PNC BANK CORP.

Quarterly Report on Form 10-Q
For the quarterly period ended September 30, 1998

Page 1 represents a portion of the third 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.

CONSOLIDATED FINANCIAL HIGHLIGHTS

<TABLE>
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	Three months ended September 30		Nine months ended September 30	
	1998	1997	1998	1997
<S>	<C>	<C>	<C>	<C>
FINANCIAL PERFORMANCE (in thousands, except per share data)				
Revenue				
Net interest income (taxable-equivalent basis)	$ 652,532	$ 627,431	$1,933,748	$1,885,295
Noninterest income	675,870	459,247	1,825,988	1,336,917
Total revenue	1,328,402	1,086,678	3,759,736	3,222,212
Net income	280,588	261,595	830,259	786,979
Per common share				
Basic earnings	.92	.84	2.71	2.47
Diluted earnings	.91	.83	2.68	2.44
Cash dividends declared	.39	.37	1.17	1.11
SELECTED RATIOS				
Return on				
Average common shareholders' equity	20.52%	20.11%	21.00%	19.93%
Average assets	1.48	1.47	1.51	1.49
Net interest margin	3.81	3.89	3.86	3.91
Noninterest income to total revenue	50.88	42.26	48.57	41.49
After-tax profit margin	21.12	24.07	22.08	24.42
Efficiency ratio *	53.28	54.57	55.50	55.82
Net charge-offs to average loans	.62	.54	.65	.49

</TABLE>

* Excluding amortization of intangibles, distributions on capital securities and mortgage banking hedging activities

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	September 30 1998	June 30 1998	March 31 1998	December 31 1997	September 30 1997
<S>	<C>	<C>	<C>	<C>	<C>
BALANCE SHEET DATA (in millions)					
Assets	$76,238	$75,873	$72,355	$75,120	$71,828

Earning assets	68,638	68,353	65,210	66,688	64,208
Loans, net of unearned income	56,752	56,237	54,511	54,245	53,651
Securities available for sale	7,152	7,540	7,511	8,522	8,000
Deposits	46,875	47,096	46,068	47,649	44,788
Borrowed funds	19,972	20,488	18,375	19,622	19,052
Shareholders' equity	5,793	5,633	5,487	5,384	5,476
Common shareholders' equity	5,479	5,318	5,173	5,069	5,161
CAPITAL RATIOS					
Leverage	7.18%	7.18%	7.36%	7.30%	7.43%
Common shareholders' equity to assets	7.19	7.01	7.15	6.75	7.18
ASSET QUALITY RATIOS					
Nonperforming assets to loans and foreclosed assets	.58%	.57%	.61%	.61%	.73%
Allowance for credit losses to loans	1.44	1.53	1.67	1.79	1.91
Allowance for credit losses to nonperforming loans	289.02	315.09	320.96	351.79	324.25
Book value per common share	$ 18.21	$ 17.64	$ 17.20	$ 16.87	$ 16.92

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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 eight lines of business: Regional Community Banking, Corporate Banking, National Consumer Banking, Private Banking, Mortgage Banking, Secured Lending, Asset Management and Mutual Fund Servicing. Financial products and services are tailored to specific customer segments and are offered nationally and in PNC Bank's primary geographic markets in Pennsylvania, New Jersey, Delaware, Ohio and Kentucky.

SUMMARY FINANCIAL RESULTS The third quarter of 1998 was marked by significant volatility in the financial markets. Although PNC Bank was affected by this market volatility, the results for the quarter and first nine months continued to be strong and primarily driven by fee-based businesses. Earnings for the first nine months of 1998 from the Asset Management, Mutual Fund Servicing, Private Banking and Mortgage Banking businesses all grew in excess of 20% compared with the prior-year period.

PNC Bank's strategy has been to continue investing in businesses with greater value creation potential, downsizing businesses where return opportunities are less attractive and managing the Corporation's overall risk profile. Pursuant to this strategy, the Corporation completed or announced a number of acquisitions in 1998 including Hilliard-Lyons, Inc., a retail brokerage firm, and Midland Loan Services, L.P., a commercial mortgage servicer. The Corporation also agreed to sell its corporate trust and escrow business and approximately $1 billion of non-relationship credit card outstandings.

Consolidated net income for the first nine months of 1998 was $830 million compared with $787 million a year ago. Diluted earnings per share increased 10% to $2.68 for the first nine months of 1998 from $2.44 in 1997. Returns on average common shareholders' equity and average assets were 21.00% and 1.51% in

1998 compared with 19.93% and 1.49%, respectively, a year ago.

As a result of purchase acquisitions, earnings were reduced by non-cash charges for goodwill and other intangible amortization. Excluding these charges, diluted earnings per share for the first nine months of 1998 and 1997 were $2.88 and $2.61, respectively.

Total revenue increased $538 million or 17% in the first nine months of 1998 driven by growth in noninterest income, which represented 49% of total revenue compared with 41% in the prior-year period. Taxable-equivalent net interest income increased $49 million from the first nine months of 1997. The net interest margin was 3.86% compared with 3.91% in the prior year. Noninterest income increased 37% to $1.8 billion in the first nine months of 1998 reflecting significant growth in fee-based businesses.

The provision for credit losses was $110 million for the first nine months of 1998 compared with $45 million in the prior-year period.

Noninterest expense increased $419 million or 22% in the first nine months of 1998 commensurate with revenue growth, the impact of investments in the consumer banking franchise and mortgage banking activities. The efficiency ratio, computed excluding amortization of intangibles, distributions on capital securities and mortgage banking hedging activities, was 55.5% compared with 55.8% a year ago.

Average earning assets increased $2.6 billion from the prior year to $66.6 billion as higher loans and loans held for sale more than offset reductions in the securities portfolio. Loans represented 83% of average earning assets for the nine months of 1998 compared with 82% in the first nine months of 1997.

Shareholders' equity totaled $5.8 billion at September 30, 1998 compared with $5.4 billion at December 31, 1997. The leverage ratio was 7.18% and Tier I and total risk-based capital ratios were 7.48% and 10.93%, respectively.

PNC Bank's overall credit risk profile remained stable with no direct credit exposure to hedge funds or in Russia and nominal exposure in Latin America and Asia.

The ratio of nonperforming assets to loans and foreclosed assets was .58% at September 30, 1998 and .61% at December 31, 1997. The allowance for credit losses was 289% of nonperforming loans and 1.44% of total loans at September 30, 1998 compared with 352% and 1.79%, respectively, at December 31, 1997. Net charge-offs were .65% of average loans for the first nine months of 1998 compared with .49% a year ago. The increase was primarily associated with higher 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 its business mix by investing in specialized financial services businesses including asset management, mutual fund servicing, private banking, mortgage banking, corporate finance and capital markets. These businesses are largely fee-based, less capital intensive and provide growth opportunities 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 its 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 utilizes a sophisticated information database to develop customer relationships based on their individual needs for PNC Bank's traditional and technology-based array of products, services and distribution channels.

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

NATIONAL CONSUMER BANKING provides consumer products and services through technologically advanced cost efficient channels. National Consumer Banking focuses on nationwide distribution of products and services through affinity relationships.

PRIVATE BANKING offers personalized investment management, brokerage, personal trust, estate planning and traditional banking services to affluent individuals; investment management services to wealthy individuals through Hawthorn; and investment management, trust and administrative services to pensions, 401(k) plans and charitable organizations through its institutional trust group.

MORTGAGE BANKING originates and services residential mortgages. Mortgage Banking focuses on expanding retail distribution channels, increasing the mortgage servicing portfolio and expanding sales of related products including second mortgages, home equity lines of credit and insurance.

SECURED LENDING is engaged in commercial real estate finance, including loan origination, securitization, and servicing through Midland, asset-based financing through PNC Business Credit and equipment leasing within PNC Bank's primary geographic markets and nationally.

ASSET MANAGEMENT offers fixed income, domestic and international equity and liquidity products. BlackRock, Inc. ("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 fixed income manager. BlackRock is focused on expanding marketing and delivery channels for a wide range of institutional and retail investment products.

MUTUAL FUND SERVICING provides institutional money managers, brokerage firms, pension managers and insurance companies a wide range of customized products, including accounting and administration, transfer agency, custody, securities lending and central asset account services. PFPC Inc. ("PFPC") is the second largest mutual fund accounting agent and the fourth largest mutual fund transfer agent in the United States and is focused on domestic, off-shore and alternative pooled investment servicing capabilities.

FORWARD-LOOKING STATEMENTS

PNC Bank has made, and may continue to make, various written and oral forward-looking statements with respect to financial performance 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: the inability of the Corporation or others to remediate Year 2000 concerns in a timely fashion; continued pricing pressures on loan and deposit products; increased credit risk; the success and timing of business initiatives and strategies, several of which are in early stages and therefore susceptible to greater uncertainty than more mature businesses; competition; the ability to realize cost savings or revenues and implement integration plans associated with acquisitions and divestitures; changes in global

and domestic economic conditions generally and in local markets in which the Corporation conducts business; changes in interest rates and capital markets; inflation; customer borrowing, repayment, investment and deposit practices; continued customer disintermediation; customers' acceptance of PNC Bank's products and services; and the impact, extent and timing of technological changes, capital management activities, actions of the Federal Reserve Board and legislative and regulatory actions and reforms.

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 it 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 positions.

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 holding company revenue, 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.

The efficiency ratio for each line of business is computed excluding amortization of intangibles and mortgage banking hedging activities, where applicable.

LINE OF BUSINESS RESULTS

<TABLE>
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Nine months ended September 30 - 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	$1,277	$1,203	$337	$289	31%	27%	$ 34,985	$ 35,188
Corporate Banking	553	489	155	149	19	18	15,224	14,733
National Consumer Banking	533	506	(27)	30	(5)	6	11,404	11,217
Private Banking	384	337	91	71	30	27	2,624	2,500
Mortgage Banking	299	228	41	26	16	11	11,576	10,146
Secured Lending	212	197	79	102	17	25	8,982	6,495
Asset Management	172	115	30	19	25	17	269	257
Mutual Fund Servicing	141	110	30	25	46	46	213	148
Total lines of business	3,571	3,185	736	711			85,277	80,684
Eliminations	(100)	(103)	(75)	(73)			(14,995)	(14,024)
Provision for credit losses			115	81				
Corporate administration and other unassigned	289	140	54	68			3,417	3,908

Total consolidated	$3,760	$3,222	$830	$787	21%	20%	$ 73,699	$ 70,568

</TABLE>

CORPORATE ACTIVITIES In the second quarter of 1998, the Asset Management and Mutual Fund Servicing line of business was segregated into two distinct lines of business. The institutional trust business and Hawthorn were realigned with Private Banking and the corporate trust and escrow business was included in corporate administration and other unassigned. On August 4, 1998, the Corporation entered into an agreement to sell the corporate trust and escrow business to Chase Manhattan Trust Company, N.A. The transaction will result in a gain and is expected to close in the fourth quarter of 1998, subject to regulatory approvals. Results for the first nine months of 1998 and 1997 are presented consistent with this new structure. The benefit from the sale of an equity interest to BlackRock management is also included in corporate administration and other unassigned.

<TABLE>
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REGIONAL COMMUNITY BANKING

Nine months ended September 30 - dollars in millions	1998	1997
<S>	<C>	<C>
INCOME STATEMENT		
Net interest income	$ 973	$ 992
Noninterest income	304	211
Total revenue	1,277	1,203
Provision for credit losses	24	22
Noninterest expense	695	697
Pretax earnings	558	484
Income taxes	221	195
Earnings	$ 337	$ 289
AVERAGE BALANCE SHEET		
Loans		
Consumer	$5,178	$4,938
Commercial	2,632	2,043
Residential mortgage	1,266	1,250
Other	178	400
Total loans	9,254	8,631
Assigned assets and other assets	25,731	26,557
Total assets	$34,985	$35,188
Net deposits		
Certificates	$14,875	$15,633
Money market	7,109	6,337
Noninterest-bearing demand	4,867	4,810
Interest-bearing demand	3,985	3,989
Savings	2,581	2,857
Total net deposits	33,417	33,626
Other liabilities	135	143
Assigned capital	1,433	1,419
Total funds	$34,985	$35,188
PERFORMANCE RATIOS		
Return on assigned capital	31%	27%
Noninterest income to total revenue	24	18
After-tax profit margin	26	24
Efficiency	52	56

</TABLE>

Regional Community Banking contributed 46% of total line of business earnings in the first nine months of 1998 compared with 41% for the first nine months of

1997. Earnings of $337 million included $86 million of gains on the sales of 24 branches in Western Pennsylvania, Kentucky and Indiana that were offset by one-time costs of $40 million related to consumer delivery initiatives, and other one-time costs and valuation adjustments in other lines of business. Excluding these items, earnings increased $21 million or 7% and performance ratios improved due to strategies designed to respond to changing customer preferences while improving the effectiveness and efficiency of the delivery system. As a result of these strategies, noninterest expense before the one-time costs in 1998 declined $42 million or 6% compared with the prior year. Net interest income declined in the current period due to loan spread compression and the impact of consumer migration to higher cost deposit products.

Regional Community Banking seeks to grow revenue through targeted marketing efforts and will continue initiatives designed to leverage technology and reduce the cost of the delivery system.

<TABLE>
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CORPORATE BANKING Nine months ended September 30 - dollars in millions	1998	1997
<S>	<C>	<C>
INCOME STATEMENT		
Credit-related revenue	$ 249	$ 232
Noncredit revenue		
Treasury management	150	144
Venture capital	73	58
Capital markets	54	41
Other	27	14
Total noncredit revenue	304	257
Total revenue	553	489
Provision for credit losses	44	
Noninterest expense	267	259
Pretax earnings	242	230
Income taxes	87	81
Earnings	$ 155	$ 149
AVERAGE BALANCE SHEET		
Loans		
Middle market	$ 5,125	$ 4,780
Specialized	4,546	4,029
Large corporate	4,143	4,448
Other	410	570
Total loans	14,224	13,827
Other assets	1,000	906
Total assets	$15,224	$14,733
Net deposits	$ 2,514	$ 2,100
Assigned funds and other liabilities	11,593	11,533
Assigned capital	1,117	1,100
Total funds	$15,224	$14,733
PERFORMANCE RATIOS		
Return on assigned capital	19%	18%
Noncredit revenue to total revenue	55	53
After-tax profit margin	28	30
Efficiency	48	52

</TABLE>

Corporate Banking contributed 21% of total line of business earnings in the first nine months of 1998 and 1997. Earnings for the first nine months of 1998 increased $6 million or 4%.

Credit-related revenue primarily represents net interest income from loans and increased 7% in the comparison. Noncredit revenue, which includes noninterest income and the benefit of compensating balances in lieu of fees, increased $47 million or 18% in the first nine months of 1998 reflecting growth in venture capital, capital markets and treasury management income. Increases in noncredit revenue and noninterest expense reflected strategies designed to expand revenue from fee-based services while reducing reliance on balance sheet leverage.

FINANCIAL REVIEW

Expense levels reflect the investment in fee-based business offset by the continued focus on operating efficiency in the traditional credit-related business as the efficiency ratio declined to 48% in the first nine months of 1998 compared with 52% in the prior year.

The increase in the provision for credit losses related to credit exposure to certain bankrupt affiliates of Allegheny Health, Education and Research Foundation ("AHERF"), a portion of which became nonperforming in the third quarter.

Corporate Banking engages in lending, venture capital and capital markets activities, all of which are impacted by economic and financial market conditions. Accordingly, a decline in the capital markets or an economic slowdown could adversely impact results of operations.

NATIONAL CONSUMER BANKING
Nine months ended September 30 - dollars in millions

	1998	1997
INCOME STATEMENT		
Net interest income	$ 354	$ 297
Noninterest income	179	209
Total revenue	533	506
Provision for credit losses	233	167
Noninterest expense	343	291
Pretax earnings (loss)	(43)	48
Income taxes (benefit)	(16)	18
Earnings (loss)	$ (27)	$ 30
AVERAGE BALANCE SHEET		
Loans		
Dealer finance	$ 4,859	$ 5,312
Credit card	3,942	3,475
Education	1,149	1,302
Other	728	392
Total loans	10,678	10,481
Other assets	726	736
Total assets	$11,404	$11,217
Net deposits	$ 207	$ 84
Assigned funds and other liabilities	10,496	10,455
Assigned capital	701	678
Total funds	$11,404	$11,217
PERFORMANCE RATIOS		
Return on assigned capital	(5)%	6%
Noninterest income to total revenue	34	41
After-tax profit margin	(5)	6
Efficiency	59	52

National Consumer Banking incurred a loss of $27 million in the first nine months of 1998 resulting from credit cards and the AAA affinity initiative which have been unfavorably impacted by intense rate competition and changing consumer credit conditions. Noninterest income for 1997 included $64 million of nonrecurring gains. Excluding these gains, earnings declined $17 million in the year-to-year comparison reflecting higher credit costs. The provision for credit losses increased $66 million primarily as a result of higher credit card outstandings.

On September 8, 1998, PNC Bank entered into an agreement with Direct Merchants

Credit Card Bank, National Association, a subsidiary of Metris Companies Inc., to sell approximately $1 billion of credit card outstandings to further reduce the Corporation's risk profile. This portfolio accounts for one-third of credit card net charge-offs. Management will continue taking aggressive actions designed to enhance returns on the capital invested in this line of business.

PRIVATE BANKING

Nine months ended September 30 - dollars in millions	1998	1997
INCOME STATEMENT		
Net interest income	$ 92	$ 85
Noninterest income		
Investment management and trust	234	200
Brokerage	50	46
Other	8	6
Total noninterest income	292	252
Total revenue	384	337
Provision for credit losses	1	3
Noninterest expense	236	219
Pretax earnings	147	115
Income taxes	56	44
Earnings	$ 91	$ 71
AVERAGE BALANCE SHEET		
Loans		
Residential mortgage	$ 998	$ 1,066
Consumer	932	817
Commercial	595	479
Other	28	73
Total loans	2,553	2,435
Other assets	71	65
Total assets	$ 2,624	$ 2,500
Net deposits	$ 2,181	$ 1,911
Assigned funds and other liabilities	36	241
Assigned capital	407	348
Total funds	$ 2,624	$ 2,500
PERFORMANCE RATIOS		
Return on assigned capital	30%	27%
Noninterest income to total revenue	76	75
After-tax profit margin	24	21
Efficiency	61	65

Private Banking contributed 12% of total line of business earnings in the first nine months of 1998 compared with 10% a year ago. Earnings increased $20 million or 28% in the first nine months of 1998 driven by revenue growth.

Net interest income increased 8% in the first nine months of 1998 due to loan and deposit growth. Noninterest income increased $40 million or 16% from the prior year due to an increase in assets under management resulting from new business and an increase in brokerage accounts. Noninterest expense increased $17 million supporting revenue growth and continuing investments in technology.

On August 20, 1998, the Corporation entered into an agreement to acquire Hilliard-Lyons, Inc. ("Hilliard Lyons"), a retail brokerage firm with 90 offices in 12 Midwestern and Southeastern states. Hilliard Lyons has focused on delivering brokerage services and investment management expertise to affluent clients. The transaction is expected to close in the fourth quarter of 1998, subject to regulatory approvals.

Brokerage assets administered by Private Banking totaled $9 billion at September

30, 1998. As a result of the Hilliard Lyons acquisition these assets are expected to increase to approximately $30 billion.

In addition to enhancing Private Banking's brokerage and investment management capabilities, management expects the acquisition of Hilliard Lyons to expand the retail distribution of capital markets products and provide customers with a wider range of highly-regarded investment products.

ASSETS UNDER MANAGEMENT

September 30 - in billions	1998	1997
Personal trust	$35	$35
Institutional trust	6	6
Hawthorn	12	10
Total	$53	$51

Private Banking revenue is primarily affected by the volume of new business, the value of assets managed, 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

Nine months ended September 30 - dollars in millions	1998	1997
INCOME STATEMENT		
Residential mortgage servicing	$ 142	$ 118
Origination and securitization	136	67
Sales of servicing and other	9	6
MSR amortization	(214)	(48)
Hedging activities	123	
Net mortgage banking revenue	196	143
Net interest income	103	85
Total revenue	299	228
Operating expense	228	186
Pretax earnings	71	42
Income taxes	30	16
Earnings	$ 41	$ 26
AVERAGE BALANCE SHEET		
Residential mortgage loans	$ 7,026	$ 7,701
Residential mortgages held for sale	2,608	1,306
Securities available for sale	945	428
Other assets	997	711
Total assets	$11,576	$10,146
Escrow deposits	$ 828	$ 587
Assigned funds and other liabilities	10,411	9,229
Assigned capital	337	330
Total funds	$11,576	$10,146
PERFORMANCE RATIOS		
Return on assigned capital	16%	11%
Net mortgage banking revenue to total revenue	66	63
After-tax profit margin	14	11
Efficiency	57	65

Mortgage Banking contributed 6% of total line of business earnings in the first nine months of 1998 compared with 4% in the same period of 1997. Earnings increased $15 million to $41 million in 1998 primarily due to higher business volumes.

Revenue and expense growth resulted from higher loan origination volume and a larger servicing portfolio. MSR amortization increased $166 million, reflecting significant refinance activity and the larger servicing portfolio. Hedging activities largely offset the impact of refinance activity on MSR amortization.

Securities available for sale increased $517 million and are part of Mortgage Banking's hedging strategies.

FINANCIAL REVIEW

During the first nine months of 1998 Mortgage Banking funded $8.4 billion of residential mortgages with 64% representing retail originations. The comparable amounts were $4.1 billion and 73%, respectively, in the first nine months of 1997. The year-to-year increase reflects the combination of higher refinance activity and initiatives to expand retail origination capabilities.

RESIDENTIAL MORTGAGE SERVICING PORTFOLIO

In millions	1998	1997
January 1	$40,701	$39,543
Originations	8,371	4,068
Purchases	20,598	1,917
Repayments	(8,330)	(4,437)
Sales	(1,066)	(122)
September 30	$60,274	$40,969

During the third quarter, PNC Mortgage acquired servicing rights for approximately 83,000 mortgages with an outstanding principal balance of $8.6 billion. With this acquisition, PNC Mortgage became the nation's 15th largest servicer of home loans.

At September 30, 1998, the mortgage servicing portfolio totaled $60.3 billion, including $51.8 billion of loans serviced for others, with a weighted-average coupon of 7.75%. Capitalized MSR totaled $663 million at September 30, 1998 and had an estimated fair value of $670 million.

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. In a period of rising interest rates, a converse relationship would exist. The Corporation seeks to manage this risk by using financial instruments as hedges designed to move in the opposite direction of MSR value changes.

SECURED LENDING

Nine months ended September 30 - dollars in millions	1998	1997
INCOME STATEMENT		
Net interest income	$ 168	$ 154
Noninterest income		
Commercial mortgage servicing	26	
Origination and securitization	(17)	
Commercial mortgage banking	9	
Corporate finance	15	11
Other	20	32
Total noninterest income	44	43
Total revenue	212	197
Provision for credit losses	(10)	(19)
Noninterest expense	107	56
Pretax earnings	115	160
Income taxes	36	58
Earnings	$ 79	$ 102

AVERAGE BALANCE SHEET		
Loans		
Real estate	$5,818	$4,570
Business credit	1,275	950
Leasing	1,077	878
Total loans	8,170	6,398
Commercial mortgages held for sale	238	
Other assets	574	97
Total assets	$8,982	$6,495
Net deposits	$1,014	$ 761
Assigned funds and other liabilities	7,364	5,195
Assigned capital	604	539
Total funds	$8,982	$6,495
PERFORMANCE RATIOS		
Return on assigned capital	17%	25%
Noninterest income to total revenue	21	22
After-tax profit margin	37	52
Efficiency	42	28

</TABLE>

Secured Lending contributed 11% of total line of business earnings in the first nine months of 1998 compared with 14% in the prior-year period.

This line of business has made several acquisitions to provide additional revenue growth opportunities reflecting the strategy to reduce balance sheet leverage, increase noninterest income and expand nationally.

On April 3, 1998, PNC Bank acquired Midland Loan Services, L.P. ("Midland"), one of the nation's largest servicers of commercial mortgages. This transaction greatly expands PNC Bank's real estate financial services capabilities, which now include origination, securitization, servicing, investment advisory and risk management.

On April 15, 1998, the Corporation acquired the asset-based finance business of BTM Capital Corp. The purchase included a $600 million portfolio of asset-based loans and loan commitments and regional sales offices.

On July 31, 1998, PNC Bank acquired The Arcand Company, subsequently renamed Columbia Housing Corporation ("Columbia"). Columbia is a leading tax credit syndicator, principally engaged in the origination and distribution of affordable housing limited partnerships.

The comparative results for the nine month periods reflected the impact of these acquisitions. Earnings decreased $23 million primarily due to decreases in commercial mortgage valuations in 1998 and $11 million of nonrecurring gains in 1997. The decline in commercial mortgage valuations reflected a significant decrease in market liquidity for commercial mortgage-backed securities. Management has taken actions to mitigate future exposure to this market volatility by minimizing inventory exposure to valuation adjustments as well as pricing in response to market conditions.

<TABLE>
<CAPTION>
COMMERCIAL MORTGAGE SERVICING PORTFOLIO

In millions	1998
<S>	<C>
January 1	
April 3 Acquisition	$25,846
Originations	847
Purchases/additions	9,815
Repayments	(4,210)
September 30	$32,298

</TABLE>

At September 30, 1998 the commercial mortgage servicing portfolio totaled $32.3

billion, including $31.9 billion serviced for others.

ASSET MANAGEMENT

Nine months ended September 30 - dollars in millions	1998	1997
INCOME STATEMENT		
Revenue	$172	$115
Operating expense	119	82
Pretax earnings	53	33
Income taxes	23	14
Earnings	$30	$19
AVERAGE BALANCE SHEET		
Total assets	$269	$257
Liabilities	$110	$109
Assigned capital	159	148
Total funds	$269	$257
PERFORMANCE RATIOS		
Return on assigned capital	25%	17%
After-tax profit margin	17	17
Efficiency	65	65

Asset Management contributed 4% of total line of business earnings in the first nine months of 1998 compared with 3% for the first nine months of 1997. Earnings increased 58% in the first nine months of 1998 driven by higher assets under management reflecting new business generated by BlackRock.

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

ASSETS UNDER MANAGEMENT

September 30 - in billions	1998	1997
Fixed income	$ 63	$ 52
Liquidity	45	37
Equity and other	13	11
Total assets under management	$121	$100
Proprietary mutual funds		
BlackRock Funds	$22	$ 14
Other	22	19
Total proprietary mutual funds	$44	$33

At September 30, 1998 89% of assets under management were invested in fixed income and liquidity funds which have historically been less volatile than equity funds.

Asset Management revenue is primarily affected by the volume of new business, the value of assets managed, 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.

FINANCIAL REVIEW

MUTUAL FUND SERVICING

Nine months ended September 30 - dollars in millions	1998	1997
INCOME STATEMENT		
Revenue	$141	$110
Operating expense	92	70
Pretax earnings	49	40
Income taxes	19	15
Earnings	$ 30	$ 25
AVERAGE BALANCE SHEET		
Total assets	$213	$148
Net deposits	$107	$ 60
Other liabilities	19	16
Assigned capital	87	72
Total funds	$213	$148
PERFORMANCE RATIOS		
Return on assigned capital	46%	46%
After-tax profit margin	21	23
Efficiency	65	64

Mutual Fund Servicing contributed 4% of total line of business earnings in the first nine months of 1998 and 1997. Earnings increased $5 million or 20% in the year-to-year comparison. Revenue grew 28% as PFPC capitalized on its strong capabilities as a provider of customized products and services.

Assets and accounts serviced by PFPC were as follows:

September 30	1998	1997
Assets (billions)		
Custody	$287	$212
Accounting/administration	228	175
Accounts (millions)		
Shareholder	4.8	4.2
Checking and credit/debit card	2.1	2.0

CONSOLIDATED INCOME STATEMENT REVIEW

CONDENSED INCOME STATEMENT (taxable-equivalent basis)

Nine months ended September 30 - in millions	1998	1997	Change
Net interest income	$1,934	$1,885	$ 49
Provision for credit losses	110	45	65
Noninterest income before net securities gains	1,750	1,310	440
Net securities gains	76	27	49
Noninterest expense	2,365	1,946	419
Income taxes	455	444	11
Net income	$ 830	$ 787	$ 43

NET INTEREST INCOME Taxable-equivalent net interest income increased $49 million from the first nine months of 1997. The net interest margin was 3.86% compared with 3.91% in the prior-year period. 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 funding costs can have a significant impact on net interest income and margin.

The increase in net interest income was due to a $2.6 billion increase in average earning assets which more than offset a narrower net interest margin. Average loans grew 4.7% to $55.1 billion, a $2.5 billion increase from the prior year. Growth in commercial loans and credit cards more than offset the impact of loan securitizations and the downsizing of the indirect automobile lending portfolio. The increase in average loans held for sale was $1.7 billion reflecting higher residential mortgage originations and the commercial mortgage inventory of Midland.

<TABLE>
<CAPTION>
NET INTEREST INCOME ANALYSIS
Taxable-equivalent basis

Nine months ended September 30 - dollars in millions	Average Balances 1998	Average Balances 1997	Average Balances Change	Interest Income/Expense 1998	Interest Income/Expense 1997	Interest Income/Expense Change	Average Yields/Rates 1998	Average Yields/Rates 1997	Average Yields/Rates Change
Interest-earning assets									
Loans held for sale	$ 3,059	$ 1,329	$ 1,730	$ 162	$ 73	$ 89	7.03%	7.32%	(29)bp
Securities available for sale	7,391	9,113	(1,722)	327	426	(99)	5.91	6.23	(32)
Loans, net of unearned income									
Consumer (excluding credit card)	11,073	11,352	(279)	706	719	(13)	8.53	8.47	6
Credit card	3,942	3,475	467	407	329	78	13.81	12.68	113
Residential mortgage	12,598	13,152	(554)	687	735	(48)	7.26	7.45	(19)
Commercial	22,159	18,737	3,422	1,320	1,107	213	7.85	7.79	6
Commercial real estate	3,224	4,067	(843)	208	267	(59)	8.52	8.65	(13)
Other	2,133	1,868	265	112	96	16	7.01	6.90	11
Total loans, net of unearned income	55,129	52,651	2,478	3,440	3,253	187	8.29	8.21	8
Other	1,042	900	142	50	40	10	6.35	5.92	43
Total interest-earning assets/ interest income	66,621	63,993	2,628	3,979	3,792	187	7.94	7.87	6
Noninterest-earning assets	7,078	6,575	503						
Total assets	$73,699	$70,568	$3,131						
Interest-bearing liabilities									
Deposits									
Demand and money market	$14,430	$13,318	$1,112	322	286	36	2.99	2.87	12
Savings	2,644	2,919	(275)	39	43	(4)	1.98	1.97	1
Other time	16,995	17,570	(575)	691	711	(20)	5.43	5.41	2
Deposits in foreign offices	1,017	1,127	(110)	43	47	(4)	5.57	5.49	8
Total interest-bearing deposits	35,086	34,934	152	1,095	1,087	8	4.17	4.16	1
Borrowed funds	21,501	18,584	2,917	950	820	130	5.83	5.84	(1)
Total interest-bearing liabilities/interest expense	56,587	53,518	3,069	2,045	1,907	138	4.80	4.74	6

Noninterest-bearing liabilities, capital securities and shareholders' equity	17,112	17,050	62						
Total liabilities and shareholders' equity	$73,699	$70,568	$3,131						
Interest rate spread							3.14	3.13	
Impact of noninterest-bearing sources							.72	.78	(5)
Net interest income/margin				$1,934	$1,885	$ 49	3.86%	3.91%	(5)bp

</TABLE>

The narrowing of the net interest margin was primarily due to a change in balance sheet composition as well as declining spreads resulting from competitive pressures on certain loan and deposit products. Partially offsetting these unfavorable factors was a decrease of $1.7 billion in average securities available for sale which represented 11% of average earning assets compared with 14% a year ago.

Funding cost is affected by the composition of funding sources as well as related rates paid thereon. Average deposits comprised 60.3% and 63.1% of PNC Bank's total sources of funding for the nine months ended September 30, 1998 and 1997, respectively, with the remainder primarily comprised of wholesale funding obtained at prevailing market rates.

Management anticipates modest balance sheet growth and continued competitive pressure on the net interest margin throughout the remainder of 1998.

PROVISION FOR CREDIT LOSSES The provision for credit losses was $110 million in the first nine months of 1998 compared with $45 million in the prior-year period. Management expects to further increase the provision for credit losses in the fourth quarter taking into account the allowance for credit losses relative to economic conditions, the status of credit exposure to affiliates of AHERF and net charge-off levels, among other factors.

FINANCIAL REVIEW

NONINTEREST INCOME

<TABLE>
<CAPTION>

Nine months ended September 30 - dollars in millions	1998	1997	Change Amount	Change Percent
<S>	<C>	<C>	<C>	<C>
Asset management	$ 421	$ 333	$ 88	26.4%
Mutual fund servicing	134	104	30	28.8
Service charges on deposits	150	152	(2)	(1.3)
Consumer services				
Credit card	94	64	30	46.9
Brokerage	49	40	9	22.5
Insurance	32	29	3	10.3
Other	99	91	8	8.8
Total consumer services	274	224	50	22.3
Corporate finance and capital markets				
Capital markets	37	30	7	23.3
Commercial mortgage servicing	26		26	NM
Other	112	113	(1)	(.9)
Total corporate finance and capital markets	175	143	32	22.4
Mortgage banking				

Residential mortgage servicing	106	86	20	23.3
Origination	56	33	23	69.7
Marketing	78	35	43	NM
Sales of servicing	7	2	5	NM
Total mortgage banking	247	156	91	58.3
Net securities gains	76	27	49	NM
Other	349	198	151	76.3
Total	$1,826	$1,337	$489	36.6%

</TABLE>
NM - not meaningful

NONINTEREST INCOME Noninterest income increased $489 million or 37% for the first nine months of 1998 and included $86 million of gains from sales of 24 branches in Western Pennsylvania, Kentucky and Indiana, that were offset by one-time costs related to consumer delivery initiatives, improvements in credit card operations and the impact of valuation adjustments on certain market-sensitive asset positions. Noninterest income also included $123 million of trading and securities gains that resulted from mortgage banking hedging activities and largely offset an increase in the amortization of residential MSR.

Asset management fees increased 26% primarily due to new business. Assets under management increased 20% to $152 billion at September 30, 1998 compared with $127 billion a year ago. Mutual fund servicing fees grew 29% resulting from an increase in assets and accounts serviced. At September 30, 1998, custody and accounting/administration services were provided for $287 billion and $228 billion of mutual fund assets, respectively. The comparable amounts were $212 billion and $175 billion, respectively, a year ago.

Consumer services revenue increased 22% primarily due to higher credit card fees related to growth in accounts. Corporate finance and capital markets fees increased $32 million including $26 million of commercial mortgage servicing revenue from Midland.

Mortgage banking revenue grew primarily due to higher marketing gains and origination volume reflecting significant mortgage refinance activity and new business in the first nine months of 1998.

Net securities gains were $76 million in the first nine months of 1998 including $62 million resulting from MSR hedging activities. Other noninterest income increased primarily due to the branch gains, trading gains from MSR hedging activities and higher venture capital income.

NONINTEREST EXPENSE

<TABLE>
<CAPTION>

Nine months ended September 30 - dollars in millions	1998	1997	Change Amount	Change Percent
<S>	<C>	<C>	<C>	<C>
Staff expense				
Compensation	$ 867	$ 762	$105	13.8%
Employee benefits	156	157	(1)	(.6)
Total staff expense	1,023	919	104	11.3
Net occupancy and equipment				
Net occupancy	148	140	8	5.7
Equipment	149	132	17	12.9
Total net occupancy and equipment	297	272	25	9.2
Amortization				
Mortgage servicing rights	222	49	173	NM
Goodwill	49	40	9	22.5
Other	32	29	3	10.3
Total amortization	303	118	185	NM
Marketing	79	59	20	33.9
Distributions on capital securities	44	30	14	46.7
Other	619	548	71	13.0
Total	$2,365	$1,946	$419	21.5%

</TABLE>
NM - not meaningful

NONINTEREST EXPENSE Noninterest expense increased $419 million or 22% in the first nine months of 1998. Higher MSR amortization of $173 million and approximately $55 million of one-time costs for consumer delivery initiatives, employee displacements and the streamlining of credit card operations contributed to the increase. The remaining increase in noninterest expense was primarily due to incentive compensation commensurate with revenue growth, the impact of Midland and higher marketing costs associated with National Consumer Banking initiatives. Average full-time equivalent employees totaled approximately 25,300 in the first nine months of 1998 compared with 24,600 in the prior-year period.

CONSOLIDATED BALANCE SHEET REVIEW

PERIOD-END BALANCE SHEET HIGHLIGHTS

<TABLE>
<CAPTION>

In millions	September 30 1998	December 31 1997	Change
Assets	$76,238	$75,120	$ 1,118
Earning assets	68,638	66,688	1,950
Loans, net of unearned income	56,752	54,245	2,507
Securities available for sale	7,152	8,522	(1,370)
Deposits	46,875	47,649	(774)
Borrowed funds	19,972	19,622	350
Shareholders' equity	5,793	5,384	409

</TABLE>

LOANS Loans outstanding increased $2.5 billion from year-end 1997 to $56.8 billion at September 30, 1998 primarily in Corporate Banking and Secured Lending. Certain reclassifications of loan balances were made for the current reporting period; however, prior-period amounts were not restated.

LOANS

<TABLE>
<CAPTION>

In millions	September 30 1998	December 31 1997
Consumer		
Home equity	$ 5,562	$ 4,848
Credit card	3,874	3,830
Automobile	2,685	3,221
Education	1,124	1,223
Other	1,749	1,913
Total consumer	14,994	15,035
Residential mortgage	12,388	12,785
Commercial		
Manufacturing	4,838	3,838
Retail/wholesale	4,175	3,575
Service providers	2,825	2,497
Real estate related	2,635	2,047
Communications	1,613	1,154
Health care	1,331	1,504
Financial services	1,807	1,027
Other	5,015	4,347
Total commercial	24,239	19,989
Commercial real estate		
Mortgage	812	1,848
Real estate project	2,026	2,126
Total commercial real estate	2,838	3,974
Lease financing and other	2,738	2,874
Unearned income	(445)	(412)
Total, net of unearned income	$56,752	$54,245

</TABLE>

The loan portfolio remained relatively consistent in the comparison and composition continues to be geographically diversified among numerous industries and types of businesses. As the Corporation's businesses evolve, the loan portfolio is expected to remain diversified.

NET UNFUNDED COMMITMENTS

In millions	September 30 1998	December 31 1997
Consumer (excluding credit card)	$ 3,653	$ 3,363
Credit card	16,812	16,385
Residential mortgage	4,882	2,144
Commercial	31,785	29,707
Commercial real estate	906	1,167
Other	701	1,082
Total	$58,739	$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 $5.4 billion and $5.9 billion of participations, assignments and syndications, primarily to financial institutions, at September 30, 1998 and December 31, 1997, respectively.

Net outstanding letters of credit totaled $4.6 billion and $4.7 billion at September 30, 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 $1.4 billion from year-end 1997 to $7.2 billion at September 30, 1998. The expected weighted-average life of the securities portfolio was 3 years and 9 months at September 30, 1998 compared with 2 years and 9 months at year-end 1997.

SECURITIES AVAILABLE FOR SALE

	September 30, 1998		December 31, 1997	
In millions	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Debt securities				
U.S. Treasury and government agencies	$1,573	$1,632	$1,102	$1,105
Mortgage-backed	3,761	3,751	4,672	4,623
Asset-backed	983	989	2,079	2,083
State and municipal	132	138	170	177
Other debt	33	35	34	33
Corporate stocks and other	644	607	501	501
Total	$7,126	$7,152	$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. Unrealized gains and losses are reflected in other comprehensive income. No financial derivatives were designated to securities available for sale at September 30, 1998 and December 31, 1997.

FUNDING SOURCES Deposits were $46.9 billion at September 30, 1998, a decline of $774 million from December 31, 1997. Liquidity was strengthened as 42% of wholesale liabilities had a maturity beyond one year at September 30, 1998 compared with 32% at September 30, 1997. A $350 million increase in borrowed funds from $19.6 billion at year-end 1997 was primarily the result of increases in bank notes and senior debt, repurchase agreements and other borrowed funds partially offset by a decline in federal funds purchased. During the first nine months of 1998, the Corporation continued to expand funding sources by issuing $800 million of bank notes under the Euro medium-term bank note program.

FUNDING SOURCES

<TABLE>
<CAPTION>

In millions	September 30 1998	December 31 1997
<S>	<C>	<C>
Deposits		
Demand, savings and money market	$26,677	$27,475
Time	17,173	17,125
Foreign	3,025	3,049
Total deposits	46,875	47,649
Borrowed funds		
Bank notes and senior debt	10,558	9,826
Federal funds purchased	771	3,632
Repurchase agreements	1,041	714
Other borrowed funds	5,759	3,753
Subordinated debt	1,843	1,697
Total borrowed funds	19,972	19,622
Total	$66,847	$67,271

</TABLE>

CAPITAL The access to and cost of funding new business initiatives including acquisitions, ability to pay dividends, deposit insurance costs, and the level and nature of regulatory oversight depend, in large part, on a financial institution's capital strength. 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 September 30, 1998, the Corporation and each bank subsidiary met the well capitalized capital ratio requirements.

RISK-BASED CAPITAL
<TABLE>
<CAPTION>

Dollars in millions	September 30 1998	December 31 1997
<S>	<C>	<C>
Capital components		
Shareholders' equity		
Common	$ 5,479	$ 5,069
Preferred	314	315
Trust preferred capital securities	850	650
Goodwill and other	(1,305)	(949)
Net unrealized securities losses	(17)	23
Tier I risk-based capital	5,321	5,108
Subordinated debt	1,640	1,666
Eligible allowance for credit losses	816	861
Total risk-based capital	$ 7,777	$ 7,635
Assets		
Risk-weighted assets and off-balance-sheet instruments	$71,178	$68,756
Average tangible assets	74,065	69,948
Capital ratios		
Tier I risk-based	7.48%	7.43%
Total risk-based	10.93	11.11
Leverage	7.18	7.30

</TABLE>

The capital position is managed through balance sheet size and composition, issuance of debt and equity instruments, treasury stock activities, dividend policies and retention of earnings.

In April 1998, the Corporation issued $140 million of 6.5% subordinated notes that qualify as Tier II risk-based capital. In June 1998, the Corporation issued $200 million of floating rate mandatorily redeemable capital securities bearing interest at a rate per annum equal to 3-month LIBOR plus 57 basis points. The rate in effect at September 30, 1998 was 6.195%. These mandatorily redeemable capital securities qualify as Tier I risk-based capital.

In May 1998, the Corporation called $39 million of 8.25% convertible subordinated debentures at par redeemable in June. Prior to the redemption date, these debentures were converted into common stock at a conversion price of $23.41. The conversion of these debentures resulted in a corresponding increase in shareholders' equity.

During the first nine months of 1998, PNC Bank repurchased 4.8 million shares of common stock. The Corporation's board of directors authorized in April 1998 the repurchase of up to 10 million shares of common stock through April 30, 1999. Approximately 9.0 million shares remain under this authorization.

YEAR 2000 READINESS

The Corporation has been working since 1995 to prepare its computer systems and applications to meet the year 2000 challenge. This process involves reviewing, modifying and replacing existing hardware, software and embedded chip technology systems, as necessary, and communicating with external service providers and customers as to whether they are addressing their year 2000 issues. 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. The Corporation has not identified any material third party problems to date, but continues to assess the situation.

Given the Corporation's common technology infrastructure and the progress made to date, management estimates that the review and modification of its computer systems and applications will be substantially completed by December 31, 1998. As of October 31, 1998, approximately 90% of the Corporation's internally supported mainframe, mid-range and PC client-server systems have been tested and returned to production as year 2000 ready. Also, approximately 90% of the Corporation's non-PC related hardware and systems software have been tested and determined to be year 2000 ready.

The Corporation has also undertaken an organization-wide assessment of year 2000 issues relating to its mission critical systems which utilize embedded chip technologies. As of October 31, 1998, the assessment of embedded chip technology systems is approximately 90% complete. No significant problems have been identified to date with respect to embedded chip technology systems.

The Corporation is taking steps designed to determine the year 2000 preparedness of its 1,300 identified mission critical service providers and approximately 3,000 largest lending relationships. The assessment of the year 2000 preparedness of critical service providers is scheduled for completion by year-end 1998. The assessment of the Corporation's largest lending relationships is ongoing; PNC Bank intends to follow up with inquiries during the remainder of 1998 and in 1999.

During the spring of 1999, PNC Bank plans to conduct fully integrated testing of its systems and applications to determine whether its mission critical application systems will perform their functions in coordination with one another. The mission critical applications systems will be tested on year 2000-compliant hardware and software using dates of December 31, 1999, January 3, 2000, February 29, 2000 and additional dates, if determined to be appropriate. The Corporation also intends to conduct testing during 1999 with those mission critical vendors that provide systems-related services.

The estimated total cost to become year 2000 compliant, which is being expensed as incurred, is approximately $30 million. Through September 30, 1998, the Corporation has expensed approximately $18 million related to the year 2000 effort and anticipates that approximately 25% of the remaining costs will be incurred in the fourth quarter of 1998. Of the projected total year 2000 expenses, approximately 45% relate to internally allocated information technology costs. No significant outlays have been made to replace existing systems solely for year 2000 compliance reasons. The costs and the timetable in which the Corporation plans to complete the Year 2000 readiness activities are based on management's best estimates, which were derived using numerous assumptions of future events including the continued availability of certain resources, third party readiness plans and other factors. The Corporation can make no guarantee that these estimates will be achieved, and actual results could differ from such plans.

Contingency plans have been completed for all systems and applications that were not remediated and tested by October 31, 1998. Contingency plans are also being developed for critical service providers as determined appropriate based on their responses to the Corporation's year 2000 readiness inquiries. Additionally, the Corporation is presently reviewing and finalizing business continuity and disaster recovery plans for each line of business. All contingency plans will be subject to review during the next 15 months and modified when necessary or appropriate. Certain contingency plans will be tested during 1999.

PNC Bank's year 2000 remedial efforts and contingency plans are subject to oversight and regulation by certain federal bank regulatory authorities.

It is not possible to predict with certainty all of the adverse effects that could result from a failure of the Corporation or of third parties to become fully year 2000 compliant or whether such effects could have a material impact on the Corporation. However, if the Corporation were to fail to correct its internal year 2000 problems, or if one or more of its third party providers are unable due to year 2000 issues to provide services required by the Corporation, a disruption of operations, resulting in increased operating costs and other adverse effects, could result. In addition, to the extent customers' financial positions are weakened due to year 2000 issues, credit quality could be adversely affected.

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, requiring collateral or selling participations to third parties and purchasing credit-related derivatives.

NONPERFORMING ASSETS
<TABLE>
<CAPTION>

Dollars in millions	September 30 1998	December 31 1997
<S>	<C>	<C>
Nonperforming loans		
Commercial	$148	$128
Commercial real estate		
Mortgage	44	84
Real estate project	29	10
Residential mortgage	56	44
Consumer	5	10
Total nonperforming loans	282	276
Foreclosed assets		
Commercial real estate	20	27
Residential mortgage	18	21
Other	9	9
Total foreclosed assets	47	57
Total nonperforming assets	$329	$333
Nonperforming loans to loans	.50%	.51%
Nonperforming assets to loans and foreclosed assets	.58	.61
Nonperforming assets to assets	.43	.44

</TABLE>

The amount of nonperforming loans that were current as to principal and interest was $30 million at September 30, 1998 and $34 million at December 31, 1997. There were no restructured loans outstanding as of either period end presented.

The increase in nonperforming loans from December 31, 1997 reflected $40 million related to AHERF that became nonperforming in the third quarter while all other nonperforming loans declined $34 million.

<TABLE>
<CAPTION>
CHANGE IN NONPERFORMING ASSETS

In millions	1998	1997
<S>	<C>	<C>
January 1	$ 333	$ 459
Transferred from accrual	216	232
Returned to performing	(11)	(20)
Principal reductions	(139)	(154)
Sales	(40)	(73)
Charge-offs and valuation adjustments	(30)	(50)
September 30	$ 329	$ 394

</TABLE>

<TABLE>
<CAPTION>
ACCRUING LOANS PAST DUE 90 DAYS OR MORE

	Amount		Percent of Loans	
Dollars in millions	September 30 1998	December 31 1997	September 30 1998	December 31 1997
<S>	<C>	<C>	<C>	<C>
Consumer				
Guaranteed education	$ 22	$ 26	1.96%	2.32%
Credit card	70	69	1.81	1.80
Other	31	32	.31	.33
Total consumer	123	127	.82	.87
Residential mortgage	56	60	.45	.47
Commercial	58	78	.22	.39
Commercial real estate	30	23	1.06	.59
Total	$267	$288	.47	.53

</TABLE>

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, national and global 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.

<TABLE>
<CAPTION>
ALLOWANCE FOR CREDIT LOSSES

In millions	1998	1997
<S>	<C>	<C>
January 1	$ 972	$1,166
Charge-offs	(321)	(280)
Recoveries	54	88
Net charge-offs	(267)	(192)
Provision for credit losses	110	45
Acquisitions	1	8
September 30	$ 816	$1,027

</TABLE>

The allowance as a percent of nonperforming loans and period-end loans was 289% and 1.44%, respectively, at September 30, 1998. The comparable year-end 1997 amounts were 352% and 1.79%.

CHARGE-OFFS AND RECOVERIES

Nine months ended September 30 - dollars in millions	Charge-offs	Recoveries	Net Charge-offs	Percent of Average Loans
1998				
Consumer (excluding credit card)	$ 67	$27	$ 40	.48%
Credit card	220	12	208	7.05
Residential mortgage	6	1	5	.05
Commercial	21	12	9	.05
Commercial real estate	7	2	5	.21
Total	$321	$54	$267	.65
1997				
Consumer (excluding credit card)	$ 80	$27	$ 53	.62%
Credit card	154	20	134	5.16
Residential mortgage	8	1	7	.07
Commercial	31	34	(3)	(.02)
Commercial real estate	7	6	1	.03
Total	$280	$88	$192	.49

LIQUIDITY RISK Liquidity represents an institution's ability to obtain funds at reasonable rates to satisfy commitments to borrowers, demands of depositors and debtholders and to invest in strategic initiatives. Liquidity risk represents the possibility that the Corporation would be unable to generate, or otherwise obtain, funds at reasonable rates to satisfy such obligations or investments.

Key factors affecting the Corporation's liquidity include the availability and distribution of funding by type and maturity, asset quality, current and future earnings expectations, market factors, and management and business outlooks and strategies.

Liquidity risk is centrally managed by Asset & Liability Management. The Corporation manages liquidity risk considering the trend of overnight funding and upcoming asset and liability maturities, product, customer and industry concentrations of wholesale funding, securities portfolio liquidity, market factors such as interest rate swap, bank note and subordinated debt spreads and the Corporation's earnings expectations.

Liquidity risk management is complemented by the Corporation's ability to raise funds in the capital markets through asset securitizations or sales. 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 short-term investments, loans held for sale and securities available for sale. At September 30, 1998, such assets totaled $12 billion, with $3.7 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 September 30, 1998, approximately $4.5 billion of residential mortgages were available as collateral for borrowings from the FHLB.

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 $1.3 billion of debt and equity securities and $400 million of trust preferred capital securities. During the first nine months of 1998, the Corporation issued $140 million of subordinated debt and $200 million of trust preferred capital securities. In addition, the Corporation has $500 million unused line of credit.

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 $876 million at September 30, 1998. Dividends may also be impacted by capital needs, regulatory requirements, corporate policies, contractual restrictions and other factors.

Management believes the Corporation has sufficient liquidity to meet current obligations to borrowers, depositors, 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 nine months of 1998, the Corporation's interest rate risk exposures were consistently within policy limits. At September 30, 1998, if interest rates were to increase by 100 basis points over the next twelve months, net interest income would increase by 0.3%. If interest rates were to decrease by 100 basis points over the next twelve months, net interest income would decline by 0.4%.

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 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.

Based on the results of the economic value of equity model at September 30, 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 0.12% 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 0.19% 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 period-end value-at-risk of all trading operations was less than $400 thousand at September 30, 1998.

FINANCIAL DERIVATIVES

A variety of off-balance-sheet financial derivatives are used as part of the overall risk management process to manage interest rate and credit 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 interest rate risk management 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.

Credit-related derivatives provide, for a fee, a guarantee of a portion of the credit risk associated with the underlying financial instruments. Such contracts are primarily used to manage credit risk and regulatory capital associated with commercial lending 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 risk management during the first nine months of 1998.

<TABLE>
<CAPTION>
FINANCIAL DERIVATIVES ACTIVITY

1998 - dollars in millions	January 1	Additions	Maturities	Terminations	September 30	Weighted-Average Maturity
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Interest rate risk management						
Interest rate swaps						
Receive fixed	$ 4,320	$ 5,155	$ (1,547)	$(1,040)	$ 6,888	2 yr. 6 mo.
Pay fixed	448	301	(94)	(636)	19	11 mo.
Basis swaps	1,011	810	(67)		1,754	4 yr. 9 mo.
Interest rate caps	542	227	(116)	(5)	648	4 yr. 3 mo.
Interest rate floors	3,645	3,404	(2,100)	(100)	4,849	1 yr. 7 mo.
Total interest rate risk management	9,966	9,897	(3,924)	(1,781)	14,158	
Mortgage banking activities						
Residential						
Forward contracts						
Commitments to purchase loans	1,652	15,343	(13,808)		3,187	2 mo.
Commitments to sell loans	1,335	20,598	(18,928)		3,005	2 mo.
Options	58	663	(490)		231	2 mo.
Interest rate floors - MSR	1,470	3,875		(950)	4,395	4 yr. 9 mo.
Total residential	4,515	40,479	(33,226)	(950)	10,818	
Commercial		598		(100)	498	7 yr.
Total mortgage banking activities	4,515	41,077	(33,226)	(1,050)	11,316	
Credit-related activities						
Credit default swaps		4,305			4,305	3 yr.
Total	$14,481	$55,279	$(37,150)	$(2,831)	$29,779	

</TABLE>

During the first nine months of 1998, financial derivatives used in interest rate risk management increased net interest income by $9 million compared with an $8 million decrease 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 risk management. Weighted-average interest rates presented are those expected to be in effect based on the implied forward yield curve.

<TABLE>
<CAPTION>
FINANCIAL DERIVATIVES

			Weighted-Average Interest Rates	
September 30, 1998 - dollars in millions	Notional Value	Estimated Fair Value	Paid	Received
<S>	<C>	<C>	<C>	<C>
Interest rate risk management				
Asset rate conversion				
Interest rate swaps (1)				

Receive fixed designated to loans	$ 5,550	$119	4.82%	5.98%
Pay fixed designated to loans	5		6.23	4.77
Basis swaps designated to other earning assets	300	5	4.29	4.98
Interest rate caps designated to loans (2)	648	3		
Interest rate floors designated to loans (3)	4,849	12		
Total asset rate conversion	11,352	139		
Liability rate conversion				
Interest rate swaps (1)				
Receive fixed designated to:				
Interest-bearing deposits	325	19	4.87	6.32
Borrowed funds	1,013	68	4.98	6.19
Pay fixed designated to borrowed funds	14	1	5.62	5.50
Basis swaps designated to borrowed funds	1,454	9	4.89	4.89
Total liability rate conversion	2,806	97		
Total interest rate risk management	14,158	236		
Mortgage banking activities				
Residential				
Forward contracts				
Commitments to purchase loans	3,187	(1)		
Commitments to sell loans	3,005	(13)		
Options	231	3		
Interest rate floors - MSR (3)	4,395	78		
Total residential	10,818	67		
Commercial	498	(12)		
Total mortgage banking activities	11,316	55		
Credit-related activities				
Credit default swaps	4,305			
Total financial derivatives	$29,779	$291		

</TABLE>

(1) The floating rate portion of interest rate contracts is based on money-market indices. As a percent of notional value, 48% were based on 1-month LIBOR, 47% on 3-month LIBOR and the remainder on other short-term indices.
(2) Interest rate caps with notional values of $228 million, $187 million and $230 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 5.94% and Prime over a weighted-average strike of 8.85%, respectively. At September 30, 1998, 3-month LIBOR was 5.31%, 1-month LIBOR was 5.38% and Prime was 8.5%.
(3) Interest rate floors with notional values of $4.5 billion, $2.6 billion and $1.8 billion require the counterparty to pay the Corporation the excess, if any, of the weighted-average strike of 5.00% over 3-month LIBOR and the weighted-average strike of 5.39% over 10-year CMT and weighted-average strike of 5.18% over 10-year CMS, respectively. At September 30, 1998, 3-month LIBOR was 5.31%, 10-year CMT was 4.44% and 10-year CMS was 5.30%.

OTHER DERIVATIVES To accommodate customer needs, PNC Bank enters into customer-related 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.

Additionally, the Corporation enters into other derivatives transactions for risk management purposes. These positions are recorded at estimated fair value and changes in value are included in results of operations.

<TABLE>
<CAPTION>
OTHER DERIVATIVES

September 30, 1998 - in millions	Notional Value	Positive Fair Value	Negative Fair Value	Net Asset (Liability)
<S>	<C>	<C>	<C>	<C>
Customer-related				
Interest rate				
Swaps	$ 9,227	$ 88	$(109)	$(21)
Caps/floors				
Sold	2,477		(6)	(6)
Purchased	1,996	14		14

Foreign exchange	2,379	25	(16)	9
Other	1,794	8	(7)	1
Total customer-related	17,873	135	(138)	(3)
Other	727	1		1
Total other derivatives	$18,600	$136	$(138)	$ (2)

</TABLE>

THIRD QUARTER 1998 VS. THIRD QUARTER 1997

Net income for the third quarter of 1998 totaled $281 million or $.91 per diluted share compared with $262 million or $.83 per diluted share a year ago. Returns on average common shareholders' equity and average assets were 20.52% and 1.48%, respectively, in the third quarter of 1998 compared with 20.11% and 1.47% in the prior-year quarter.

Taxable-equivalent net interest income increased $25 million to $653 million in the third quarter of 1998. The net interest margin was 3.81% compared with 3.89% in the year-earlier period and 3.81% in the second quarter of 1998.

The provision for credit losses was $45 million in the third quarter of 1998 compared with $20 million last year.

Noninterest income was $676 million in the third quarter of 1998, an increase of 47% compared with the third quarter of 1997. Asset management, mutual fund servicing, consumer services, corporate finance and capital markets, and mortgage banking revenues each grew 20% or more compared with the prior year quarter. In addition, noninterest income included $30 million of gains from the sales of eight branches in Kentucky and Indiana that offset the impact of valuation adjustments on certain market-sensitive asset positions. Noninterest income also included $55 million of trading gains and $51 million of net securities gains resulting from mortgage banking hedging activities that offset an increase in the amortization of residential MSR.

Asset management and mutual fund servicing fees grew 24% and 33%, respectively, from the third quarter of 1997 reflecting significant new business.

Consumer services revenue increased $20 million or 25% compared with the third quarter of 1997 primarily due to growth in credit card accounts.

Corporate finance and capital markets fees increased 25% to $57 million in the third quarter of 1998 resulting from higher treasury management and capital markets fees.

Mortgage banking revenue grew $14 million or 20% from the prior-year quarter primarily due to higher servicing income reflecting the impact of servicing portfolio acquisitions and significant mortgage refinance activity. Residential mortgage originations totaled $3.1 billion compared with $1.7 billion in the year-earlier period. At September 30, 1998, approximately $60.3 billion of mortgages were serviced compared with $41.0 billion in the prior-year period.

Noninterest expense of $843 million increased $191 million compared with the third quarter of 1997. The increase was primarily due to higher amortization of residential MSR, the impact of the Midland acquisition and incentive compensation commensurate with revenue growth.

Total assets were $76.2 billion at September 30, 1998. Average earning assets increased $4.0 billion from the prior-year quarter to $68.0 billion primarily due to higher loans and loans held for sale. Average loans grew $2.7 billion to $55.9 billion, a 5.1% increase from the prior year. Growth in commercial loans more than offset a decline in residential mortgages and downsizing of the indirect automobile lending portfolio. The increase in commercial loans was primarily in middle market and secured lending. Loans represented 82.3% of average earning assets in the third quarter of 1998 compared with 83.2% a year ago. Average loans held for sale increased $2.3 billion reflecting higher residential mortgage originations and the commercial mortgage inventory of Midland. Average securities available for sale decreased $1.1 billion to $7.1 billion or 10.4% of average earning assets.

Net charge-offs were $88 million in the third quarter of 1998 compared with $73 million in the third quarter of last year. The corresponding ratios of net charge-offs as a percentage of average loans were 0.62% and 0.54%, respectively.

Average deposits decreased slightly to $44.5 billion in comparison with the prior-year period and represented 59.1% of total sources of funds.

Shareholders' equity totaled $5.8 billion at the end of the third quarter. At September 30, 1998 the leverage ratio was 7.18% and Tier I and Total risk-based capital ratios were 7.48% and 10.93%, respectively.

CONSOLIDATED STATEMENT OF INCOME

	Three months ended September 30		Nine months ended September 30	
In thousands, except per share data	1998	1997	1998	1997
INTEREST INCOME				
Loans and fees on loans	$1,166,728	$1,101,508	$3,424,186	$3,236,193
Securities available for sale	102,569	125,347	323,816	420,587
Other	84,989	43,489	210,758	112,880
Total interest income	1,354,286	1,270,344	3,958,760	3,769,660
INTEREST EXPENSE				
Deposits	371,563	372,860	1,095,409	1,087,015
Borrowed funds	336,676	277,567	949,450	819,628
Total interest expense	708,239	650,427	2,044,859	1,906,643
Net interest income	646,047	619,917	1,913,901	1,863,017
Provision for credit losses	45,000	20,000	110,000	45,000
Net interest income less provision for credit losses	601,047	599,917	1,803,901	1,818,017
NONINTEREST INCOME				
Asset management	143,018	115,197	420,969	332,596
Mutual fund servicing	47,373	35,608	133,900	103,799
Service charges on deposits	52,598	50,899	150,307	152,231
Consumer services	97,966	78,260	273,638	224,421
Corporate finance and capital markets	57,414	45,987	174,733	143,012
Mortgage banking	85,988	71,956	246,873	155,453
Net securities gains (losses)	50,842	(2,657)	76,574	27,139
Other	140,671	63,997	348,994	198,266
Total noninterest income	675,870	459,247	1,825,988	1,336,917
NONINTEREST EXPENSE				
Staff expense	335,260	308,492	1,023,230	918,757
Net occupancy and equipment	98,928	90,704	297,164	

				271,769
Amortization	175,068	48,459	303,350	117,817
Marketing	14,407	11,376	78,531	59,653
Distributions on capital securities	16,396	13,192	43,503	30,015
Other	203,121	179,932	619,301	548,327
Total noninterest expense	843,180	652,155	2,365,079	1,946,338
Income before income taxes	433,737	407,009	1,264,810	1,208,596
Income taxes	153,149	145,414	434,551	421,617
Net income	$ 280,588	$ 261,595	$ 830,259	$ 786,979
EARNINGS PER COMMON SHARE				
Basic	$.92	$.84	$2.71	$2.47
Diluted	.91	.83	2.68	2.44

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

CONSOLIDATED BALANCE SHEET

<TABLE>
<CAPTION>

Dollars in millions, except par value	September 30 1998	December 31 1997
<S>	<C>	<C>
ASSETS		
Cash and due from banks	$ 1,982	$ 4,303
Short-term investments	832	1,526
Loans held for sale	3,833	2,324
Securities available for sale	7,152	8,522
Loans, net of unearned income of $445 and $412	56,752	54,245
Allowance for credit losses	(816)	(972)
Net loans	55,936	53,273
Other	6,503	5,172
Total assets	$76,238	$75,120
LIABILITIES		
Deposits		
Noninterest-bearing	$ 9,136	$10,158
Interest-bearing	37,739	37,491
Total deposits	46,875	47,649
Borrowed funds		
Bank notes and senior debt	10,558	9,826
Federal funds purchased	771	3,632
Repurchase agreements	1,041	714
Other borrowed funds	5,759	3,753
Subordinated debt	1,843	1,697
Total borrowed funds	19,972	19,622
Other	2,750	1,815
Total liabilities	69,597	69,086

Mandatorily redeemable capital securities of subsidiary trusts	848	650
SHAREHOLDERS' EQUITY		
Preferred stock	7	7
Common stock - $5 par value		
Authorized: 450,000,000 shares		
Issued: 352,822,767 and 348,447,600 shares	1,764	1,742
Capital surplus	1,178	1,042
Retained earnings	5,105	4,641
Deferred benefit expense	(54)	(41)
Accumulated other comprehensive income (loss)	17	(23)
Common stock held in treasury at cost: 51,937,391 and 48,017,641 shares	(2,224)	(1,984)
Total shareholders' equity	5,793	5,384
Total liabilities, capital securities and shareholders' equity	$76,238	$75,120

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

CONSOLIDATED STATEMENT OF CASH FLOWS

<TABLE>
<CAPTION>

Nine months ended September 30 - in millions	1998	1997
<S>	<C>	<C>
OPERATING ACTIVITIES		
Net income	$ 830	$ 787
Adjustments to reconcile net income to net cash provided (used) by operating activities		
Provision for credit losses	110	45
Depreciation, amortization and accretion	431	256
Deferred income taxes	73	93
Net securities gains	(76)	(27)
Net gain on sales of assets	(235)	(136)
Changes in		
Loans held for sale	(1,509)	(457)
Other	(621)	77
Net cash (used) provided by operating activities	(997)	638
INVESTING ACTIVITIES		
Net change in loans	(4,070)	(3,862)
Repayment of securities available for sale	1,599	1,344
Sales		
Securities available for sale	9,786	7,307
Loans	1,503	2,144
Foreclosed assets	47	85
Purchases		
Securities available for sale	(9,243)	(4,698)
Loans	(79)	(421)
Net cash paid for acquisitions/divestitures	(1,074)	
Other	203	(408)
Net cash (used) provided by investing activities	(1,328)	1,491
FINANCING ACTIVITIES		
Net change in		
Noninterest-bearing deposits	(1,022)	(1,023)
Interest-bearing deposits	890	147
Federal funds purchased	(2,861)	(2,194)
Sale/issuance		
Bank notes and senior debt	8,228	7,288
Repurchase agreements	84,509	60,301
Other borrowed funds	76,483	74,026
Subordinated debt	140	350
Capital securities	198	300
Common stock	114	131
Repayment/maturity		
Bank notes and senior debt	(7,496)	(4,910)
Repurchase agreements	(84,182)	(60,057)
Other borrowed funds	(74,358)	(75,451)
Subordinated debt	(2)	
Acquisition of treasury stock	(270)	(1,228)
Cash dividends paid	(367)	(365)

Net cash provided (used) by financing activities	4	(2,685)
DECREASE IN CASH AND DUE FROM BANKS	(2,321)	(556)
Cash and due from banks at beginning of year	4,303	4,016
Cash and due from banks at end of period	$ 1,982	$ 3,460
CASH PAID FOR		
Interest	$ 2,047	$ 1,929
Income taxes	262	303
NONCASH ITEMS		
Transfers from loans to other assets	33	57
Conversion of debt to equity	55	7

</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, Private Banking, Mortgage Banking, Secured Lending, Asset Management and Mutual Fund Servicing. Financial products and services are tailored to specific customer segments and offered nationally and in PNC Bank's primary geographic markets in Pennsylvania, New Jersey, Delaware, Ohio and Kentucky. 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 management believes is 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 and in residential and commercial mortgage banking activities. 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.

Additionally, the Corporation enters into other derivatives transactions for risk management purposes that are recorded at estimated fair value and changes in value are included in results of operations.

Credit-related derivatives are entered into to manage credit risk and regulatory capital associated with commercial lending activities. If the credit-related derivative qualifies for hedge accounting treatment, the premium paid to enter the credit-related derivative is recorded in other assets and is deferred and amortized to noninterest income over the life of the agreement. Changes in the fair value of credit-related derivatives qualifying for hedge accounting treatment are reflected in the Corporation's financial position and have no impact on results of operations.

If the credit-related derivative does not qualify for hedge accounting treatment or if the Corporation is the seller of credit protection, the credit-related derivative is marked to market with gains or losses included in results of operations.

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. 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. Comprehensive income was $313 million in the third quarter and $870 million in the first nine months of 1998 compared with $311 million and $820 million, respectively, in 1997.

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, will impact financial statement footnote disclosure only and will not impact the reported financial position or results of operations of the Corporation.

SFAS No. 132 "Employer's Disclosures About Pensions and Other Postretirement Benefits," is effective for fiscal years beginning after December 15, 1997. This statement standardizes and combines the disclosure requirements for pension and other postretirement benefits to the extent practicable, requires additional information on changes in the benefit obligations and fair values of plan assets, and eliminates certain disclosures. This standard, when implemented, will impact financial statement footnote disclosure only and will not impact the reported financial position or results of operations of the Corporation.

SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," is required to be adopted in years beginning after June 15, 1999, although early adoption is permitted. The Corporation expects to adopt the new statement effective January 1, 2000. This statement requires the Corporation to recognize all financial derivatives on the balance sheet at fair value. Derivatives that are not hedges must be adjusted to fair value through income. If the derivative is a hedge as defined by the statement, changes in the fair value of derivatives will either be offset against the change in fair value of the hedged assets, liabilities, or firm commitments through earnings or recognized in other comprehensive income until the hedged item is recognized in earnings based on the nature of the hedge. The ineffective portion of a derivative's change in fair value will be immediately recognized in earnings. Management has not yet determined what effect this statement will have on results of operations and the financial position of the Corporation.

SFAS 134, Accounting for Mortgage-Backed Securities Retained After the Securitization of Mortgage Loans Held for Sale by a Mortgage Banking Enterprise (an amendment of SFAS 65), is effective January 1, 1999, although early application is permitted. This statement requires the Corporation to classify all mortgage-backed securities or other interests retained after a securitization of mortgage loans held for sale based on its ability and intent to sell or hold those investments. Any retained mortgage-backed securities that the Corporation commits to sell before or during the securitization process must be classified as trading securities. At the time of implementation, this standard permits a one-time reclassification of mortgage-backed securities and other beneficial interests retained after the securitization of mortgage loans held for sale from the trading category. Management does not believe that this statement will have a material impact on results of operations or the financial position of the Corporation.

CASH FLOWS

During the first nine months of 1998, net acquisition and divestiture activity which affected cash flows consisted of $539 million in acquired assets, $535 million in divested liabilities, cash payments totaling $1.1 million and receipt of $30 million in cash and due from banks. The Corporation did not have any acquisition or divestiture activity which affected cash flows during the first nine months of 1997.

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>

	September 30, 1998				December 31, 1997			
		Unrealized				Unrealized		
In millions	Amortized Cost	Gains	Losses	Fair Value	Amortized Cost	Gains	Losses	Fair Value
Debt securities								
U.S. Treasury and government agencies	$1,573	$59		$1,632	$1,102	$ 4	$ 1	$1,105
Mortgage backed	3,761	6	$16	3,751	4,672	4	53	4,623
Asset backed	983	6		989	2,079	5	1	2,083
State and municipal	132	6		138	170	7		177
Other debt	33	5	3	35	34		1	33
Total debt securities	6,482	82	19	6,545	8,057	20		

							56	8,021
Corporate stocks and other	644		37	607	501	3	3	501
Total securities available for sale	$7,126	$82	$56	$7,152	$8,558	$23	$59	$8,522

</TABLE>

NONPERFORMING ASSETS

Nonperforming assets were as follows:

<TABLE>
<CAPTION>

In millions	September 30 1998	December 31 1997
<S>	<C>	<C>
Nonperforming loans	$282	$276
Foreclosed assets	47	57
Total nonperforming assets	$329	$333

</TABLE>

ALLOWANCE FOR CREDIT LOSSES

Changes in the allowance for credit losses were as follows:

<TABLE>
<CAPTION>

In millions	1998	1997
<S>	<C>	<C>
Allowance at January 1	$ 972	$1,166
Charge-offs		
Consumer (excluding credit card)	(67)	(80)
Credit card	(220)	(154)
Residential mortgage	(6)	(8)
Commercial	(21)	(31)
Commercial real estate	(7)	(7)
Total charge-offs	(321)	(280)
Recoveries		
Consumer (excluding credit card)	27	27
Credit card	12	20
Residential mortgage	1	1
Commercial	12	34
Commercial real estate	2	6
Total recoveries	54	88
Net charge-offs	(267)	(192)
Provision for credit losses	110	45
Acquisitions	1	8
Allowance at September 30	$ 816	$1,027

</TABLE>

FINANCIAL DERIVATIVES

The notional and fair values of financial derivatives used for risk management were as follows:

<TABLE>
<CAPTION>

In millions	Notional Value	Positive Fair Value	Notional Value	Negative Fair Value
<S>	<C>	<C>	<C>	<C>
SEPTEMBER 30, 1998				
Interest rate				
Swaps	$ 8,156	$221	$ 505	
Caps	648	3		
Floors	4,500	20	349	$ (8)
Total interest rate risk management	13,304	244	854	(8)

Mortgage banking activities	4,626	81	6,690	(26)
Credit default swaps	4,305			
Total	$22,235	$325	$7,544	$(34)
DECEMBER 31, 1997				
Interest rate				
Swaps	$ 4,849	$106	$ 930	$(10)
Caps	542	4		
Floors	3,500	6	145	(1)
Total interest rate risk management	8,891	116	1,075	(11)
Mortgage banking activities	1,528	28	2,987	(6)
Total	$10,419	$144	$4,062	$(17)

</TABLE>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Other derivatives were as follows:

<TABLE>
<CAPTION>

In millions	Notional Value	Positive Fair Value	Negative Fair Value	Net Asset (Liability)
<S>	<C>	<C>	<C>	<C>
SEPTEMBER 30, 1998				
Customer-related				
Interest rate				
Swaps	$ 9,227	$ 88	$(109)	$(21)
Caps/floors				
Sold	2,477		(6)	(6)
Purchased	1,996	14		14
Foreign exchange	2,379	25	(16)	9
Other	1,794	8	(7)	1
Total customer-related	17,873	135	(138)	(3)
Other	727	1		1
Total other derivatives	$18,600	$136	$(138)	$ (2)
DECEMBER 31, 1997				
Customer-related				
Interest rate				
Swaps	$ 3,518	$ 15	$ (14)	$ 1
Caps/floors				
Sold	1,340		(4)	(4)
Purchased	1,215	4		4
Foreign exchange	1,700	23	(23)	
Other	734	1	(1)	
Total customer-related	$ 8,507	$ 43	$ (42)	$ 1

</TABLE>

CAPITAL SECURITIES OF SUBSIDIARY TRUSTS

Mandatorily Redeemable Capital Securities of Subsidiary Trusts ("Capital Securities") include preferred beneficial interests in the assets of PNC Capital Trust C ("Trust C"). Trust C holds $200 million aggregate principal amount of certain junior subordinated debentures due June 1, 2028 issued by the Corporation bearing interest at a floating rate per annum equal to 3-Month LIBOR plus 57 basis points. The rate in effect at September 30, 1998 was 6.195%. Cash distributions on the Capital Securities are made to the extent interest on the debentures is received by Trust C. In the event of certain changes or amendments to regulatory requirements or federal tax rules, the Capital Securities are redeemable in whole. Otherwise, the Capital Securities are generally redeemable in whole or in part on or after June 1, 2008, at 100% of par.

EARNINGS PER COMMON SHARE

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

	Three months ended September 30		Nine months ended September 30	
In thousands, except per share data	1998	1997	1998	1997
CALCULATION OF BASIC EARNINGS PER COMMON SHARE				
Net income	$280,588	$261,595	$830,259	$786,979
Less: Preferred dividends declared	4,837	4,860	14,529	14,604
Net income applicable to basic earnings per common share	$275,751	$256,735	$815,730	$772,375
Basic weighted-average common shares outstanding	300,640	305,920	300,521	312,485
BASIC EARNINGS PER COMMON SHARE	$.92	$.84	$2.71	$2.47
CALCULATION OF DILUTED EARNINGS PER COMMON SHARE				
Net income	$280,588	$261,595	$830,259	$786,979
Add: Interest expense on convertible debentures (net of tax)	4	755	876	2,282
Less: Dividends declared on nonconvertible preferred stock	4,538	4,537	13,613	13,612
Net income applicable to diluted earnings per common share	$276,054	$257,813	$817,522	$775,649
Basic weighted-average common shares outstanding	300,640	305,920	300,521	312,485
Weighted-average common shares to be issued using average market price and assuming:				
Conversion of preferred stock Series A and B	147	162	151	164
Conversion of preferred stock Series C and D	1,134	1,227	1,153	1,252
Conversion of debentures	26	2,444	1,009	2,471
Exercise of stock options	1,606	1,785	1,966	1,787
Incentive share awards	633	309	502	306
Diluted weighted-average common shares outstanding	304,186	311,847	305,302	318,465
DILUTED EARNINGS PER COMMON SHARE	$.91	$.83	$2.68	$2.44

LITIGATION

The Corporation's Annual Report on Form 10-K for the year ended December 31, 1997 included a description of a consolidated class action complaint against the Corporation and certain officers, alleging violations of federal securities laws and related common law claims. The parties entered into a settlement agreement, which received final approval of the court on September 26, 1998. The settlement did not have a material impact on the Corporation's financial position or results of operations.

OTHER FINANCIAL INFORMATION

In connection with the Midlantic Corporation ("Midlantic") merger, borrowed funds of Midlantic in the aggregate principal amount of $300 million at September 30, 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	September 30 1998	December 31 1997
ASSETS		
Cash and due from banks	$1,982	$4,302
Securities available for sale	6,943	8,276
Loans, net of unearned income	56,602	54,126
Allowance for credit losses	(816)	(971)
Net loans	55,786	53,155
Other assets	9,954	8,144
Total assets	$74,665	$73,877
LIABILITIES		
Deposits	$46,945	$47,766
Borrowed funds	18,755	18,437
Other liabilities	1,924	1,145
Total liabilities	67,624	67,348
Mandatorily redeemable capital securities of subsidiary trusts	350	350
SHAREHOLDER'S EQUITY	6,691	6,179
Total liabilities, capital securities and shareholder's equity	$74,665	$73,877

PNC BANCORP, INC., AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF INCOME

Nine months ended September 30 - in millions	1998	1997
Interest income	$3,923	$3,735
Interest expense	1,970	1,840
Net interest income	1,953	1,895
Provision for credit losses	110	45
Net interest income less provision for credit losses	1,843	1,850
Noninterest income	1,671	1,174
Noninterest expense	2,273	1,851
Income before income taxes	1,241	1,173
Income taxes	438	416

	1998	1997
Net income	$ 803	$ 757

</TABLE>

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 $876 million at September 30, 1998. Dividends may also be impacted by capital needs, regulatory requirements, corporate policies, contractual restrictions and other factors.

STATISTICAL INFORMATION

CONSOLIDATED AVERAGE BALANCE SHEET AND NET INTEREST ANALYSIS

<TABLE>
<CAPTION>

	Nine months ended September 30					
	1998			1997		
Average balances in millions, interest in thousands Taxable-equivalent basis	Average Balances	Interest	Average Yields/Rates	Average Balances	Interest	Average Yields/Rates
ASSETS						
Interest-earning assets						
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Loans held for sale	$ 3,059	$ 161,386	7.03%	$ 1,329	$ 72,910	7.32%
Securities available for sale						
U.S. Treasury and government agencies	5,179	220,032	5.67	6,389	286,726	5.99
Other debt	1,672	80,956	6.46	2,143	106,048	6.60
Other	540	26,240	6.49	581	32,767	7.53
Total securities available for sale	7,391	327,228	5.91	9,113	425,541	6.23
Loans, net of unearned income						
Consumer (excluding credit card)	11,073	706,157	8.53	11,352	718,838	8.47
Credit card	3,942	407,307	13.81	3,475	329,478	12.68
Residential mortgage	12,598	686,313	7.26	13,152	734,829	7.45
Commercial	22,159	1,319,889	7.85	18,737	1,106,748	7.79
Commercial real estate	3,224	208,249	8.52	4,067	266,849	8.65
Other	2,133	112,246	7.01	1,868	96,575	6.90
Total loans, net of unearned income	55,129	3,440,161	8.29	52,651	3,253,317	8.21
Other interest-earning assets	1,042	49,832	6.35	900	40,170	5.92
Total interest-earning assets/interest income	66,621	3,978,607	7.94	63,993	3,791,938	7.87
Noninterest-earning assets						
Allowance for credit losses	(887)			(1,100)		
Cash and due from banks	2,274			2,896		
Other assets	5,691			4,779		
Total assets	$73,699			$70,568		

LIABILITIES, CAPITAL SECURITIES AND SHAREHOLDERS' EQUITY						
Interest-bearing liabilities						
Interest-bearing deposits						
Demand and money market	$14,430	322,408	2.99	$13,318	285,676	2.87
Savings	2,644	39,196	1.98	2,919	43,030	1.97
Other time	16,995	690,807	5.43	17,570	711,423	5.41
Deposits in foreign offices	1,017	42,998	5.57	1,127	46,886	5.49
Total interest-bearing deposits	35,086	1,095,409	4.17	34,934	1,087,015	4.16
Borrowed funds						
Bank notes and senior debt	10,827	466,434	5.68	8,732	372,032	5.62
Federal funds purchased	2,663	112,094	5.55	2,959	122,821	5.47
Repurchase agreements	1,624	59,187	4.81	819	33,129	5.33
Other borrowed funds	4,603	209,073	5.99	4,622	205,573	5.93
Subordinated debt	1,784	102,662	7.67	1,452	86,073	7.91
Total borrowed funds	21,501	949,450	5.83	18,584	819,628	5.84
Total interest-bearing liabilities/interest expense	56,587	2,044,859	4.80	53,518	1,906,643	4.74
Noninterest-bearing liabilities, capital securities and shareholders' equity						
Demand and other noninterest-bearing deposits	9,353			9,585		
Accrued expenses and other liabilities	1,518			1,469		
Mandatorily redeemable capital securities of subsidiary trusts	733			498		
Shareholders' equity	5,508			5,498		
Total liabilities, capital securities and shareholders' equity	$73,699			$70,568		
Interest rate spread			3.14			3.13
Impact of noninterest-bearing liabilities			.72			.78
Net interest income/margin		$1,933,748	3.86%		$1,885,295	3.91%

</TABLE>

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

<TABLE>
<CAPTION>

Third Quarter 1998			Second Quarter 1998			Third Quarter 1997	
Average Balances	Interest	Average Yields/Rates	Average Balances	Interest	Average Yields/Rates	Average Balances	Interest

Yields/Rates

<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
$ 3,850	$ 67,387	7.00%	$ 2,948	$ 51,719	7.02%	$ 1,555	$ 29,046	7.47%
4,714	66,008	5.58	5,252	73,741	5.62	5,823	85,530	5.86
1,842	29,233	6.35	1,531	24,710	6.46	1,824	30,155	6.61
517	8,356	6.43	540	8,673	6.44	569	11,368	7.95
7,073	103,597	5.85	7,323	107,124	5.86	8,216	127,053	6.17
11,038	235,510	8.47	10,995	234,621	8.56	10,996	235,885	8.51
4,029	141,534	13.94	4,048	132,887	13.17	3,871	122,537	12.56
12,455	224,636	7.21	12,560	228,036	7.26	13,503	252,315	7.47
23,359	468,335	7.84	22,425	444,909	7.85	18,839	373,402	7.76
2,850	62,978	8.65	3,206	66,593	8.22	4,041	89,227	8.64
2,207	38,972	7.06	2,114	37,038	7.01	1,952	33,884	6.94
55,938	1,171,965	8.28	55,348	1,144,084	8.23	53,202	1,107,250	8.23
1,097	17,822	6.41	1,069	16,576	6.18	981	14,509	5.82
67,958	1,360,771	7.92	66,688	1,319,503	7.89	63,954	1,277,858	7.92
(830)			(885)			(1,059)		
2,022			2,020			2,878		
6,140			5,809			4,808		
$75,290			$73,632			$70,581		
$14,787	113,212	3.04	$14,344	105,649	2.95	$13,715	103,872	3.00
2,610	12,991	1.97	2,675	13,227	1.98	2,773	13,850	1.98
16,896	230,355	5.41	16,749	226,830	5.43	17,336	238,948	5.47
1,060	15,005	5.54	1,188	16,618	5.53	1,128	16,190	5.62
35,353	371,563	4.17	34,956	362,324	4.15	34,952	372,860	4.23
11,845	171,626	5.67	10,643	152,880	5.68	9,337	135,910	5.70
2,496	35,689	5.60	3,089	43,055	5.51	2,342	33,220	5.55
1,587	19,407	4.79	1,762	21,177	4.75	935	12,600	5.27
4,871	74,815	6.01	4,524	68,227	5.97	4,221	63,686	6.03
1,843	35,139	7.63	1,826	34,854	7.64	1,649	32,151	7.80
22,642	336,676	5.83	21,844	320,193	5.81	18,484	277,567	5.92
57,995	708,239	4.82	56,800	682,517	4.79	53,436	650,427	4.82

9,169			9,213			9,654		
1,632			1,445			1,460		
848			698			650		
5,646			5,476			5,381		
$75,290			$73,632			$70,581		
		3.10			3.10			3.10
		.71			.71			.79
	$ 652,532	3.81%		$ 636,986	3.81%		$ 627,431	3.89%

</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 September 30, 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 October 30, 1998, PNC Bank Corp. had 300,900,627 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.

<TABLE>
<CAPTION>

</TABLE>

PART II   OTHER INFORMATION

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
99	Tax Opinion of Arnold & Porter

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 Lynn F. Evans, Director, Financial Reporting, at corporate headquarters. Requests may also be directed to (412) 762-1553 or to financial.reporting@pncbank.com.

Since June 30, 1998, the Corporation filed the following Current Reports on Form 8-K:

Form 8-K dated as of July 16, 1998, reporting the Corporation's consolidated financial results for the three months and six months ended June 30, 1998, filed pursuant to Item 5.

Form 8-K dated as of October 15, 1998, reporting the Corporation's consolidated financial results for the three months and nine months ended September 30, 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 November 16, 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

STOCK LISTING

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

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.

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 Lynn F. Evans, Director, Financial Reporting, at corporate headquarters.

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

INTERNET INFORMATION

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

COMMON STOCK PRICES/DIVIDENDS DECLARED

The table below sets forth by quarter the range of high and low sale and quarter-end closing prices for 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
Second	66.750	53.813	53.875	.39
Third	60.000	41.625	45.000	.39
Total				$1.17

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

Subsequent to quarter end the Corporation's Board of Directors increased the quarterly dividend on common stock to $.41 per share.

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

<TABLE>
<CAPTION>

Dollars in thousands	Nine months ended September 30, 1998	Year ended December 31 1997	1996	1995	1994	1993
EARNINGS						
Income before taxes and cumulative effect of changes in accounting principles	$1,264,810	$1,618,599	$1,527,551	$ 627,012	$1,209,916	$1,140,487
Fixed charges excluding interest on deposits	1,019,134	1,171,648	1,096,893	1,487,279	1,104,573	704,228
Subtotal	2,283,944	2,790,247	2,624,444	2,114,291	2,314,489	1,844,715
Interest on deposits	1,095,409	1,456,587	1,428,771	1,551,816	1,159,242	1,005,658
Total	$3,379,353	$4,246,834	$4,053,215	$3,666,107	$3,473,731	$2,850,373
FIXED CHARGES						
Interest on borrowed funds	$948,749	$1,098,365	$1,064,847	$1,455,069	$1,070,565	$ 676,319
Interest component of rentals	26,181	29,312	29,839	31,283	32,247	26,491
Amortization of borrowed funds	701	833	816	927	1,761	1,418
Distributions on capital securities	43,503	43,138	1,391			
Subtotal	1,019,134	1,171,648	1,096,893	1,487,279	1,104,573	704,228
Interest on deposits	1,095,409	1,456,587	1,428,771	1,551,816	1,159,242	1,005,658
Total	$2,114,543	$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	2.24x	2.38x	2.39x	1.42x	2.10x	2.62x
Including interest on deposits	1.60	1.62	1.60	1.21	1.53	1.67

</TABLE>

PNC BANK CORP. AND SUBSIDIARIES EXHIBIT 12.2

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

<TABLE>
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	Nine months ended	Year ended December 31				
Dollars in thousands	September 30, 1998	1997	1996	1995	1994	1993
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EARNINGS						
Income before taxes and cumulative effect of changes in accounting principles	$1,264,810	$1,618,599	$1,527,551	$ 627,012	$1,209,916	$1,140,487
Fixed charges and preferred stock dividends excluding interest on deposits	1,041,486	1,201,582	1,105,324	1,492,391	1,112,564	712,339
Subtotal	2,306,296	2,820,181	2,632,875	2,119,403	2,322,480	1,852,826
Interest on deposits	1,095,409	1,456,587	1,428,771	1,551,816	1,159,242	1,005,658
Total	$3,401,705	$4,276,768	$4,061,646	$3,671,219	$3,481,722	$2,858,484
FIXED CHARGES						
Interest on borrowed funds	$ 948,749	$1,098,365	$1,064,847	$1,455,069	$1,070,565	$ 676,319
Interest component of rentals	26,181	29,312	29,839	31,283	32,247	26,491
Amortization of borrowed funds	701	833	816	927	1,761	1,418
Distributions on capital securities	43,503	43,138	1,391			
Preferred stock dividends	22,352	29,934	8,431	5,112	7,991	8,111
Subtotal	1,041,486	1,201,582	1,105,324	1,492,391	1,112,564	712,339
Interest on deposits	1,095,409	1,456,587	1,428,771	1,551,816	1,159,242	1,005,658
Total	$2,136,895	$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	2.21x	2.35x	2.38x	1.42x	2.09x	2.60x
Including interest on deposits	1.59	1.61	1.60	1.21	1.53	1.66

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This schedule contains summary financial information extracted from the consolidated financial information incorporated by reference to the 1998 Third Quarter Financial Review and is qualified in its entirety by reference to such financial information.
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EXHIBIT 99

October 9, 1998

PNC Bank Corp.
One PNC Plaza
Fifth Avenue and Wood Street
Pittsburgh, Pennsylvania 15265

Hilliard-Lyons Corp.
Hilliard Lyons Center
Louisville, Kentucky 40202

Ladies and Gentlemen:

Reference is made to the information set forth under the heading "PROPOSED MERGER - Certain U.S. Federal Income Tax Consequences" contained in the Proxy Statement/Prospectus, which is included in the Registration Statement on Form S-4 (the "Registration Statement"), filed by PNC Bank Corp. ("PNC") with the Securities and Exchange Commission (the "SEC"), at File No. 333-64595, and which is being furnished to shareholders of Hilliard-Lyons Corp. ("Hilliard Lyons") in connection with the solicitation of proxies by the Board of Directors of Hilliard Lyons for their use at Hilliard Lyons' special meeting of stockholders, at which stockholders of Hilliard Lyons will be asked to approve an Agreement and Plan of Merger, dated August 20, 1998. Subject to the representations, assumptions and other conditions described or referenced in this letter or under that heading, it is our opinion that the discussion of certain anticipated material federal income tax consequences contained under that heading is accurate in all material respects.

Our opinion is based on the case law, Internal Revenue Code, Treasury Regulations and Internal Revenue Service rulings as they exist at the date hereof. These authorities are all subject to change, and any such change may be made with retroactive effect. We can give no assurance that, after such change, our opinion would not be different. We undertake no responsibility to update or supplement our opinion following the effective date of the Registration Statement.

We hereby consent to the filing with the SEC of this opinion as an exhibit to PNC's Quarterly Report on Form 10-Q for the quarter ended September 30, 1998 and to the reference to our firm under the heading "PROPOSED MERGER - Certain Federal Income Tax Consequences" in the prospectus contained in the Registration Statement. In giving such consent, we do not thereby admit that we are in the category of persons whose consent is required under Section 7 of the Securities Act of 1933.

Very truly yours,

/s/ ARNOLD & PORTER

Arnold & Porter