure from customer positions is managed through transactions with other dealers.

FOREIGN CURRENCY TRANSLATION The Corporation has foreign currency exposures for loans and deposits denominated in foreign currencies. These exposures are managed by entering into currency swaps and currency forward contracts.

COMPREHENSIVE INCOME Effective January 1, 1998, the Corporation adopted Statement of Financial Accounting Standards ("SFAS") No. 130, "Reporting Comprehensive Income." SFAS No. 130 established new rules for the reporting and display of comprehensive income and its components. SFAS No. 130 requires unrealized gains or losses on securities available for sale to be included in other comprehensive income. Prior to the adoption of SFAS No.

Notes to
Consolidatd Financial Statements

130, unrealized gains or losses were reported separately in shareholders' equity. Prior year financial statements have been reclassified to conform to the requirements of SFAS No. 130. The adoption of SFAS No. 130 had no impact on net income or shareholders' equity. Total comprehensive income amounted to $261 million and $196 million during the first quarter of 1998 and 1997, respectively.

EARNINGS PER COMMON SHARE Basic earnings per common share is calculated by dividing net income adjusted for preferred stock dividends declared by the weighted-average number of shares of common stock outstanding.

Diluted earnings per common share is based on net income adjusted for interest expense, net of tax, on outstanding convertible debentures and dividends declared on nonconvertible preferred stock. The weighted-average number of shares of common stock outstanding is increased by the assumed conversion of outstanding convertible preferred stock and convertible debentures from the beginning of the year or date of issuance, if later, and the number of shares of common stock which would be issued assuming the exercise of stock options. Such adjustments to net income and the weighted-average number of shares of common stock outstanding are made only when such adjustments dilute earnings per common share.

RECENT ACCOUNTING PRONOUNCEMENTS SFAS No. 131 "Disclosures About Segments of an Enterprise and Related Information," is effective for financial statements for periods beginning after December 15, 1997. This statement requires financial and descriptive information about an entity's operating segments to be included in the annual financial statements. This standard, when implemented, is not expected to materially impact the reported financial position or results of operations of the Corporation.

SECURITIES AVAILABLE FOR SALE

The following table sets forth the amortized cost and fair value of the Corporation's securities portfolio, all of which is available for sale.

<TABLE>
<CAPTION>

	March 31, 1998				December 31, 1997			
	Amortized	Unrealized		Fair	Amortized	Unrealized		Fair
In millions	Cost	Gains	Losses	Value	Cost	Gains	Losses	Value
Debt securities								
U.S. Treasury and government agencies	$2,017	$1	$17	$2,001	$1,102	$4	$1	$1,105
Mortgage backed	4,123	3	43	4,083	4,672	4	53	4,623
Asset backed	793	2	1	794	2,079	5	1	2,083
State and municipal	147	6		153	170	7		177
Other debt	34		1	33	34		1	33
Total debt securities	7,114	12	62	7,064	8,057	20	56	8,021
Corporate stocks and other	446	6	5	447	501	3	3	501
Total securities available for sale	$7,560	$18	$67	$7,511	$8,558	$23	$59	$8,522

</TABLE>

NONPERFORMING ASSETS

Nonperforming assets were as follows:

In millions	March 31 1998	December 31 1997
Nonperforming loans	$284	$276
Foreclosed assets	51	57
Total nonperforming assets	$335	$333

ALLOWANCE FOR CREDIT LOSSES

Changes in the allowance for credit losses were as follows:

In millions	1998	1997
Allowance at January 1	$972	$1,166
Charge-offs		
Consumer (excluding credit card)	(25)	(30)
Credit card	(72)	(46)
Residential mortgage	(2)	(2)
Commercial	(6)	(10)
Commercial real estate	(2)	(1)
Total charge-offs	(107)	(89)
Recoveries		
Consumer (excluding credit card)	10	9
Credit card	3	7
Residential mortgage		1
Commercial	3	9
Commercial real estate	1	3
Total recoveries	17	29
Net charge-offs	(90)	(60)
Provision for credit losses	30	10
Acquisitions		3
Allowance at March 31	$912	$1,119

FINANCIAL DERIVATIVES

The notional and fair values of financial derivatives used for interest rate risk management and for mortgage banking activities were as follows:

In millions	Notional Value	Positive Fair Value	Notional Value	Negative Fair Value
MARCH 31, 1998				
Interest rate swaps	$6,269	$106	$927	$(5)
Interest rate caps	591	5		
Interest rate floors	5,600	3	226	(2)
Mortgage banking activities	1,720	26	4,222	(7)
Total	$14,180	$140	$5,375	$(14)
DECEMBER 31, 1997				
Interest rate swaps	$4,849	$106	$930	$(10)
Interest rate caps	542	4		
Interest rate floors	3,500	6	145	(1)
Mortgage banking activities	1,470	26	2,987	(6)
Total	$10,361	$142	$4,062	$(17)

Customer-related derivatives were as follows:

March 31, 1998 - in millions	Notional Value	Positive Fair Value	Negative Fair Value	Net Asset (Liability)
Interest rate				
Swaps	$4,394	$20	$(19)	$1
Caps/floors				
Sold	1,978		(5)	(5)
Purchased	1,795	4		4
Foreign exchange	1,397	21	(21)	
Other	1,068	1	(1)	
Total	$10,632	$46	$(46)	

Notes to Consolidated Financial Statements

EARNINGS PER SHARE

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

<TABLE>
<CAPTION>

Three months ended March 31 - in thousands, except per share data	1998	1997
<S>	<C>	<C>
CALCULATION OF BASIC EARNINGS PER COMMON SHARE		
Net income	$269,260	$266,309
Less: Preferred dividends declared	4,849	4,875
Net income applicable to basic earnings per common share	$264,411	$261,434
Basic weighted-average common shares outstanding	300,567	321,752
BASIC EARNINGS PER COMMON SHARE	$.88	$.81
CALCULATION OF DILUTED EARNINGS PER COMMON SHARE		
Net income	$269,260	$266,309
Add: Interest expense on convertible debentures (net of tax)	526	769
Less: Dividends declared on nonconvertible preferred stock	4,537	4,537
Net income applicable to diluted earnings per common share	$265,249	$262,541
Basic weighted-average common shares outstanding	300,567	321,752
Weighted-average common shares to be issued using average market price and assuming:		

Conversion of preferred stock Series A and B	156	167
Conversion of preferred stock Series C and D	1,175	1,273
Conversion of debentures	1,721	2,505
Exercise of stock options	2,214	1,918
Incentive share awards	315	302
Diluted weighted-average common shares outstanding	306,148	327,917
DILUTED EARNINGS PER COMMON SHARE	$.87	$.80

</TABLE>

OTHER FINANCIAL INFORMATION

In connection with the Midlantic Corporation ("Midlantic") merger, borrowed funds of Midlantic in the aggregate principal amount of $339 million at March 31, 1998 were jointly and severally assumed by the parent company and its wholly-owned subsidiary, PNC Bancorp, Inc.

Summarized financial information for PNC Bancorp, Inc. and subsidiaries is as follows:

PNC BANCORP, INC., AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET

In millions	March 31 1998	December 31 1997
ASSETS		
Cash and due from banks	$2,580	$4,302
Securities available for sale	7,277	8,276
Loans, net of unearned income	54,380	54,126
Allowance for credit losses	(912)	(971)
Net loans	53,468	53,155
Other assets	7,832	8,144
Total assets	$71,157	$73,877
LIABILITIES		
Deposits	$46,553	$47,766
Borrowed funds	16,820	18,437
Other liabilities	1,164	1,145
Total liabilities	$64,537	$67,348
MANDATORILY REDEEMABLE CAPITAL SECURITIES OF SUBSIDIARY TRUST	350	350
SHAREHOLDERS' EQUITY	6,270	6,179
Total liabilities, capital securities and shareholders' equity	$71,157	$73,877

PNC BANCORP, INC., AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF INCOME
Three months ended March 31 -

in millions	1998	1997

Interest income	$1,279	$1,233
Interest expense	629	592
Net interest income	650	641
Provision for credit losses	30	10
Net interest income less provision for credit losses	620	631
Noninterest income	478	392
Noninterest expense	688	614
Income before income taxes	410	409
Income taxes	142	145
Net income	$268	$264

The amount of dividends that may be paid by bank subsidiaries to PNC Bancorp, Inc., a first-tier holding company, and in turn to the parent company, are subject to certain legal limitations. Without regulatory approval, the amount available for payment of dividends by all subsidiary banks to PNC Bancorp, Inc. was $732 million at March 31, 1998. Dividends may also be impacted by capital needs, regulatory requirements, corporate policies, contractual restrictions and other factors.

Statiscal
Information

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

	First Quarter 1998		
Average balances in millions, interest in thousands Taxable-equivalent basis	Average Balances	Interest	Average Yields/Rates
<S>	<C>	<C>	<C>
ASSETS			
Interest-earning assets			
Loans held for sale	$2,363	$42,280	7.16%
Securities			
U.S. Treasury and government agencies	5,580	80,283	5.78
Other debt	1,639	27,013	6.59
Other	565	9,211	6.57
Total securities	7,784	116,507	6.01
Loans, net of unearned income			
Consumer (excluding credit card)	11,186	236,026	8.56
Credit card	3,748	132,886	14.38
Residential mortgage	12,784	233,641	7.31
Commercial	20,665	406,645	7.87
Commercial real estate	3,624	78,678	8.68
Other	2,076	36,236	6.99
Total loans, net of unearned income	54,083	1,124,112	8.36
Other interest-earning assets	959	15,434	6.48
Total interest-earning assets/interest income	65,189	1,298,333	8.00
Noninterest-earning assets			
Allowance for credit losses	(947)		
Cash and due from banks	2,787		
Other assets	5,112		
Total assets	$72,141		
LIABILITIES, CAPITAL SECURITIES AND SHAREHOLDERS' EQUITY			
Interest-bearing liabilities			
Interest-bearing deposits			
Demand and money market	$14,153	103,547	2.97
Savings	2,646	12,978	1.99
Other time	17,346	233,622	5.46
Deposits in foreign offices	800	11,375	5.68

Total interest-bearing deposits	34,945	361,522	4.19
Borrowed funds			
Bank notes and senior debt	9,972	141,928	5.69
Federal funds purchased	2,404	33,350	5.55
Repurchase agreements	1,523	18,603	4.89
Other borrowed funds	4,408	66,031	5.99
Subordinated debt	1,682	32,669	7.77
Total borrowed funds	19,989	292,581	5.85
Total interest-bearing liabilities/interest expense	54,934	654,103	4.79
Noninterest-bearing liabilities, capital securities and shareholders' equity			
Demand and other noninterest-bearing deposits	9,685		
Accrued expenses and other liabilities	1,474		
Mandatorily redeemable capital securities of subsidiary trusts	650		
Shareholders' equity	5,398		
Total liabilities, capital securities and shareholders' equity	$72,141		
Interest rate spread			3.21
Impact of noninterest-bearing liabilities			.75
Net interest income/margin		$644,230	3.96%

</TABLE>

<TABLE>
<CAPTION>

Average balances in millions, interest in thousands Taxable-equivalent basis	Fourth Quarter 1997 Average Balances	 Interest	 Average Yields/Rates
<S>	<C>	<C>	<C>
ASSETS			
Interest-earning assets			
Loans held for sale	$1,680	$30,688	7.31%
Securities			
U.S. Treasury and government agencies	5,248	77,508	5.90
Other debt	1,949	32,527	6.68
Other	572	10,360	7.21
Total securities	7,769	120,395	6.19
Loans, net of unearned income			
Consumer (excluding credit card)	11,108	239,261	8.55
Credit card	3,803	130,091	13.57
Residential mortgage	12,966	241,309	7.44
Commercial	19,838	387,243	7.64
Commercial real estate	4,067	91,975	8.85
Other	1,881	33,248	7.07
Total loans, net of unearned income	53,663	1,123,127	8.27
Other interest-earning assets	975	13,844	5.59
Total interest-earning assets/interest income	64,087	1,288,054	7.96
Noninterest-earning assets			
Allowance for credit losses	(1,010)		
Cash and due from banks	2,991		
Other assets	4,801		
Total assets	$70,869		
LIABILITIES, CAPITAL SECURITIES AND SHAREHOLDERS' EQUITY			
Interest-bearing liabilities			
Interest-bearing deposits			
Demand and money market	$13,949	105,452	3.00
Savings	2,651	13,243	1.98
Other time	17,061	236,720	5.51
Deposits in foreign offices	994	14,157	5.58
Total interest-bearing deposits	34,655	369,572	4.23
Borrowed funds			
Bank notes and senior debt	10,314	150,457	5.71
Federal funds purchased	2,464	34,910	5.54
Repurchase agreements	790	10,358	5.13
Other borrowed funds	3,358	50,839	6.06
Subordinated debt	1,698	33,006	7.78

Total borrowed funds	18,624	279,570	5.91
Total interest-bearing liabilities/interest expense	53,279	649,142	4.82
Noninterest-bearing liabilities, capital securities and shareholders' equity			
Demand and other noninterest-bearing deposits	9,925		
Accrued expenses and other liabilities	1,601		
Mandatorily redeemable capital securities of subsidiary trusts	650		
Shareholders' equity	5,414		
Total liabilities, capital securities and shareholders' equity	$70,869		
Interest rate spread			3.14
Impact of noninterest-bearing liabilities			.81
Net interest income/margin		$638,912	3.95%

</TABLE>

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

<TABLE>
<CAPTION>

Third Quarter 1997			Second Quarter 1997		
Average Balances	Interest	Average Yields/Rates	Average Balances	Interest	Average Yields/Rates
<S>	<C>	<C>	<C>	<C>	<C>
$1,555	$29,046	7.47%	$1,408	$25,894	7.36%
5,823	85,530	5.86	6,375	95,834	6.02
1,824	30,155	6.61	2,083	34,051	6.54
569	11,368	7.95	597	10,733	7.20
8,216	127,053	6.17	9,055	140,618	6.21
10,996	235,885	8.51	11,239	237,784	8.49
3,871	122,537	12.56	3,502	106,348	12.18
13,503	252,315	7.47	13,164	244,829	7.44
18,839	373,402	7.76	18,964	373,561	7.79
4,041	89,227	8.64	4,060	88,683	8.64
1,952	33,884	6.94	1,884	33,327	7.08
53,202	1,107,250	8.23	52,813	1,084,532	8.19
981	14,509	5.82	925	13,522	5.86
63,954	1,277,858	7.92	64,201	1,264,566	7.85
(1,059)			(1,094)		
2,878			2,877		
4,808			4,837		
$70,581			$70,821		
$13,715	103,872	3.00	$13,270	94,394	2.85
2,773	13,850	1.98	2,924	14,377	1.97
17,336	238,948	5.47	17,656	238,928	5.43
1,128	16,190	5.62	1,463	20,301	5.49

34,952	372,860	4.23	35,313	368,000	4.18
9,337	135,910	5.70	8,284	118,950	5.68
2,342	33,220	5.55	3,474	48,693	5.62
935	12,600	5.27	786	10,773	5.43
4,221	63,686	6.03	4,780	70,615	5.91
1,649	32,151	7.80	1,351	26,954	7.98
18,484	277,567	5.92	18,675	275,985	5.88
53,436	650,427	4.82	53,988	643,985	4.77
9,654			9,501		
1,460			1,480		
650			492		
5,381			5,360		
$70,581			$70,821		
		3.10			3.08
		.79			.76
	$627,431	3.89%		$620,581	3.84%

</TABLE>

<TABLE>
<CAPTION>

First Quarter 1997		
Average Balances	Interest	Average Yields/Rates
<S>	<C>	<C>
$ 1,019	$17,970	7.05%
6,982	105,363	6.05
2,530	41,841	6.62
577	10,666	7.45
10,089	157,870	6.27
11,827	245,169	8.41
3,043	100,593	13.22
12,781	237,685	7.44
18,406	359,785	7.82
4,101	88,939	8.67
1,764	29,364	6.67
51,922	1,061,535	8.20
795	12,139	6.20
63,825	1,249,514	7.86
(1,148)		
2,935		
4,689		
$70,301		
$12,962	87,409	2.74
3,063	14,804	1.96
17,721	233,547	5.34
787	10,395	5.28
34,533	346,155	4.06
8,566	117,172	5.47
3,068	40,908	5.38
735	9,756	5.31
4,874	71,272	5.86
1,351	26,968	7.98
18,594	266,076	5.76

53,127	612,231	4.66
9,600		
1,466		
350		
5,758		
$70,301		
		3.20
		.78
	$637,283	3.98%

</TABLE>

Quarterly Report on
Form 10-Q

Securities and Exchange Commission
Washington, D.C. 20549

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended March 31, 1998.

Commission File Number 1-9718

PNC BANK CORP.
Incorporated in the Commonwealth of Pennsylvania
IRS Employer Identification No. 25-1435979
Address: One PNC Plaza
249 Fifth Avenue
Pittsburgh, Pennsylvania 15222-2707
Telephone: (412) 762-1553

As of April 30, 1998, PNC Bank Corp. had 300,841,082 shares of common stock ($5 par value) outstanding.

PNC Bank Corp. (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months and (2) has been subject to such filing requirements for the past 90 days.

The following sections of the Financial Review set forth in the cross-reference index are incorporated in the Quarterly Report on Form 10-Q.

PART II OTHER INFORMATION

Item 4 Submission of Matters for a Vote of Security Holders

An annual meeting of shareholders of the Corporation was held on April 28, 1998, for the purpose of electing 17 directors.

All 17 nominees were elected and the votes cast for and against/withheld were as follows:

	Aggregate Votes	
Nominee	For	Against/Withheld
Paul W. Chellgren	263,348,077	2,090,873
Robert N. Clay	263,326,873	2,112,077
George A. Davidson, Jr.	263,367,135	2,071,815
David F. Girard-diCarlo	261,388,419	4,050,531
Walter E. Gregg, Jr.	263,320,436	2,118,514
William R. Johnson	260,798,417	4,640,533
Bruce C. Lindsay	263,306,987	2,131,963
W. Craig McClelland	263,332,230	2,106,720
Thomas H. O'Brien	263,126,860	2,312,090
Jane G. Pepper	263,059,362	2,379,588
Jackson H. Randolph	263,298,238	2,140,712
James E. Rohr	263,296,601	2,142,349
Roderic H. Ross	263,273,945	2,165,005
Richard P. Simmons	263,293,439	2,145,511
Thomas J. Usher	263,350,110	2,088,840
Milton A. Washington	263,263,500	2,175,450
Helge H. Wehmeier	263,383,972	2,054,978

With respect to the above matter, holders of the Corporation's common and preferred stock voted together as a single class. The following table sets forth as of the February 26, 1998 record date the number of shares of each class of stock that was issued and outstanding and entitled to vote, the voting power per share and the aggregate voting power of each class:

Title of Class	Voting Rights Per Share	Number of Shares Entitled to Vote	Aggregate Voting Power
Common Stock	1	300,807,555	300,807,555
$1.80 Cumulative Convertible Preferred Stock - Series A	8	15,108	120,864
$1.80 Cumulative Convertible Preferred Stock - Series B	8	4,384	35,072
$1.60 Cumulative Convertible Preferred Stock - Series C	4/2.4	302,617	504,361*
$1.80 Cumulative Convertible Preferred Stock - Series D	4/2.4	404,955	674,924*
Total possible votes			302,142,776*

* Represents greatest number of votes possible. Actual aggregate voting power was less since each holder of such preferred stock is entitled to a number of votes equal to the number of full shares of common stock into which such holder's preferred stock is convertible.

Holders of the Corporation's 6,000,000 issued and outstanding shares of Fixed/Adjustable Rate Noncumulative Preferred Stock-Series F were not entitled to vote with respect to the matters presented at the meeting.

Item 6 Exhibits and Reports on Form 8-K

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

12.1 Computation of Ratio of Earnings to Fixed Charges
12.2 Computation of Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividends

27 Financial Data Schedule

Copies of these Exhibits may be accessed electronically at the Securities and Exchange Commission's home page at www.sec.gov. Exhibits will also be furnished without charge by writing to Michelle Sentner, Assistant Vice President, Financial Reporting, at corporate headquarters. Requests may also be directed to (412) 762-1553 or to financial.reporting@pncbank.com.

Since December 31, 1997, the Corporation filed the following Current Reports on Form 8-K:

Form 8-K dated as of January 15, 1998, reporting the Corporation's consolidated financial results for the three months and year ended December 31, 1997, filed pursuant to Item 5.

Form 8-K dated as of April 14, 1998, reporting the Corporation's consolidated financial results for the three months ended March 31, 1998, filed pursuant to Item 5.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on May 15, 1998, on its behalf by the undersigned thereunto duly authorized.

PNC Bank Corp.
Robert L. Haunschild
Senior Vice President and
Chief Financial Officer

Corporate
Information

CORPORATE HEADQUARTERS

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

INTERNET INFORMATION

Information on PNC Bank Corp.'s financial results and its products and services is available on the Internet at http://www.pncbank.com.

STOCK LISTING

PNC Bank Corp. common stock is traded on the New York Stock Exchange ("NYSE") under the symbol PNC.

FINANCIAL INFORMATION

Copies of the Corporation's filings with the Securities and Exchange Commission ("SEC"), including Exhibits thereto, may be obtained:

Electronically at the SEC's home page at www.sec.gov.

By writing to Jeffrey A. Wilkins, Vice President, Financial Reporting, at corporate headquarters.

By calling (412) 762-1553 or via e-mail to financial.reporting@pncbank.com.

INQUIRIES

Individual shareholders should contact: Shareholder Relations at 800-843-2206.

Analysts and institutional investors should contact: William H. Callihan, Vice President, Investor Relations, at 412-762-8257 or invrela@pncmail.com.

News media representatives and others seeking general information should contact: Jonathan Williams, Vice President, Media Relations, at 412-762-4550 or pubrela@pncmail.com.

COMMON STOCK PRICES/DIVIDENDS DECLARED

The table below sets forth by quarter the range of high, low and quarter-end closing sale prices for PNC Bank Corp. common stock and the cash dividends declared per common share.

1998 Quarter	High	Low	Close	Cash Dividends Declared
First	$61.625	$49.500	$59.938	$.39

1997 Quarter	High	Low	Close	Cash Dividends Declared
First	$45.000	$36.500	$40.000	$.37
Second	44.750	37.375	41.750	.37
Third	49.750	41.125	48.813	.37
Fourth	58.750	42.875	56.938	.39
Total				$1.50

REGISTRAR AND TRANSFER AGENT

The Chase Manhattan Bank
P.O. Box 590
Ridgefield Park, New Jersey 07660
800-982-7652

DIVIDEND REINVESTMENT AND STOCK PURCHASE PLAN

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

PNC BANK CORP. AND SUBSIDIARIES EXHIBIT 12.1

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

Dollars in thousands	Three months ended March 31, 1998	Year ended December 31 1997	1996	1995	1994	1993
EARNINGS						
Income before taxes and cumulative effect of changes in accounting principles	$405,079	$1,618,599	$1,527,551	$627,012	$1,209,916	$1,140,487
Fixed charges excluding interest on deposits	301,208	1,171,648	1,096,893	1,487,279	1,104,573	704,228
Subtotal	706,287	2,790,247	2,624,444	2,114,291	2,314,489	1,844,715
Interest on deposits	361,522	1,456,587	1,428,771	1,551,816	1,159,242	1,005,658
Total	$1,067,809	$4,246,834	$4,053,215	$3,666,107	$3,473,731	$2,850,373
FIXED CHARGES						
Interest on borrowed funds	$292,362	$1,098,365	$1,064,847	$1,455,069	$1,070,565	$676,319
Interest component of rentals	8,614	29,312	29,839	31,283	32,247	26,491
Amortization of borrowed funds	219	833	816	927	1,761	1,418
Distributions on capital securities	13	43,138	1,391			
Subtotal	301,208	1,171,648	1,096,893	1,487,279	1,104,573	704,228
Interest on deposits	361,522	1,456,587	1,428,771	1,551,816	1,159,242	1,005,658
Total	$662,730	$2,628,235	$2,525,664	$3,039,095	$2,263,815	$1,709,886
RATIO OF EARNINGS TO FIXED CHARGES						
Excluding interest on deposits	2.34x	2.38x	2.39x	1.42x	2.10x	2.62x
Including interest on deposits	1.61	1.62	1.60	1.21	1.53	1.67

PNC BANK CORP. AND SUBSIDIARIES EXHIBIT 12.2

COMPUTATION OF RATIO OF EARNINGS
TO COMBINED FIXED CHARGES AND
PREFERRED STOCK DIVIDENDS

<TABLE>
<CAPTION>

<S> <C> <C> <C> <C> <C> <C>

Dollars in thousands	Three months ended March 31, 1998	Year ended December 31 1997	1996	1995	1994	1993
EARNINGS						
Income before taxes and cumulative effect of changes in accounting principles	$405,079	$1,618,599	$1,527,551	$627,012	$1,209,916	$1,140,487
Fixed charges and preferred stock dividends excluding interest on deposits	308,669	1,201,582	1,105,324	1,492,391	1,112,564	712,339
Subtotal	713,748	2,820,181	2,632,875	2,119,403	2,322,480	1,852,826
Interest on deposits	361,522	1,456,587	1,428,771	1,551,816	1,159,242	1,005,658
Total	$1,075,270	$4,276,768	$4,061,646	$3,671,219	$3,481,722	$2,858,484
FIXED CHARGES						
Interest on borrowed funds	$292,362	$1,098,365	$1,064,847	$1,455,069	$1,070,565	$676,319
Interest component of rentals	8,614	29,312	29,839	31,283	32,247	26,491
Amortization of borrowed funds	219	833	816	927	1,761	1,418
Distributions on capital securities	13	43,138	1,391			
Preferred stock dividends	7,461	29,934	8,431	5,112	7,991	8,111
Subtotal	308,669	1,201,582	1,105,324	1,492,391	1,112,564	712,339
Interest on deposits	361,522	1,456,587	1,428,771	1,551,816	1,159,242	1,005,658
Total	$670,191	$2,658,169	$2,534,095	$3,044,207	$2,271,806	$1,717,997
RATIO OF EARNINGS TO COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDENDS						
Excluding interest on deposits	2.31x	2.35x	2.38x	1.42x	2.09x	2.60x
Including interest on deposits	1.60	1.61	1.60	1.21	1.53	1.66

</TABLE>

<TABLE> <S> <C>

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This schedule contains summary financial information extracted from the consolidated financial information incorporated by reference to the 1998 First Quarter Financial Review and is qualified in its entirety by reference to such financial information.
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