THE PNC FINANCIAL SERVICES GROUP, INC.

Quarterly Report on Form 10-Q
For the quarterly period ended March 31, 2002

Page 1 represents a portion of the first quarter 2002 Financial Review which is not required by the Form 10-Q report and is not "filed" as part of the Form 10-Q.

The Quarterly Report on Form 10-Q and cross reference index is on page 47.

FINANCIAL HIGHLIGHTS
THE PNC FINANCIAL SERVICES GROUP, INC.
<TABLE>
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For the three months ended - dollars in millions, except per share data Unaudited	March 31 2002	March 31 2001
FINANCIAL PERFORMANCE		
Revenue		
<S>	<C>	<C>
Net interest income (taxable-equivalent basis)	$593	$559
Noninterest income	774	715
Total revenue	$1,367	$1,274
Income from continuing operations	$317	$265
Discontinued operations		5
Income before cumulative effect of accounting change	317	270
Cumulative effect of accounting change		(5)
Net income	$317	$265
Per common share		
Diluted earnings		
Continuing operations	$1.11	$.89
Discontinued operations		.02
Before cumulative effect of accounting change	1.11	.91
Cumulative effect of accounting change		(.02)
Net income	$1.11	$.89
Cash dividends declared	$.48	$.48
SELECTED RATIOS		
FROM CONTINUING OPERATIONS		
Return on		
Average common shareholders' equity	21.83 %	16.59 %
Average assets	1.89	1.49
Net interest margin	4.12	3.62
Noninterest income to total revenue	56.62	56.12
Efficiency (a)	57.54	58.37
FROM NET INCOME		
Return on		
Average common shareholders' equity	21.83 %	16.59 %
Average assets	1.89	1.43
Net interest margin	4.12	3.53
Noninterest income to total revenue	56.62	56.40
Efficiency (a)	57.54	58.19

</TABLE>

(a) The efficiency ratio is the sum of noninterest expense and minority interest in income of consolidated entities divided by the sum of taxable-equivalent net interest income and noninterest income. Amortization, distributions on capital securities and residential mortgage banking risk management activities are excluded for purposes of computing this ratio.

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Dollars in millions, except per share data	March 31 2002	December 31 2001	March 31 2001
BALANCE SHEET DATA			
Assets	$66,564	$69,568	$70,966
Earning assets	55,856	57,875	60,548
Loans, net of unearned income	38,539	37,974	45,626
Securities	11,092	13,908	11,976
Loans held for sale	3,648	4,189	1,765
Deposits	44,910	47,304	47,189
Borrowed funds	10,988	12,090	12,279
Shareholders' equity	5,979	5,823	6,781
Common shareholders' equity	5,969	5,813	6,470
Book value per common share	21.02	20.54	22.39
Loans to deposits	86 %	80 %	97 %
CAPITAL RATIOS			
Leverage	6.9 %	6.8 %	7.8 %
Common shareholders' equity to total assets	8.97	8.36	9.12
ASSET QUALITY RATIOS			
Nonperforming assets to total loans, loans held for sale and foreclosed assets	1.04 %	.93 %	.81 %
Allowance for credit losses to total loans	1.85	1.66	1.48
Allowance for credit losses to nonaccrual loans	284	299	201
Net charge-offs to average loans (For the three months ended)	.43	7.30	.65

FINANCIAL REVIEW
THE PNC FINANCIAL SERVICES GROUP, INC.

This Financial Review should be read in conjunction with The PNC Financial Services Group, Inc. and subsidiaries ("Corporation" or "PNC") unaudited Consolidated Financial Statements and Statistical Information included herein and the Financial Review, audited Consolidated Financial Statements and Statistical Information included in the Corporation's 2001 Annual Report to Shareholders. Certain prior-period amounts have been reclassified to conform with the current year presentation. For information regarding certain business risks, see the Risk Factors and Risk Management sections in this Financial Review. Also, see the Forward-Looking Statements section in this Financial Review for certain other factors that could cause actual results to differ materially from forward-looking statements or historical performance.

OVERVIEW

THE PNC FINANCIAL SERVICES GROUP, INC.
The Corporation is one of the largest diversified financial services companies in the United States, operating businesses engaged in regional community banking, corporate banking, real estate finance, asset-based lending, wealth management, asset management and global fund services. The Corporation provides certain products and services nationally and others in PNC's primary geographic markets in Pennsylvania, New Jersey, Delaware, Ohio and Kentucky. The Corporation also provides certain banking, asset management and global fund services internationally.

PNC continues to pursue strategies to build a diverse and valuable business mix designed to create shareholder value over time. PNC's focus is on increasing the contribution from more highly-valued businesses such as asset management and processing while reducing lending leverage and improving the risk/return characteristics of traditional banking businesses. PNC also seeks to derive a greater proportion of its revenue from less volatile, fee-based products and services.

The first quarter of 2002 was characterized by a continued weak economy and only moderate capital markets recovery. The Corporation made progress in addressing a number of key challenges during the first quarter:

- Institutional repositioning loans held for sale decreased 23%;
- Overall asset quality was negatively impacted by the continued weakness in the economy and the resulting impact on PNC Business Credit;
- The ratio of PNC's loans to deposits was 86% at March 31, 2002, one of the lowest in PNC's peer group;
- PNC continued to invest in fee-based businesses such as asset management and processing to support continued growth in the customer base of these businesses;

- - Aggregate earnings from PNC Advisors, BlackRock and PFPC represented 26% of total business earnings for the first quarter of 2002 and PNC's noninterest income was 57% of total revenue for the first quarter of 2002;

- - Regional Community Banking earnings grew 11% during the first quarter of 2002 and improved its efficiency ratio to 48%, and

- - The Corporation completed its acquisition of a portion of the U.S. asset-based lending business of the National Bank of Canada, referred to in this discussion as the NBOC acquisition (see PNC Business Credit discussion within this Financial Review).

Management expects the remainder of 2002 will continue to be a challenging operating environment. The Corporation's success during the remainder of the year will depend on, among other factors, its ability to address its key operating challenges. See 2002 Operating Environment in the Financial Review section of the 2001 Annual Report on Form 10-K for additional information. Also, see the Risk Factors, Risk Management and Forward-Looking Statements sections of this Financial Review.

SUMMARY FINANCIAL RESULTS

Consolidated net income for the first three months of 2002 was $317 million or $1.11 per diluted share compared with $265 million or $.89 per diluted share for the first quarter of 2001. Results for the first quarter of 2002 reflected the required adoption of Statement of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets," under which goodwill is no longer amortized to expense. Excluding goodwill amortization expense from first quarter 2001 results, earnings would have been $288 million or $.97 per diluted share. Reported earnings in 2001 included income from discontinued operations of $.02 per diluted share and an after-tax loss of $.02 per diluted share related to the cumulative effect of the accounting change for the adoption of SFAS No. 133, "Accounting For Derivative Instruments and Hedging Activities," as amended by SFAS No. 137 and 138.

Return on average common shareholders' equity was 21.83% and return on average assets was 1.89% for the first quarter of 2002 compared with 16.59% and 1.43%, respectively, for the first quarter of 2001. Comparable prior year returns excluding goodwill amortization expense were 18.05% and 1.62%, respectively.

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

Taxable-equivalent net interest income was $593 million and the net interest margin was 4.12% for the first quarter of 2002 compared with $559 million and 3.62%, respectively, for the first quarter of 2001. The increases were primarily due to the impact of changes in balance sheet composition and a lower interest rate environment in 2002, combined with a steep yield curve. The provision for credit losses was $82 million for the first three months of 2002 compared with $80 million for the first three months of 2001. Net charge-offs were $41 million or .43% of average loans for the first quarter of 2002, compared with $80 million or .65%, respectively, for the first quarter of 2001. The provision for credit losses in the first quarter of 2002 reflected additional reserves related to the Corporate Banking business and the PNC Business Credit portfolio. The first quarter of 2001 included $41 million of provision related to loans designated for exit in that period.

As a result of the above activity and the recognition of $41 million of allowance acquired in connection with the NBOC acquisition, the allowance for credit losses was $712 million at March 31, 2002, compared with $630 million at December 31, 2001 and $675 million at March 31, 2001.

Noninterest income was $774 million for the first quarter of 2002 compared with $715 million for the first quarter of 2001, an increase of $59 million or 8%. Excluding equity management losses and net securities gains in both periods, total noninterest income increased $47 million for the first three months of 2002 compared with the prior year period. Corporate services revenue increased $42 million for the first quarter of 2002 compared with the first quarter of 2001 primarily due to $23 million of net gains in excess of valuation adjustments related to institutional loans held for sale and higher treasury management fees.

Total noninterest expense was $791 million for the first quarter of 2002 compared with $781 million for the first quarter of 2001 and the efficiency ratio remained flat at 58% for both periods.

Total assets were $66.6 billion at March 31, 2002 compared with $69.6 billion at December 31, 2001. At March 31, 2002, loans were $38.5 billion and loans held for sale were $3.6 billion, including $2.0 billion of institutional loans held for sale. At December 31, 2001, loans were $38.0 billion and loans held for sale were $4.2 billion, including $2.6 billion of institutional loans held for sale. The term "loans" in this Financial Review excludes loans held for sale and securities that represent interests in pools of loans.

Average interest-earning assets were $57.6 billion for the first quarter of 2002 compared with $61.5 billion for the first quarter of 2001. The decline primarily reflected the impact of the institutional lending repositioning.

Shareholders' equity totaled $6.0 billion at March 31, 2002 compared with $5.8 billion at December 31, 2001. The regulatory capital ratios were 6.9% for leverage, 7.7% for Tier I risk-based and 11.7% for total risk-based capital at March 31, 2002 compared with 6.8% for leverage, 7.8% for Tier 1 risk-based and 11.8% for total risk-based capital at December 31, 2001. Common shares outstanding at March 31, 2002 were 283.4 million.

Nonperforming assets were $438 million at March 31, 2002 compared with $391 million and $386 million at December 31, 2001 and March 31, 2001, respectively. The ratio of nonperforming assets to total loans, loans held for sale and foreclosed assets was 1.04% at March 31, 2002 compared with .93% at December 31, 2001 and .81% at March 31, 2001. The increase in nonperforming assets was primarily attributable to PNC Business Credit.

The allowance for credit losses was $712 million and represented 1.85% of period-end loans and 284% of nonperforming loans at March 31, 2002. The comparable amounts were $630 million, 1.66% and 299%, respectively, at December 31, 2001 and $675 million, 1.48% and 201%, respectively, at March 31, 2001.

Subsequent to the end of first quarter 2002, the Corporation learned of an apparent fraud related to a seller of receivables to Market Street Funding Corporation ("Market Street"), an asset-backed commercial paper conduit that is independently owned and managed. PNC provides administrative services, a portion of the program-level credit enhancement and participates with other banks in providing liquidity facilities to Market Street. In April 2002, PNC funded approximately $50 million to Market Street under a liquidity facility agreement. Reserves were specifically allocated to cover substantially all of this exposure at March 31, 2002. PNC is evaluating possible sources of recovery for its loss.

STRATEGIC REPOSITIONING

As previously reported, PNC took several actions in 2001 to accelerate the strategic repositioning of its lending businesses that began in 1998. A total of $12.0 billion of credit exposure (comprised of loans outstanding, unfunded commitments and letters of credit) including $6.2 billion of outstandings were designated for exit or transferred to held for sale during 2001, of which $10.1 billion and $4.3 billion,

respectively, related to the institutional lending portfolio. The remaining $1.9 billion of credit exposure and outstandings related to PNC's vehicle leasing business that is being discontinued. At March 31, 2002, PNC's vehicle leasing business had $1.8 billion in assets that have been designated for exit and are expected to mature over a period of approximately five years.

Details of the credit exposure and outstandings by business in the institutional lending held for sale and exit portfolios are as follows:

<TABLE>
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INSTITUTIONAL LENDING HELD FOR SALE AND EXIT PORTFOLIOS

March 31, 2002 - in millions	Credit Exposure	Outstandings
LOANS HELD FOR SALE		
Corporate Banking	$3,519	$1,714
PNC Real Estate Finance	320	234
PNC Business Credit	35	27
Total loans held for sale	3,874	1,975
EXIT		
Corporate Banking	1,945	113
PNC Real Estate Finance	25	
Total exit	1,970	113
Total	$5,844	$2,088

</TABLE>

<TABLE>

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December 31, 2001 - in millions	Credit Exposure	Outstandings
<S>	<C>	<C>
LOANS HELD FOR SALE		
Corporate Banking	$4,594	$2,294
PNC Real Estate Finance	324	244
PNC Business Credit	40	30
Total loans held for sale	4,958	2,568
EXIT		
Corporate Banking	2,662	192
PNC Real Estate Finance	30	5
Total exit	2,692	197
Total	$7,650	$2,765

</TABLE>

ROLLFORWARD OF INSTITUTIONAL LENDING HELD FOR SALE PORTFOLIO

<TABLE>
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In millions	Credit Exposure	Outstandings
<S>	<C>	<C>
January 1, 2002	$4,958	$2,568
Additions	26	150
Sales	(560)	(425)
Other reductions, including payments	(461)	(237)
Valuation adjustments, net	(89)	(81)
March 31, 2002	$3,874	$1,975

</TABLE>

During the first quarter of 2002, the liquidation of institutional loans held for sale resulted in net gains in excess of valuation adjustments of $23 million. Details by business follow:

INSTITUTIONAL LENDING HELD FOR SALE ACTIVITY

<TABLE>
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Three months ended March 31, 2002 In millions	Net gains on liquidation	Valuation Adjustments	Total
<S>	<C>	<C>	<C>
Corporate Banking	$110	$(81)	$29
PNC Real Estate Finance	1	(7)	(6)
PNC Business Credit	1	(1)	
Total	$112	$(89)	$23

</TABLE>

In addition to the actions taken regarding the institutional lending held for sale and exit portfolios, the Corporation also recorded charges in 2001 totaling $208 million in connection with other actions and additions to reserves. Reserves related to these actions totaled $159 million at March 31, 2002. The following table summarizes the first quarter 2002 changes to these reserves:

ROLLFORWARD OF OTHER RESERVES RELATED TO FOURTH QUARTER 2001 ACTIONS

<TABLE>
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In millions	2001 Charge	Utilized in 2001	First Quarter 2002 Activity	At Mar. 31, 2002
<S>	<C>	<C>	<C>	<C>
Vehicle leasing	$135	$(11)	$(3)	$121
Asset impairment and severance costs	37	(24)	(10)	3
Facilities consolidation and other charges	36		(1)	35
Total	$208	$(35)	$(14)	$159

</TABLE>

The fourth quarter 2001 charge of $135 million in connection with the vehicle leasing business included exit costs and additions to reserves related to insured residual value exposures. At March 31, 2002, the related liability had been reduced to $121 million as a result of goodwill impairment of $11 million recorded in the fourth quarter of 2001 and a net $3 million reduction related to severance and contractual payments recorded in the first quarter of 2002 in connection with PNC's exit of this business. The liability for asset impairment and severance costs had been reduced to $3 million at March 31, 2002 as a result of asset write-downs of $24 million in the fourth quarter of 2001 and $10 million of severance benefits in the first three months of 2002.

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

See Strategic Repositioning in the Risk Factors section of this Financial Review for additional information regarding certain risks associated with executing the repositioning strategies.

REVIEW OF BUSINESSES

PNC operates seven major businesses engaged in regional community banking, corporate banking, real estate finance, asset-based lending, wealth management, asset management and global fund services.

Results of individual businesses are presented based on PNC's management accounting practices and the Corporation's management structure. There is no comprehensive, authoritative body of guidance for management accounting equivalent to generally accepted accounting principles; therefore, the financial results of individual businesses are not necessarily comparable with similar information for any other company. Financial results are presented, to the extent practicable, as if each business operated on a stand-alone basis. Also, certain amounts for 2001 have been reclassified to conform with the 2002 presentation.

The management accounting process uses various balance sheet and income statement assignments and transfers to measure performance of the businesses. Methodologies change from time to time as management accounting practices are enhanced and businesses change. Securities available for sale or borrowings and related net interest income are assigned based on the net asset or liability position of each business. Capital is assigned based on management's assessment of inherent risks and equity levels at independent companies providing similar products and services. The allowance for credit losses is allocated based on management's assessment of risk inherent in the loan portfolios. Support areas not directly aligned with the businesses are allocated primarily based on the utilization of services.

Total business financial results differ from consolidated results from continuing operations primarily due to differences between management accounting practices and generally accepted accounting principles, equity management activities, minority interest in income of consolidated entities, residual asset and liability management activities, unallocated reserves, eliminations and unassigned items, the impact of which is reflected in the "Other" category. The operating results and financial impact of the disposition of the residential mortgage banking business, previously PNC Mortgage, are included in discontinued operations.

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

RESULTS OF BUSINESSES
<TABLE>
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	Earnings		Revenue (a)		Return on Assigned Capital		Average Assets	
Three months ended March 31 - dollars in millions	2002	2001	2002	2001	2002	2001	2002	2001

<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Banking Businesses								
Regional Community Banking	$177	$160	$551	$542	27%	24%	$38,749	$40,617
Corporate Banking	33	20	194	191	12	6	15,217	17,686
PNC Real Estate Finance	22	14	51	53	22	14	5,174	5,453
PNC Business Credit	2	16	45	38	3	41	3,817	2,377
Total banking businesses	234	210	841	824	22	18	62,957	66,133
Asset Management and Processing								
PNC Advisors	33	44	183	199	25	32	3,042	3,505
BlackRock	31	25	146	134	25	26	667	500
PFPC	17	17	197	197	33	33	1,848	1,735
Total asset management and processing	81	86	526	530	26	30	5,557	5,740
Total business results	315	296	1,367	1,354	23	21	68,514	71,873
Other	2	(31)		(80)			(355)	(88)
Results from continuing operations	317	265	1,367	1,274	22	17	68,159	71,785
Discontinued operations		5						207
Cumulative effect of accounting change		(5)						
Total consolidated	$317	$265	$1,367	$1,274	22	17	$68,159	$71,992

</TABLE>

(a) Business revenues are presented on a taxable-equivalent basis except for BlackRock and PFPC.

REGIONAL COMMUNITY BANKING

<TABLE>
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Three months ended March 31 Taxable-equivalent basis Dollars in millions	2002	2001
<S>	<C>	<C>
INCOME STATEMENT		
Net interest income	$384	$354
Other noninterest income	164	161
Net securities gains	3	27
Total revenue	551	542
Provision for credit losses	12	10
Noninterest expense	266	270
Goodwill amortization		9
Severance costs		3
Pretax earnings	273	250
Income taxes	96	90
Earnings	$177	$160
AVERAGE BALANCE SHEET		
Loans		

Consumer		
Home equity	$6,733	$6,148
Indirect	633	943
Other consumer	697	836
Total consumer	8,063	7,927
Residential mortgage	5,096	11,701
Commercial	3,511	3,611
Vehicle leasing	1,895	1,703
Other	122	140
Total loans	18,687	25,082
Securities	12,206	7,551
Loans held for sale	1,488	1,324
Assigned assets and other assets	6,368	6,660
Total assets	$38,749	$40,617
Deposits		
Noninterest-bearing demand	$4,879	$4,476
Interest-bearing demand	6,053	5,506
Money market	12,292	11,769
Total transaction deposits	23,224	21,751
Savings	1,924	1,860
Certificates	10,310	13,256
Total deposits	35,458	36,867
Other liabilities	675	1,010
Assigned capital	2,616	2,740
Total funds	$38,749	$40,617
PERFORMANCE RATIOS		
Return on assigned capital	27%	24%
Noninterest income to total revenue	30	35
Efficiency	48	50

</TABLE>

Regional Community Banking provides deposit, branch-based brokerage, electronic banking and credit products and services to retail customers as well as deposit, credit, treasury management and capital markets products and services to small businesses primarily within PNC's geographic region.

Regional Community Banking's strategic focus is on driving sustainable revenue growth, aggressively managing the revenue/expense relationship and improving the risk/return dynamic of this business. As previously reported, the Corporation made the decision to discontinue its vehicle leasing business in the fourth quarter of 2001. This portfolio is expected to mature over a period of approximately five years. See Strategic Repositioning in the Overview and Risk Factors sections of this Financial Review for additional information. Regional Community Banking utilizes knowledge-based marketing capabilities to analyze customer demographic information, transaction patterns and delivery preferences to develop customized banking packages focused on improving customer satisfaction and profitability.

Regional Community Banking has also invested heavily in building a sales culture and infrastructure while improving efficiency. Capital investments have been strategically directed towards the expansion of multi-channel distribution, consistent with customer preferences, as well as the delivery of relevant customer information to all distribution channels.

Regional Community Banking contributed $177 million or 56% of total business earnings for the first quarter of 2002 compared with $160 million or 54% for the first quarter of 2001. An increase in revenue combined with lower expenses resulted in an 11% increase in earnings in the comparison. Excluding net securities gains in both periods and goodwill amortization expense in the first quarter of 2001, earnings for the first quarter of 2002 increased 16% compared with the prior-year quarter. This increase was primarily due to growth in net interest income driven by a 7% increase in average transaction deposits.

Total revenue increased 2% to $551 million for the first quarter of 2002 compared with the first quarter of 2001. Excluding net securities gains from both periods, revenue increased 6% in the period-to-period comparison. This was primarily due to the improvement in net interest income resulting from increases in average transaction deposits and savings accounts as spreads widened given the impact of a steep yield curve.

The provision for credit losses for the first quarter of 2002 was $12 million compared with $10 million for the same period in 2001.

Total loans decreased 25% on average in the first quarter of 2002 compared with the prior year quarter due to the reduction of residential mortgage loans due to

sales and securitization and the continued downsizing of the indirect automobile lending and other consumer loan portfolios. Securities increased on average in the quarter-to-quarter comparison due to purchases for balance sheet and interest rate risk management activities as well as the retention of interests from the residential mortgage loan securitization. See "Securitizations" in this Financial Review for further information.

Total deposits declined 4% for the first quarter of 2002 compared with the same period in 2001 as increases in transaction deposits and savings accounts were more than offset by a decline in retail certificates of deposit. Demand and money market deposits increased due to ongoing strategic marketing efforts while higher cost retail certificates of deposit were not emphasized.

CORPORATE BANKING

Three months ended March 31
Taxable-equivalent basis

Dollars in millions	2002	2001
INCOME STATEMENT		
Credit-related revenue	$109	$103
Noncredit revenue	85	88
Total revenue	194	191
Provision for credit losses	46	16
Noninterest expense	97	101
Institutional lending repositioning		41
Goodwill amortization		1
Severance costs		3
Pretax earnings	51	29
Income tax expense	18	9
Earnings	$33	$20
AVERAGE BALANCE SHEET		
Loans		
Middle market	$4,555	$6,461
Large corporate	2,161	3,105
Energy, metals and mining	436	1,490
Communications	66	1,301
Leasing	2,429	2,185
Other	283	326
Total loans	9,930	14,868
Loans held for sale	2,519	320
Other assets	2,768	2,498
Total assets	$15,217	$17,686
Deposits	$4,475	$4,901
Assigned funds and other liabilities	9,601	11,459
Assigned capital	1,141	1,326
Total funds	$15,217	$17,686
PERFORMANCE RATIOS		
Return on assigned capital	12%	6%
Noncredit revenue to total revenue	44	46
Efficiency	50	54

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

As previously reported, during 2001 Corporate Banking took actions to accelerate the repositioning of its institutional lending business. A total of $9.7 billion of credit exposure including $4.0 billion of outstandings were designated for exit or transferred to held for sale. At March 31, 2002, the exit and held for sale portfolios had remaining total credit exposure of $5.5 billion including outstandings of $1.8 billion. Of these amounts, $3.5 billion and $1.7 billion, respectively, were classified as held for sale. The Corporation is continuing to pursue liquidation of the institutional held for sale portfolio. Gains and losses may result from the liquidation of loans held for sale to the extent

actual performance differs from estimates inherent in the recorded amounts or if valuations change. See Strategic Repositioning in the Risk Factors section of this Financial Review for additional information.

Corporate Banking contributed $33 million or 10% of total business earnings for the first three months of 2002 compared with $20 million or 7% for the first three months of 2001. Overall results for this business were negatively impacted in both quarters by decreased activity as a result of general economic conditions and PNC's institutional lending repositioning efforts.

Total revenue of $194 million for the first quarter of 2002 increased $3 million from the year-ago period. Credit-related revenue increased $6 million or 6% primarily due to $29 million of net gains in excess of valuation adjustments on loans held for sale, partially offset by the impact of the decline in interest rates and the reduction in loans outstanding resulting from the ongoing institutional lending repositioning. Noncredit revenue includes noninterest income and the benefit of compensating balances received in lieu of fees. Noncredit revenue was $85 million for the first three months of 2002 compared with $88 million for the same period in 2001.

Total credit costs were $46 million for the first three months of 2002 compared with $57 million for the first three months of 2001, which included $16 million reflected in the provision for credit losses and $41 million of institutional lending repositioning charges. The provision for credit losses for the first quarter of 2002 reflects the impact of, among others, reserve allocations for the apparent fraud related to Market Street. See Credit Risk in the Risk Management section of this Financial Review for additional information regarding credit risk.

Treasury management and capital markets products offered through Corporate Banking are sold by several businesses across the Corporation and related profitability is included in the results of those businesses. Consolidated revenue from treasury management decreased to $84 million for the first quarter of 2002 compared with $88 million in the first three months of 2001 as lower income earned on customers' deposit balances reflecting the lower interest rate environment offset higher fee revenue. Consolidated revenue from capital markets was $30 million for the first three months of 2002, an increase of $7 million compared with the first three months of 2001 primarily due to increased volume of transactions for various capital markets products in 2002 combined with the comparative impact of write-downs of other assets in 2001.

PNC REAL ESTATE FINANCE

<TABLE>
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Three months ended March 31 Taxable-equivalent basis Dollars in millions	2002	2001
INCOME STATEMENT		
Net interest income	$30	$29
Noninterest income		
Commercial mortgage banking	18	17
Other	3	7
Total noninterest income	21	24
Total revenue	51	53
Provision for credit losses	(5)	9
Noninterest expense	36	32
Goodwill amortization		5
Pretax earnings	20	7
Income tax (benefit) expense	(2)	(7)
Earnings	$22	$14
AVERAGE BALANCE SHEET		
Loans		
Commercial real estate	$2,228	$2,326
Commercial - real estate related	1,555	1,884
Total loans	3,783	4,210
Commercial mortgages held for sale	529	284
Other assets	862	959
Total assets	$5,174	$5,453
Deposits	$617	$340
Assigned funds and other liabilities	4,158	4,714

Assigned capital	399	399
Total funds	$5,174	$5,453
PERFORMANCE RATIOS		
Return on assigned capital	22%	14%
Noninterest income to total revenue	41	45
Efficiency	63	56

</TABLE>

PNC Real Estate Finance provides credit, capital markets, treasury management, commercial mortgage loan servicing and other financial products and services to developers, owners and investors in commercial real estate. PNC's commercial real estate financial services platform provides processing services through Midland Loan Services, Inc., a leading third-party provider of loan servicing and technology to the commercial real estate finance industry, and national syndication of affordable housing equity through Columbia Housing Partners, LP ("Columbia").

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

During 2001, PNC Real Estate Finance took actions to accelerate the downsizing of its institutional lending business. A total of $354 million of credit exposure including $249 million of outstandings were designated for exit or transferred to held for sale. Credit exposure of $345 million including $234 million of outstandings classified as held for sale or exit remained at March 31, 2002.

PNC Real Estate Finance contributed $22 million of total business earnings for the first three months of 2002 compared with $14 million for the first three months of 2001. Earnings increased in the period-to-period comparison primarily due to the impact of a loan recovery in the exited mortgage warehouse lending business. Excluding the recovery, the provision for credit losses for the first quarter of 2002 was $1 million. Average loans decreased 10% reflecting management's ongoing strategy to reduce balance sheet leverage.

Total revenue was $51 million for the first quarter of 2002 compared with $53 million for the prior year quarter. The decline in other noninterest income was primarily due to $6 million of net valuation adjustments related to institutional loans held for sale.

The commercial mortgage servicing portfolio increased 19% from March 31, 2001 to $69 billion at March 31, 2002 as shown below.

<TABLE>
<CAPTION>
COMMERCIAL MORTGAGE SERVICING PORTFOLIO

In billions	2002	2001
<S>	<C>	<C>
January 1	$68	$54
Acquisitions/additions	4	6
Repayments/transfers	(3)	(2)
March 31	$69	$58

</TABLE>

PNC BUSINESS CREDIT
<TABLE>
<CAPTION>

Three months ended March 31 Taxable-equivalent basis Dollars in millions	2002	2001
<S>	<C>	<C>
INCOME STATEMENT		
Net interest income	$33	$24
Noninterest income	12	14
Total revenue	45	38
Provision for credit losses	28	5
Noninterest expense	14	7
Goodwill amortization		1
Pretax earnings	3	25

Income taxes	1	9
Earnings	$2	$16
AVERAGE BALANCE SHEET		
Loans	$3,484	$2,255
Loans held for sale	92	61
Other assets	241	61
Total assets	$3,817	$2,377
Deposits	$68	$77
Assigned funds and other liabilities	3,500	2,142
Assigned capital	249	158
Total funds	$3,817	$2,377
PERFORMANCE RATIOS		
Return on assigned capital	3%	41%
Noninterest income total revenue	27	37
Efficiency	31	18

</TABLE>

PNC Business Credit provides asset-based lending, capital markets and treasury management products and services to middle market customers nationally. PNC Business Credit's lending services include loans secured by accounts receivable, inventory, machinery and equipment, and other collateral, and its customers include manufacturing, wholesale, distribution, retailing and service industry companies.

In January 2002, PNC Business Credit acquired a portion of National Bank of Canada's ("NBOC") U.S. asset-based lending business in a purchase business combination. With this acquisition, PNC Business Credit established six new marketing offices and enhanced its presence as one of the premier asset-based lenders for the middle market customer segment. The transaction was designed to allow PNC to acquire the higher-quality portion of the portfolio, and provide NBOC a means for the orderly liquidation and exit of the remaining portfolio.

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

NBOC retained a portfolio ("Serviced Portfolio") totaling approximately $670 million of credit exposure including $463 million of outstandings, which will be serviced by PNC for an 18-month term unless a different date is mutually agreed upon. The Serviced Portfolio retained by NBOC primarily represents the portion of NBOC's U.S. asset-based loan portfolio with the highest risk. The loans are either to borrowers with deteriorating trends or with identified weaknesses which if not corrected could jeopardize full satisfaction of the loans or in industries to which PNC Business Credit wants to limit its exposure. Approximately $138 million of the Serviced Portfolio outstandings were nonperforming on the acquisition date. At the end of the servicing term, NBOC has the right to transfer the then remaining Serviced Portfolio to PNC ("Put Option"). NBOC's and PNC's strategy is to aggressively liquidate the Serviced Portfolio during the servicing term. PNC intends to sell or otherwise liquidate any remaining loans in the event NBOC puts them to PNC at the end of the servicing term.

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

As part of the allocation of the purchase price for the business acquired, PNC Business Credit established a liability of $112 million to reflect its obligation under the Put Option. An independent third party valuation firm valued the Put Option by estimating the difference between the anticipated fair value of loans from the Serviced Portfolio expected to be outstanding at the put date and the anticipated Put Option purchase price. The Put Option liability will be revalued on a quarterly basis by the independent valuation firm with changes in the value included in earnings. At March 31, 2002 the Put Option

liability was approximately $107 million. The $5 million reduction from the acquisition date amount was recognized in earnings for the first quarter as other noninterest income.

If the Put Option is exercised, then PNC would record the loans acquired as loans held for sale at the purchase price less the balance of the Put Option liability at that date, which should approximate fair value. The Put Option purchase price will be NBOC's outstanding principal balance for the loans remaining in the Serviced Portfolio adjusted for the realized credit losses during the servicing term and Excess Loss Payments, if applicable. If realized credit losses are less than $50 million, the difference between $50 million and the actual realized credit losses will be deducted from NBOC's outstanding principal

balance to establish the Put Option purchase price. If realized credit losses were to exceed $50 million plus the specific reserves used, the Excess Loss Payments made by PNC Business Credit to NBOC will be deducted from NBOC's outstanding principal balance in determining the Put Option purchase price.

At March 31, 2002, the valuation firm estimated that loans outstanding in the Serviced Portfolio at the put date would be $332.5 million and that estimated credit losses on liquidating the Serviced Portfolio would be $56.5 million including $12.1 million during the servicing term. Using these and other assumptions, if the Put were exercised at the end of the servicing term, PNC would record the acquired loans at $165 million. Actual results may differ materially from these assumptions.

Prior to closing of the acquisition, PNC Business Credit transferred $49 million of nonperforming loans to NBOC in a transaction accounted for as a financing. Those loans are subject to the terms of the servicing agreement and are included in the Serviced Portfolio amounts set forth above. The loans were transferred to loans held for sale on PNC's balance sheet at a loss of $9.9 million, which was recognized as a charge-off in the first quarter of 2002. The carrying amount of those loans held for sale was $33.2 million at March 31, 2002 and is included in PNC's nonperforming assets. Excluding these loans, the Serviced Portfolio in January 2002 was $620 million of credit exposure including $413 million of outstandings of which $88 million was nonperforming. At March 31, 2002, comparable amounts were $532 million, $385 million, and $110 million, respectively.

During 2001, as part of the overall lending repositioning, a total of $88 million of credit exposure including $78 million of outstandings was transferred to held for sale. Credit exposure of $35 million including $27 million of outstandings classified as held for sale remained at March 31, 2002.

PNC Business Credit contributed $2 million of total business earnings for the first three months of 2002 compared with $16 million for the first three months of 2001. Higher revenues in 2002 were more than offset by a $23 million increase in the provision for credit losses.

Revenue was $45 million for the first three months of 2002, a $7 million or 18% increase compared with the first three months of 2001 as higher net interest income more than offset a decline in noninterest income. Noninterest income in the first quarter of 2002 included a $5 million benefit resulting from the reduction in the Put Option liability related to the NBOC acquisition. Noninterest income for the first quarter of 2001 included $6 million of gains on equity interests received as compensation in conjunction with lending relationships. The increase in net interest income for the first quarter of 2002 reflects an increase of $1.2 billion or 55% in total average loans for the period resulting primarily from the NBOC acquisition.

The provision for credit losses for the first three months of 2002 was $28 million compared with $5 million for the first three months of 2001. PNC Business Credit loans, including those acquired in the NBOC acquisition, are secured loans to borrowers, many with a weaker credit risk rating. As a result, these loans typically exhibit a higher risk of default. PNC Business Credit attempts to manage this risk through direct control of cash flows and collateral requirements. Compensation for this higher risk of default is obtained by way of higher interest rates charged. The impact of these loans on the provision for credit losses and the level of nonperforming assets may be even more pronounced during periods of economic downturn consistent with PNC Business Credit's recent experience. The first quarter 2002 provision includes an $11 million addition to reserves reflecting current economic conditions and the growth of the loan portfolio. See Credit Risk in the Risk Management section of this Financial Review for additional information.

Total noninterest expense increased $6 million to $14 million during the first quarter of 2002 compared with the prior year quarter, while the efficiency ratio was 31% for the first three months of 2002 compared with 18% for the first three months of 2001. Costs incurred in connection with the NBOC acquisition were the primary cause of the increased expenses in 2002.

PNC ADVISORS

<TABLE>
<CAPTION>

Three months ended March 31 Taxable-equivalent basis Dollars in millions	2002	2001
INCOME STATEMENT		
Net interest income	$26	$32
Noninterest income		
Investment management and trust	92	111
Brokerage	39	36
Other	26	20
Total noninterest income	157	167
Total revenue	183	199
Noninterest expense	130	126
Goodwill amortization		2
Pretax earnings	53	71
Income taxes	20	27
Earnings	$33	$44
AVERAGE BALANCE SHEET		
Loans		
Consumer	$1,170	$1,106
Residential mortgage	613	930
Commercial	475	564
Other	349	422
Total loans	2,607	3,022
Other assets	435	483
Total assets	$3,042	$3,505
Deposits	$2,058	$1,981
Assigned funds and other liabilities	455	968
Assigned capital	529	556
Total funds	$3,042	$3,505
PERFORMANCE RATIOS		
Return on assigned capital	25%	32%
Noninterest income to total revenue	86	84
Efficiency	71	63

</TABLE>

PNC Advisors provides a full range of tailored investment products and services to affluent individuals and families, including full-service brokerage through J.J.B. Hilliard, W.L. Lyons, Inc. ("Hilliard Lyons") and investment advisory services to the ultra-affluent through Hawthorn. PNC Advisors also serves as investment manager and trustee for employee benefit plans and charitable and endowment assets. PNC Advisors is focused on selectively expanding Hilliard Lyons and Hawthorn, increasing market share in PNC's primary geographic region and leveraging its distribution platform. PNC Advisors expects to continue to focus on acquiring new customers and growing and expanding existing customer relationships while aggressively managing its expenses.

PNC Advisors contributed $33 million or 11% of total business earnings for the first three months of 2002 compared with $44 million or 15% for the first three months of 2001.

Revenue decreased $16 million in the first quarter of 2002 compared with the first quarter of 2001. The decrease was due primarily to the impact of weaker equity markets in 2002, lower interest rates and loan volume and the recognition of revenue accrual adjustments of $14 million in the first quarter of 2001 for investment management and trust fees. Other noninterest income increased $6 million in various fee categories. PNC Advisors' noninterest income is closely tied to the performance of the equity markets. Management expects that revenue will continue to be challenged at least until market conditions improve.

Total noninterest expense increased $2 million or 2% in the first quarter of 2002 compared with the prior year quarter primarily due to higher production-based compensation costs.

<TABLE>
<CAPTION>
ASSETS UNDER MANAGEMENT (a)

March 31 - in billions	2002	2001
<S>	<C>	<C>
Personal investment management and trust	$48	$47
Institutional trust	12	14
Total	$60	$61

</TABLE>

(a) Excludes brokerage assets administered.

Assets under management decreased $1 billion as new asset inflows from new and existing customers during the twelve months ended March 31, 2002 were offset by a decline in the value of the equity component of customers' portfolios. See Business and Economic Conditions and Asset Management Performance in the Risk Factors section of this Financial Review for additional information regarding matters that could impact PNC Advisors' revenue.

Brokerage assets administered by PNC Advisors were $29 billion at March 31, 2002 compared with $27 billion at March 31, 2001 and were also impacted by weak equity market conditions.

BLACKROCK
<TABLE>
<CAPTION>

Three months ended March 31 Dollars in millions	2002	2001
INCOME STATEMENT		
<S>	<C>	<C>
Investment advisory and administrative fees	$132	$125
Other income	14	9
Total revenue	146	134
Operating expense	83	72
Fund administration and servicing costs - affiliates	13	17
Amortization of intangible assets		3
Total expense	96	92
Operating income	50	42
Nonoperating income	3	2
Pretax earnings	53	44
Income taxes	22	19
Earnings	$31	$25
PERIOD-END BALANCE SHEET		
Intangible assets	$181	$190
Other assets	486	310
Total assets	$667	$500
Liabilities	$144	$98
Stockholders' equity	523	402
Total liabilities and stockholders' equity	$667	$500
PERFORMANCE DATA		
Return on equity	25%	26%
Operating margin (a)	38	36
Diluted earnings per share	$.48	$.39

</TABLE>

(a) Excludes the impact of fund administration and servicing costs - affiliates.

BlackRock is one of the largest publicly traded investment management firms in the United States with approximately $238 billion of assets under management at March 31, 2002. BlackRock manages assets on behalf of institutions and individuals worldwide through a variety of fixed income, liquidity and equity mutual funds, separate accounts and alternative investment products. Mutual funds include the flagship fund families, BlackRock Funds and BlackRock Provident Institutional Funds. In addition, BlackRock provides risk management and investment system services to institutional investors under the BlackRock Solutions name.

BlackRock continues to focus on delivering superior investment performance to clients while pursuing strategies to build on core strengths and to selectively expand the firm's expertise and breadth of distribution.

BlackRock contributed $31 million or 10% of total business earnings for the first three months of 2002 compared with $25 million or 8% for the first three months of 2001. Earnings increased 23% in the period-to-period comparison resulting primarily from an 18% increase in assets under management and increased sales of BlackRock Solutions products and services. Total revenue for the first three months of 2002 increased $12 million or 9% compared with the first three months of 2001 primarily due to new business and strong fixed income asset growth. The increase in operating expense for the first quarter of 2002 compared with the prior year quarter supported revenue growth and business expansion. Expense growth was mitigated by goodwill amortization in the first quarter of 2001 that did not recur in 2002 under SFAS No. 142.

See Business and Economic Conditions and Asset Management Performance in the Risk Factors section of this Financial Review for additional information regarding matters that could impact asset management revenue.

ASSETS UNDER MANAGEMENT

March 31 - in billions	2002	2001
Separate accounts		
Fixed income	$124	$107
Liquidity	5	6
Liquidity - securities lending	10	8
Equity	9	8
Alternative investment products	6	4
Total separate accounts	154	133
Mutual funds (a)		
Fixed income	16	14
Liquidity	60	44
Equity	8	11
Total mutual funds	84	69
Total assets under management	$238	$202

(a) Includes BlackRock Funds, BlackRock Provident Institutional Funds, BlackRock Closed End Funds, Short Term Investment Funds and BlackRock Global Series Funds.

BlackRock, Inc. is approximately 69% owned by PNC and is listed on the New York Stock Exchange under the symbol BLK. Additional information about BlackRock is available in its filings with the Securities and Exchange Commission ("SEC") and may be obtained electronically at the SEC's home page at www.sec.gov.

PFPC

Three months ended March 31 Dollars in millions	2002	2001
INCOME STATEMENT		
Fund servicing revenue	$197	$197
Operating expense	154	145
Amortization (accretion)	(5)	6

Operating income	48	46
Nonoperating income (a)	4	5
Debt financing	23	24
Pretax earnings	29	27
Income taxes	12	10
Earnings	$17	$17
AVERAGE BALANCE SHEET		
Intangible assets	$1,036	$1,086
Other assets	812	649
Total assets	$1,848	$1,735
Assigned funds and other liabilities	$1,640	$1,527
Assigned capital	208	208
Total funds	$1,848	$1,735
PERFORMANCE RATIOS		
Return on assigned capital	33%	33%
Operating margin	24	23

</TABLE>

(a) Net of nonoperating expense

PFPC is the largest full-service mutual fund transfer agent and second largest provider of mutual fund accounting and administration services in the United States, providing a wide range of fund services to the investment management industry. PFPC also provides processing solutions to the international marketplace through its Ireland and Luxembourg operations.

To meet the growing needs of the European marketplace, PFPC continues its pursuit of offshore expansion. PFPC is also focusing technological resources on targeted Web-based initiatives and exploring strategic alliances.

PFPC contributed $17 million of total business earnings for both the first three months of 2002 and 2001. Excluding goodwill amortization in 2001, earnings decreased $5 million or 24% primarily due to an increase in expenses. The cost of technology and infrastructure enhancements, combined with a shift in both product and client mix, continued to exert pressure on operating margins.

Revenue of $197 million for the first quarter of 2002 was consistent with the prior year quarter. The benefit of growth in accounting/administration assets and shareholder accounts offset the impact on revenue of lower custody assets serviced, changes in both product and client mix and the divestiture in June 2001 of the traditional retail retirement services business. Revenue growth rates in this business may be pressured by lower equity valuations, pricing and other competitive factors. See Fund Servicing in the Risk Factors section of this Financial Review for additional information regarding matters that could impact fund servicing revenue.

Operating expense increased $9 million or 6% in the first three months of 2002 compared with the first quarter of 2001 primarily due to increased staff levels for new product support combined with additional expenses related to technology.

Amortization decreased $11 million compared with the first three months of 2001 as a result of the adoption of the new goodwill accounting standard that no longer requires the amortization of goodwill. The benefit of $5 million for the first three months of 2002 is driven by accretion of a discounted contract liability. Excluding goodwill amortization, the comparable amount for the first three months of 2001 was a benefit of $4 million.

<TABLE>
<CAPTION>

SERVICING STATISTICS

March 31	2002	2001
Accounting/administration assets ($ in billions)		
<S>	<C>	<C>
Domestic	$520	$461
Foreign	23	11
Total	$543	$472
Custody assets ($ in billions)	339	435
Shareholder accounts (in millions)	49	44

</TABLE>

CONSOLIDATED STATEMENT OF INCOME REVIEW

NET INTEREST INCOME
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 yields earned and funding costs can have a significant impact on net interest income and margin.

Taxable-equivalent net interest income of $593 million for the first three months of 2002 increased 6% compared with the first three months of 2001. The increase was primarily due to the impact of transaction deposit growth and a lower rate environment that was partially offset by the impact of continued downsizing of the loan portfolio. The net interest margin widened 50 basis points to 4.12% for the first three months of 2002 compared with 3.62% for the first three months of 2001. The increase was primarily due to the impact of changes in balance sheet composition and a lower interest rate environment in 2002, combined with a steep yield curve. See Interest Rate Risk in the Risk Management section of this Financial Review for additional information regarding interest rate risk.

Loans represented 67% of average interest-earning assets for the first three months of 2002 compared with 81% for the first three months of 2001. The decrease was primarily due to the continued downsizing of certain institutional lending portfolios and the securitization of residential mortgage loans during 2001.

Securities represented 23% of average interest-earning assets for the first three months of 2002 compared with 13% for the first three months of 2001. The increase was primarily due to the retention of interests from the securitization of residential mortgage loans, net securities purchases upon redeployment of funds resulting from loan downsizing and interest rate risk management activities.

<TABLE>
<CAPTION>

NET INTEREST INCOME ANALYSIS

Taxable-equivalent basis Three months ended March 31 Dollars in millions	Average Balances 2002	Average Balances 2001	Average Balances Change	Interest Income/Expense 2002	Interest Income/Expense 2001	Interest Income/Expense Change	Average Yields/Rates 2002	Average Yields/Rates 2001	Average Yields/Rates Change
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Interest-earning assets									
Loans held for sale	$ 4,276	$ 2,005	$ 2,271	$ 52	$ 37	$15	4.85%	7.31%	(246)bp
Securities	13,011	8,061	4,950	178	122	56	5.47	6.08	(61)
Loans, net of unearned income									
Commercial	16,264	20,882	(4,618)	240	422	(182)	5.90	8.09	(219)
Commercial real estate	2,452	2,580	(128)	33	55	(22)	5.36	8.44	(308)
Consumer	9,278	9,085	193	156	194	(38)	6.82	8.70	(188)
Residential mortgage	5,756	12,673	(6,917)	98	232	(134)	6.85	7.32	(47)
Lease financing	4,327	3,897	430	70	71	(1)	6.52	7.32	(80)
Other	394	520	(126)	4	11	(7)	4.16	7.98	(382)
Total loans, net of unearned income	38,471	49,637	(11,166)	601	985	(384)	6.28	7.96	(168)
Other	1,867	1,831	36	30	33	(3)	6.38	7.20	(82)
Total interest-earning assets/ interest income	57,625	61,534	(3,909)	861	1,177	(316)	5.99	7.67	(168)
Noninterest-earning assets	10,534	10,251	283						
Investment in discontinued operations		207	(207)						

Total assets	$68,159	$71,992	$(3,833)						
Interest-bearing liabilities									
Deposits									
Demand and money market	$21,802	$20,468	$1,334	60	162	(102)	1.11	3.20	(209)
Savings	1,994	1,919	75	2	6	(4)	.48	1.31	(83)
Retail certificates of deposit	10,608	13,724	(3,116)	101	199	(98)	3.86	5.90	(204)
Other time	827	565	262	9	10	(1)	4.40	6.67	(227)
Deposits in foreign offices	867	1,402	(535)	4	20	(16)	1.65	5.75	(410)
Total interest-bearing deposits	36,098	38,078	(1,980)	176	397	(221)	1.97	4.22	(225)
Borrowed funds	13,172	14,375	(1,203)	92	221	(129)	2.80	6.15	(335)
Total interest-bearing liabilities/ interest expense	49,270	52,453	(3,183)	268	618	(350)	2.19	4.75	(256)
Noninterest-bearing liabilities, minority interest, capital securities and shareholders' equity	18,889	19,539	(650)						
Total liabilities, minority interest, capital securities and shareholders' equity	$68,159	$71,992	$(3,833)						
Interest rate spread							3.80	2.92	88
Impact of noninterest-bearing sources							.32	.70	(38)
Net interest income/margin				$593	$559	$34	4.12%	3.62%	50bp

</TABLE>

Funding cost is affected by the volume and composition of funding sources as well as related rates paid thereon. Average deposits comprised 65% and 64% of total sources of funds for the first three months of 2002 and 2001, respectively, with the remainder primarily comprised of wholesale funding obtained at prevailing market rates.

Average interest-bearing demand and money market deposits increased $1.3 billion or 7% compared with the first three months of 2001, primarily reflecting the impact of ongoing strategic marketing efforts to grow more valuable transaction accounts, while higher cost, less valuable retail certificates of deposit were not emphasized. Average borrowed funds for the first quarter of 2002 declined $1.2 billion compared with the first quarter of 2001.

PROVISION FOR CREDIT LOSSES

The provision for credit losses was $82 million for the first three months of 2002 compared with $80 million for the first three months of 2001. Net charge-offs were $41 million or .43% of average loans for the first quarter of 2002, compared with $80 million or .65%, respectively, for the first quarter of 2001. The provision for credit losses in the first quarter of 2002 exceeded net charge-offs due to additional reserves related to Corporate Banking and PNC Business Credit. Corporate Banking's additional reserves are in connection with the apparent fraud related to a seller of receivables to Market Street. The additional reserves of PNC Business Credit reflect current economic conditions and the growth of the loan portfolio. The first quarter of 2001 included $41 million of additional provision related to loans designated for exit in that period.

As a result of net charge-offs, additional reserves and $41 million of allowance recorded in connection with the NBOC acquisition, the allowance for credit losses was $712 million at March 31, 2002 compared with $630 million at December 31, 2001 and $675 million at March 31, 2001. See Credit Risk in the Risk Management section in the Risk Factors section of this Financial Review for additional information regarding credit risk.

NONINTEREST INCOME
Noninterest income was $774 million for the first three months of 2002 compared with $715 million for the first three months of 2001, an increase of $59 million or 8%.

Asset management fees of $221 million for the first quarter of 2002 declined slightly compared with the first quarter of 2001 as increases in separate account assets and sales of alternative products in 2002 were mitigated in the year-to-year comparison by the inclusion of $14 million of investment management and trust revenue accrual adjustments in the first quarter of 2001. Consolidated assets under management were $285 billion at March 31, 2002 compared with $248 billion at March 31, 2001. Fund servicing fees of $196 million for the first quarter of 2002 increased $1 million compared with the first quarter of 2001 as the benefit of growth in accounting/administration assets and shareholder accounts more than offset the impact on revenue of lower custody assets serviced.

Service charges on deposits increased 8% to $54 million for the first quarter of 2002 primarily due to an increase in transaction deposit accounts. Brokerage fees were $55 million for the first quarter of 2002 compared with $54 million for the first quarter of 2001. Consumer services revenue was $55 million for the first three months of both 2002 and 2001.

Corporate services revenue was $118 million for the first quarter of 2002, an increase of $42 million compared with the first quarter of 2001. The increase was primarily due to $23 million of net gains in excess of valuation adjustments related to institutional loans held for sale and higher treasury management fees in 2002.

Equity management (venture capital activities) net losses were $2 million for the first quarter of 2002 compared with $39 million for the first quarter of 2001. At March 31, 2002, equity management investments held by PNC and consolidated subsidiaries totaled approximately $578 million. Approximately 54% of that amount is invested directly in a variety of companies and approximately 46% is invested in various limited partnerships. The valuation of equity management assets is subject to the performance of the underlying companies as well as market conditions and may be volatile. The Corporation continues to make equity management investments; however, its focus is on attracting funding from investors to generate a greater proportion of revenues from fees earned by managing investments for others. See Business and Economic Conditions in the Risk Factors section of this Financial Review for additional information regarding equity management assets.

Net securities gains were $4 million for the first three months of 2002 compared with $29 million for the first three months of 2001.

Other noninterest income was $73 million for the first three months of 2002 compared with $72 million for the first three months of 2001. The benefit of a $5 million reduction in the Put Option liability related to the NBOC acquisition combined with the comparative impact of writedowns on other assets and e-commerce investments a year ago offset a decrease in net trading income. Net trading income included in other noninterest income was $24 million for the first three months of 2002 compared with $37 million for the first three months of 2001. See Note 7 Trading Activities in the Notes to Consolidated Financial Statements.

NONINTEREST EXPENSE
Noninterest expense was $791 million and the efficiency ratio was 58% in the first quarter of 2002 compared with $781 million and 58%, respectively, in the first quarter of 2001. A reduction in amortization expense related to goodwill was more than offset by increases in employee benefit and legal expenses, costs added with the NBOC acquisition and expense growth at BlackRock and PFPC. Average full-time equivalent employees totaled approximately 24,100 and 24,800 for the first three months of 2002 and 2001, respectively. The decrease was mainly in Regional Community Banking and Corporate Banking.

CONSOLIDATED BALANCE SHEET REVIEW

LOANS
Loans were $38.5 billion at March 31, 2002, an increase of $.6 billion from December 31, 2001 primarily due to the NBOC acquisition, which more than offset the impact of residential mortgage securitizations and runoff, transfers to held for sale and the managed reduction of institutional loans.
<TABLE>
<CAPTION>
DETAILS OF LOANS

In millions	March 31 2002	December 31 2001
<S>	<C>	<C>
Commercial		

Manufacturing	$4,066	$3,352
Retail/wholesale	4,368	3,856
Service providers	2,131	2,136
Real estate related	1,664	1,720
Financial services	1,289	1,362
Communications	111	139
Health care	487	517
Other	2,362	2,123
Total commercial	16,478	15,205
Commercial real estate		
Mortgage	561	592
Real estate project	1,891	1,780
Total commercial real estate	2,452	2,372
Consumer		
Home equity	7,358	7,016
Automobile	683	773
Other	1,346	1,375
Total consumer	9,387	9,164
Residential mortgage	5,420	6,395
Lease financing	5,471	5,557
Other	467	445
Unearned income	(1,136)	(1,164)
Total, net of unearned income	$38,539	$37,974

</TABLE>

Loan portfolio composition continued to be geographically diversified among numerous industries and types of businesses.

At March 31, 2002, loans of $38.5 billion included $1.8 billion of vehicle leases and $113 million of commercial loans that have been designated for exit.

<TABLE>
<CAPTION>

NET UNFUNDED COMMITMENTS

In millions	March 31 2002	December 31 2001
<S>	<C>	<C>
Commercial	$21,341	$20,233
Commercial real estate	858	711
Consumer	5,164	4,977
Lease financing	130	146
Other	120	139
Designated for exit or held for sale	3,720	4,837
Total	$31,333	$31,043

</TABLE>

Commitments to extend credit represent arrangements to lend funds subject to specified contractual conditions. Commercial commitments are reported net of participations, assignments and syndications, primarily to financial institutions, totaling $7.0 billion at March 31, 2002 and $7.1 billion at December 31, 2001.

Net outstanding letters of credit totaled $4.0 billion at both March 31, 2002 and December 31, 2001 and consisted primarily of standby letters of credit that commit the Corporation to make payments on behalf of customers if certain specified future events occur.

LOANS HELD FOR SALE

Loans held for sale were $3.6 billion at March 31, 2002 compared with $4.2 billion at December 31, 2001. See Strategic Repositioning in this Financial Review for further information regarding details of the institutional lending held for sale portfolio. Approximately $254 million of loans held at March 31, 2002 by subsidiaries of a third-party financial institution are classified in the consolidated financial statements as loans held for sale. See Note 3 to the Consolidated Financial Statements included in the Corporation's 2001 Annual Report on Form 10-K for further information. Substantially all student loans are classified as loans held for sale.

<TABLE>
<CAPTION>
DETAILS OF LOANS HELD FOR SALE

In millions	March 31 2002	December 31 2001

Institutional lending repositioning		
Commercial		
Manufacturing	$610	$810
Communications	581	690
Service providers	166	333
Retail/wholesale	115	114
Financial services	36	40
Health care	32	73
Real estate related	24	30
Other	175	223
Total commercial	1,739	2,313
Commercial real estate	233	248
Lease financing	3	7
Total institutional lending repositioning	1,975	2,568
Student loans	1,532	1,340
Other	141	281
Total loans held for sale	$3,648	$4,189

</TABLE>

SECURITIES

Total securities at March 31, 2002 were $11.1 billion compared with $13.9 billion at December 31, 2001. Total securities represented 17% of total assets at March 31, 2002 compared with 20% at December 31, 2001. The decrease was primarily due to the sale of mortgage-backed securities.

At March 31, 2002, the securities available for sale balance included a net unrealized loss of $158 million, which represented the difference between fair value and amortized cost. The comparable amount at December 31, 2001 was a net unrealized loss of $132 million. Net unrealized gains and losses in the securities available for sale portfolio are included in accumulated other comprehensive income or loss, net of tax or, for the portion attributable to a hedged risk as part of a fair value hedge strategy, in net income. The expected weighted-average life of securities available for sale was 4 years and 4 months at March 31, 2002 compared with 4 years at December 31, 2001.

Securities designated as held to maturity are carried at amortized cost and are assets of subsidiaries of a third party financial institution that are consolidated in PNC's financial statements as described in Note 3 to the Consolidated Financial Statements included in the Corporation's 2001 Annual Report on Form 10-K. The expected weighted-average life of securities held to maturity was 18 years and 9 months at March 31, 2002 compared with 18 years and 11 months at December 31, 2001.

<TABLE>
<CAPTION>
DETAILS OF SECURITIES

In millions	Amortized Cost	Fair Value
MARCH 31, 2002		
SECURITIES AVAILABLE FOR SALE		
Debt securities		
U.S. Treasury and government agencies	$760	$754
Mortgage-backed	6,836	6,735
Asset-backed	2,706	2,668
State and municipal	62	64
Other debt	73	73
Corporate stocks and other	446	431
Total securities available for sale	$10,883	$10,725
SECURITIES HELD TO MATURITY		
Debt securities		
U.S. Treasury and government agencies	$264	$244
Asset-backed	8	8
Other debt	95	95
Total securities held to maturity	$367	$347
December 31, 2001		
SECURITIES AVAILABLE FOR SALE		
Debt securities		
U.S. Treasury and government agencies	$808	$807

Mortgage-backed	9,669	9,578
Asset-backed	2,799	2,776
State and municipal	62	64
Other debt	75	75
Corporate stocks and other	264	245
Total securities available for sale	$13,677	$13,545
SECURITIES HELD TO MATURITY		
Debt securities		
U.S. Treasury and government agencies	$260	$257
Asset-backed	8	8
Other debt	95	95
Total securities held to maturity	$363	$360

</TABLE>

FUNDING SOURCES

Total funding sources were $55.9 billion at March 31, 2002 and $59.4 billion at December 31, 2001, a decrease of $3.5 billion corresponding to a decrease of $3.0 billion in total assets and modest increases in other liabilities and total shareholders' equity. Total deposits decreased $2.4 billion from December 31, 2001 primarily due to a $2.0 billion decrease in demand and money market deposits reflecting seasonal increases in customer account balances at year end 2001. The change in the composition of other time deposits, deposits in foreign offices and borrowed funds reflected a shift within categories to manage overall funding costs. See Liquidity Risk under Risk Management in the Financial Review section for additional information.

<TABLE>
<CAPTION>
DETAILS OF FUNDING SOURCES

In millions	March 31 2002	December 31 2001
<S>	<C>	<C>
Deposits		
Demand and money market	$30,638	$32,589
Savings	2,055	1,942
Retail certificates of deposit	10,500	10,727
Other time	1,212	472
Deposits in foreign offices	505	1,574
Total deposits	44,910	47,304
Borrowed funds		
Federal funds purchased	34	167
Repurchase agreements	827	954
Bank notes and senior debt	5,480	6,362
Federal Home Loan Bank borrowings	1,787	2,047
Subordinated debt	2,275	2,298
Other borrowed funds	585	262
Total borrowed funds	10,988	12,090
Total	$55,898	$59,394

</TABLE>

CAPITAL

The access to and cost of funding new business initiatives including acquisitions, the ability to engage in expanded business activities, the ability to pay dividends, the ability to repurchase stock, the level of deposit insurance costs, and the level and nature of regulatory oversight depend, in part, on a financial institution's capital strength. At March 31, 2002, the Corporation and each bank subsidiary were considered "well-capitalized" based on regulatory capital ratio requirements. See Supervision and Regulation in the Risk Factors section of this Financial Review for additional information.

RISK-BASED CAPITAL

Dollars in millions	March 31 2002	December 31 2001
Capital components		
Shareholders' equity		
Common	$5,969	$5,813
Preferred	10	10
Trust preferred capital securities	848	848
Minority interest	147	134
Goodwill and other intangibles	(2,461)	(2,174)

Net unrealized securities losses	103	86
Net unrealized gains on cash flow hedge derivatives	(79)	(98)
Other, net	(17)	(20)
Tier I risk-based capital	4,520	4,599
Subordinated debt	1,579	1,616
Minority interest	36	36
Eligible allowance for credit losses	735	707
Total risk-based capital	$6,870	$6,958
Assets		
Risk-weighted assets and off-balance-sheet instruments, and market risk equivalent assets	$58,830	$58,958
Average tangible assets	65,720	67,604
Capital ratios		
Tier I risk-based	7.7%	7.8%
Total risk-based	11.7	11.8
Leverage	6.9	6.8

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

On January 3, 2002, the Board of Directors authorized the Corporation to purchase up to 35 million shares of its common stock through February 29, 2004. These shares may be purchased in the open market or privately negotiated transactions. This authorization terminated any prior authorization. During the first quarter of 2002, PNC repurchased 320,000 shares of its common stock. The extent and timing of any further share repurchases will depend on a number of factors including, among others, progress in disposing of loans held for sale, regulatory capital considerations, alternative uses of capital and receipt of regulatory approvals if then required.

RISK FACTORS

The Corporation is subject to a number of risks including, among others, those described below and in the Risk Management and Forward-Looking Statements sections of this Financial Review. These factors and others could impact the Corporation's business, financial condition and results of operations.

BUSINESS AND ECONOMIC CONDITIONS

The Corporation's business and results of operations are sensitive to general business and economic conditions in the United States. These conditions include the level and movement of interest rates, inflation, monetary supply, fluctuations in both debt and equity capital markets, and the strength of the U.S. economy, in general, and the regional economies in which the Corporation conducts business. A sustained weakness or further weakening of the economy could decrease the value of loans held for sale, decrease the demand for loans and other products and services offered by the Corporation, increase usage of unfunded commitments or increase the number of customers and counterparties who become delinquent, file for protection under bankruptcy laws or default on their loans or other obligations to the Corporation. An increase in the number of delinquencies, bankruptcies or defaults could result in a higher level of nonperforming assets, net charge-offs, provision for credit losses, and valuation adjustments on loans held for sale. Changes in interest rates could affect the value of certain on-balance-sheet and off-balance-sheet financial instruments of the Corporation. Higher interest rates would also increase the Corporation's cost to borrow funds and may increase the rate paid on deposits. Changes in interest rates could also affect the value of assets under management. In a period of rapidly rising interest rates, certain assets under management would likely be negatively impacted by reduced asset values and increased redemptions. Also, changes in equity markets could affect the value of equity investments and the value of net assets under management and administration. A decline in the equity markets adversely affected results in 2001 and early 2002 and could continue to negatively affect noninterest revenues in future periods.

STRATEGIC REPOSITIONING

The Corporation took several actions in 2001 to accelerate the strategic repositioning of its lending business that began in 1998. These actions entail a degree of risk pending completion.

At March 31, 2002, $3.9 billion of institutional lending credit exposure including $2.0 billion of outstandings were classified as held for sale. A total of $175 million of these loans was included in nonperforming assets at that date. The loans are carried at the lower of cost or estimated fair market value. The estimation of fair market values involves a number of judgments, and is inherently uncertain. In addition, the value of loan assets is affected by a variety of company, industry, economic and other factors, and can be volatile. If the value of loans held for sale deteriorates prior to disposition, valuation

adjustments will be made through charges to earnings. Moreover, deterioration in the condition of the borrowers could lead to additional loans being placed on nonperforming status.

During the fourth quarter of 2001, the Corporation decided to discontinue its vehicle leasing business and recorded charges of $135 million related to exit costs and additions to reserves related to insured residual value exposures. At March 31, 2002, approximately $1.8 billion of vehicle leases remained on the Corporation's balance sheet. These leases are expected to mature over a period of approximately five years. During this period, the Corporation will continue to be subject to risks inherent in the vehicle leasing business, including credit

risk and the risk that vehicles returned during or at the conclusion of the lease term cannot be disposed of at a price at least as great as the Corporation's remaining investment in the vehicles after application of any available residual value insurance or related reserves.

In January 2001, PNC sold its residential mortgage banking business. Certain closing date purchase price adjustments aggregating approximately $300 million pretax are currently in dispute between the parties. The Corporation has established a receivable of approximately $140 million to reflect additional purchase price it believes is due from the buyer. The buyer has taken the position that the purchase price it has already paid should be reduced by approximately $160 million. The Corporation has established specific reserves related to a portion of its recorded receivable. The purchase agreement requires that an independent public accounting firm determine the final adjustments. The buyer also has filed a lawsuit against the Corporation seeking compensatory damages with respect to certain of the disputed matters that the Corporation believes are covered by the process provided in the purchase agreement, unquantified punitive damages and declaratory and other relief. Management intends to assert the Corporation's positions vigorously. Management believes that, net of available reserves, an adverse outcome, which would be recorded in discontinued operations, could be material to net income in the period in which recorded, but that the final disposition of this matter will not be material to the Corporation's financial position.

CRITICAL ACCOUNTING POLICIES AND JUDGMENTS

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

ALLOWANCE FOR CREDIT LOSSES

The allowance for credit losses is calculated with the objective of maintaining a reserve level believed by management to be sufficient to absorb estimated probable credit losses. Management's determination of the adequacy of the allowance is based on periodic evaluations of the credit portfolio and other relevant factors. However, this evaluation is inherently subjective as it requires material estimates, including, among others, expected default probabilities, loss given default, expected commitment usage, the amounts and timing of expected future cash flows on impaired loans, value of collateral, estimated losses on consumer loans and residential mortgages, and general amounts for historical loss experience. The process also considers economic conditions, uncertainties in estimating losses and inherent risks in the various credit portfolios. All of these factors may be susceptible to significant change. Also, the allocation of the allowance to specific loan pools is based on historical loss trends and management's judgment concerning those trends. Commercial loans are the largest category of credits and are the most sensitive to changes in assumptions and judgments underlying the determination of the allowance. As such, approximately $569 million or 80% of the total allowance at March 31, 2002 has been allocated to the commercial loan category. This allocation also considers other relevant factors such as actual versus estimated losses, regional and national economic conditions, business segment and portfolio concentrations, industry competition and consolidation, the impact of government regulations, and risk of potential estimation or judgmental errors. To the extent actual outcomes differ from management estimates, additional provision for credit losses may be required that would adversely impact earnings in future periods.

LOANS HELD FOR SALE

Loans are classified as held for sale based on management's intent to sell them. At the initial transfer date of a loan from portfolio to held for sale, any lower of cost or market ("LOCOM") adjustment is recorded as a charge-off. This results in a new cost basis. Any subsequent adjustment as a result of the LOCOM analysis is recognized as a valuation adjustment with changes included in noninterest income. Although the market value for certain held for sale assets may be readily obtainable, other assets require significant judgments by

management as to the value that could be realized at the balance sheet date. These assumptions include but are not limited to the cash flows generated from the asset, the timing of a sale, the value of any collateral, the market conditions for the particular credit, overall investor demand for these assets and the determination of a proper discount rate. Changes in market conditions and actual liquidation experience may result in additional valuation adjustments that could adversely impact earnings in future periods.

EQUITY MANAGEMENT ASSET VALUATION

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

LEASE RESIDUALS

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

GOODWILL AND OTHER INTANGIBLE ASSETS

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

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

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

Total goodwill was $2.3 billion and other intangible assets totaled $.3 billion at March 31, 2002.

SUPERVISION AND REGULATION

The Corporation operates in highly regulated industries. Applicable laws and regulations, for example, restrict permissible activities and investments and require compliance with consumer-related protections for loan, deposit, fiduciary, mutual fund and other customers. The consequences of noncompliance can include substantial monetary and nonmonetary sanctions. In addition, failure of PNC's subsidiary banks to satisfy certain managerial and capitalization criteria could affect the ability of the Corporation and the financial subsidiaries of PNC Bank, N.A. to engage in certain nonbanking activities. The Corporation and certain of its subsidiaries are subject to comprehensive examination and supervision by, among other regulatory bodies, the Federal Reserve Board and the Office of the Comptroller of the Currency. These regulatory agencies generally have broad discretion to impose restrictions and limitations on the operations of a regulated entity where the agencies determine, among others, that such operations are unsafe or unsound, fail to comply with applicable law or are otherwise inconsistent with laws and regulations or with the supervisory policies of these agencies. The examination process and the regulators' associated supervisory tools could materially impact the conduct, growth and profitability of the Corporation's operations.

Early in 2002, the Corporation announced two restatements affecting previously

reported financial results. The Corporation is a defendant in several lawsuits filed after announcement of the restatement related to consolidation of subsidiaries of a third party financial institution as discussed in Note 10 Legal Proceedings in the Notes To Consolidated Financial Statements. The staffs of the Securities and Exchange Commission and the Federal Reserve Board have informed the Corporation that they are conducting inquiries into the transactions that are the subject of such restatement. The Corporation is cooperating with these inquiries. In addition, the reputational risk created by the restatements may have consequences to the Corporation in such areas as business generation and retention, funding and liquidity that cannot be predicted at this time.

Additional information is included in Item 1 of the Corporation's 2001 Annual Report on Form 10-K.

MONETARY AND OTHER POLICIES

The financial services industry is subject to various monetary and other policies and regulations of the United States government and its agencies, which include the Federal Reserve Board, the Office of the Comptroller of Currency and the Federal Deposit Insurance Corporation as well as state regulators. The Corporation is particularly affected by the policies of the Federal Reserve Board, which regulates the supply of money and credit in the United States. The Federal Reserve Board's policies influence the rates of interest that PNC charges on loans and pays on interest-bearing deposits and can also affect the value of on-balance-sheet and off-balance-sheet financial instruments. Those policies also influence, to a significant extent, the cost of funding for the Corporation.

COMPETITION

PNC operates in a highly competitive environment, both in terms of the products and services offered and the geographic markets in which PNC conducts business. This environment could become even more competitive in the future. The Corporation competes with local, regional and national banks, thrifts, credit unions and non-bank financial institutions, such as investment banking firms, investment

advisory firms, brokerage firms, investment companies, venture capital firms, mutual fund complexes and insurance companies, as well as other entities that offer financial and processing services, and through alternative delivery channels such as the World Wide Web. Technological advances and legislation, among other changes, have lowered barriers to entry, have made it possible for non-bank institutions to offer products and services that traditionally have been provided by banks, and have increased the level of competition faced by the Corporation. Many of the Corporation's competitors benefit from fewer regulatory constraints and lower cost structures, allowing for more competitive pricing of products and services.

DISINTERMEDIATION

Disintermediation is the process of eliminating the role of the intermediary in completing a transaction. For the financial services industry, this means eliminating or significantly reducing the role of banks and other depository institutions in completing transactions that have traditionally involved banks. Disintermediation could result in, among other things, the loss of customer deposits and decreases in transactions that generate fee income.

ASSET MANAGEMENT PERFORMANCE

Asset management revenue is primarily based on a percentage of the value of assets under management and performance fees expressed as a percentage of the returns realized on assets under management. A decline in the value of debt and equity instruments, among other things, could cause asset management revenue to decline. Weak equity markets over a sustained period have negatively impacted investment performance and asset management revenues. These conditions are expected to continue at least until equity markets improve for a sustained period.

Investment performance is an important factor for the level of assets under management. Poor investment performance could impair revenue and growth in managed assets as existing clients might withdraw funds in favor of better performing products. Also, performance fees could be lower or nonexistent. Additionally, the ability to attract funds from existing and new clients might diminish.

FUND SERVICING

Fund servicing fees are primarily based on the market value of the assets and the number of shareholder accounts administered by the Corporation for its clients. A rise in interest rates or a sustained weakness or further weakening or volatility in the debt and equity markets could influence an investor's decision to invest or maintain an investment in a mutual fund. As a result, fluctuations may occur in the level or value of assets that the Corporation has under administration. A significant investor migration from mutual fund investments could have a negative impact on the Corporation's revenues by reducing the assets and the number of shareholder accounts it administers. There has been and continues to be merger, acquisition and consolidation activity in

the financial services industry. Mergers or consolidations of financial institutions in the future could reduce the number of existing or potential fund servicing clients. In addition, the fund servicing business has been characterized recently by intense competition, pricing pressure and changes in product mix that have negatively impacted operating margins. These conditions are expected to continue at least until equity markets improve for a sustained period.

ACQUISITIONS

The Corporation expands its business from time to time by acquiring other financial services companies. Factors pertaining to acquisitions that could adversely affect the Corporation's business and earnings include, among others, anticipated cost savings or potential revenue enhancements that may not be fully realized or realized within the expected time frame; key employee, customer or revenue loss following an acquisition that may be greater than expected; and costs or difficulties related to the integration of businesses that may be greater than expected. See PNC Business Credit discussion within this Financial Review for further information on risks associated with the NBOC acquisition.

TERRORIST ACTIVITIES

The impact of the September 11th terrorist attacks or any future terrorist activities and responses to such activities cannot be predicted at this time with respect to severity or duration. The impact could adversely affect the Corporation in a number of ways including, among others, an increase in delinquencies, bankruptcies or defaults that could result in a higher level of nonperforming assets, net charge-offs and provision for credit losses.

RISK MANAGEMENT

In the normal course of business, the Corporation assumes various types of risk, which include, among others, credit risk, interest rate risk, liquidity risk, operational risk and risk associated with trading activities, financial derivatives and "off-balance-sheet" activities. PNC has risk management processes designed to provide for risk identification, measurement and monitoring.

CREDIT RISK

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

NONPERFORMING, PAST DUE AND POTENTIAL PROBLEM ASSETS

Nonperforming assets include nonaccrual loans, troubled debt restructurings, nonaccrual loans held for sale and foreclosed assets. In addition, certain performing assets have

interest payments that are past due or have the potential for future repayment problems.

<TABLE>
<CAPTION>
NONPERFORMING ASSETS BY TYPE

Dollars in millions	March 31 2002	December 31 2001
<S>	<C>	<C>
Nonaccrual loans		
Commercial	$225	$188
Commercial real estate	5	4
Consumer	2	3
Residential mortgage	6	5
Lease financing	13	11
Total nonaccrual loans	251	211
Nonperforming loans held for sale (a)	175	169
Foreclosed assets		
Commercial real estate	1	1
Residential mortgage	3	3
Other	8	7
Total foreclosed assets	12	11
Total nonperforming assets	$438	$391
Nonaccrual loans to total loans	.65%	.56%
Nonperforming assets to total loans, loans held for sale and foreclosed assets	1.04	.93

Nonperforming assets to total assets	.66	.56

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

Of the total nonaccrual loans at March 31, 2002, 51% are related to PNC Business Credit. These loans are to borrowers, many of which have weaker credit risk ratings. Increases in nonperforming assets in this business are to be expected at this point in the economic cycle. Such loans are secured by accounts receivable, inventory, machinery and equipment, and other collateral. The estimated value of collateral typically exceeds the amount of credit extended to provide protection in the event that some collateral assets may not be collectable or their full value may not be realizable. This secured position is intended to help mitigate risk of loss on these loans by reducing the reliance on cash flows for repayment. The above table excludes nonperforming equity management assets carried at estimated fair value of $18 million at both March 31, 2002 and December 31, 2001, and included in other assets on the Consolidated Balance Sheet.

The amount of nonaccrual loans that were current as to principal and interest was $133 million at March 31, 2002 and $93 million at December 31, 2001. The amount of nonperforming loans held for sale that were current as to principal and interest was $45 million at March 31, 2002 and $8 million at December 31, 2001.

NONPERFORMING ASSETS BY BUSINESS

In millions	March 31 2002	December 31 2001
Regional Community Banking	$59	$52
Corporate Banking	191	220
PNC Real Estate Finance	12	6
PNC Business Credit	172	109
PNC Advisors	4	4
Total nonperforming assets	$438	$391

At March 31, 2002, Corporate Banking, PNC Real Estate Finance and PNC Business Credit had nonperforming loans held for sale of $127 million, $6 million and $42 million, respectively, which are included in the table above.

CHANGE IN NONPERFORMING ASSETS

In millions	2002	2001
January 1	$391	$372
Transferred from accrual	232	171
Returned to performing	(18)	(13)
Principal reductions	(63)	(38)
Asset sales	(69)	(17)
Charge-offs and other	(35)	(89)
March 31	$438	$386

A sustained weakness or further weakening of the economy, or other factors that affect asset quality, could result in an increase in the number of delinquencies, bankruptcies or defaults, and a higher level of nonperforming assets, net charge-offs and provision for credit losses in future periods. See the Forward-Looking Statements section of this Financial Review for additional factors that could cause actual results to differ materially from forward-looking statements or historical performance.

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

	Amount		Percent of Total Outstandings	
Dollars in millions	March 31 2002	Dec. 31 2001	March 31 2002	Dec. 31 2001
Commercial	$34	$54	.21%	.36%

Commercial real estate	4	11	.16	.46
Consumer	41	36	.44	.39
Residential mortgage	55	56	1.01	.88
Lease financing	2	2	.05	.05
Total loans	136	159	.35	.42
Loans held for sale	35	33	.96	.79
Total loans and loans held for sale	$171	$192	.41	.46

</TABLE>

Loans and loans held for sale not included in nonperforming or past due categories, but where information about possible credit problems causes management to be uncertain about the borrower's ability to comply with existing repayment terms over the next six months, totaled $246 million and $106 million, respectively, at March 31, 2002. Approximately two-thirds of these loans are in the PNC Business Credit portfolio and all of the loans held for sale relate to the institutional lending repositioning.

ALLOWANCE FOR CREDIT LOSSES

The Corporation maintains an allowance for credit losses to absorb losses inherent in the loan portfolio. The allowance is determined based on quarterly assessments of the probable estimated losses inherent in the loan portfolio and is in compliance with applicable regulatory standards and generally accepted accounting principles. The methodology

for measuring the appropriate level of the allowance consists of several elements, including specific allocations to impaired loans, allocations to pools of non-impaired loans and unallocated reserves. While allocations are made to specific loans and pools of loans, the total reserve is available for all credit losses.

Specific allowances are established for all loans considered impaired by a method prescribed by SFAS No. 114, "Accounting by Creditors for Impairment of a Loan." Specific allowances are determined by PNC's Special Asset Committee based on an analysis of the present value of the loan's expected future cash flows discounted at the loan's effective interest rate, the loan's observable market price or the fair value of the loan's collateral.

Allocations to non-impaired commercial loans (pool reserve allocations) are assigned to pools of loans as defined by PNC's internal risk rating categories. The pool reserve methodology's key elements include expected default probabilities ("EDP"), loss given default ("LGD") and expected commitment usage. EDPs are derived from historical default analyses and are a function of the borrower's risk rating grade and loan tenor. LGDs are derived from historical loss data and are a function of the loan's collateral value and other structural factors that may affect the ultimate ability to collect the loan. The final non-impaired loan reserve allocations are based on this methodology and management's judgment of other relevant factors which may include, among others, regional and national economic conditions, business segment and portfolio concentrations, historical versus estimated future losses and the volatility of PNC's historic loss trends.

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

Consumer and residential mortgage loan allocations are made at a total portfolio level by consumer product line based on historical loss experience adjusted for volatility, current economic conditions and other relevant factors.

While PNC's specific and pool reserve methodologies strive to reflect all risk factors, there continues to be certain elements of risk associated with, but not limited to, potential estimation and judgmental errors. Furthermore, events may have occurred as of the reserve evaluation date that are not yet reflected in the risk measures or characteristics of the portfolio due to inherent lags in information. Unallocated reserves are established to provide coverage for such risks.

Senior management's Reserve Adequacy Committee provides oversight for the allowance evaluation process, including quarterly evaluations and methodology and estimation changes. The results of the evaluations are reported to the Credit Committee of the Board of Directors.

ALLOCATION OF ALLOWANCE FOR CREDIT LOSSES

	March 31, 2002		December 31, 2001	
Dollars in millions	Allowance	Loans to Total Loans	Allowance	Loans to Total Loans
Commercial	$569	42.7%	$467	40.0%
Commercial real estate	67	6.4	67	6.3
Consumer	43	24.3	49	24.1
Residential mortgage	11	14.1	8	16.8
Other	22	12.5	39	12.8
Total	$712	100%	$630	100%

For purposes of this presentation, the unallocated portion of the allowance for credit losses of $143 million at March 31, 2002 and December 31, 2001 has been assigned to loan categories based on the relative specific and pool allocation amounts. The unallocated portion of the allowance for credit losses represented 20% of the total allowance and .37% of total loans at March 31, 2002, compared with 23% and .38%, respectively, at December 31, 2001.

The provision for credit losses for the first three months of 2002 and the evaluation of the allowance for credit losses as of March 31, 2002 reflected changes in loan portfolio composition, the net impact of downsizing credit exposure and changes in asset quality.

ROLLFORWARD OF ALLOWANCE FOR CREDIT LOSSES

In millions	2002	2001
January 1	$630	$675
Charge-offs	(57)	(91)
Recoveries	16	11
Net charge-offs	(41)	(80)
Provision for credit losses	82	80
Acquired allowance (NBOC acquisition)	41	
March 31	$712	$675

The allowance as a percent of nonaccrual loans and total loans was 284% and 1.85%, respectively, at March 31, 2002 compared with 299% and 1.66%, respectively, at December 31, 2001. Excluding the portion of the reserve specifically allocated for the apparent fraud related to Market Street, these ratios were 265% and 1.73%, respectively, at the end of the first quarter of 2002. See additional discussion elsewhere in this Financial Review for further information regarding Market Street.

CHARGE-OFFS AND RECOVERIES

Three months ended March 31 Dollars in millions	Charge-offs	Recoveries	Net Charge-offs	Percent of Average Loans
2002				
Commercial	$39	$10	$29	.72%
Commercial real estate	2		2	.33
Consumer	10	4	6	.26
Residential mortgage	1	1		
Lease financing	5	1	4	.37
Total	$57	$16	$41	.43
2001				
Commercial	$78	$6	$72	1.40%
Consumer	10	5	5	.22
Lease financing	3		3	.31
Total	$91	$11	$80	.65

==

CREDIT DEFAULT SWAPS
Credit default swaps provide, for a fee, an assumption of a portion of the credit risk associated with the underlying financial instruments. The Corporation primarily uses such contracts to mitigate credit risk associated with commercial lending activities. At March 31, 2002, credit default swaps of $169 million in notional value were used by the Corporation to hedge credit risk associated with commercial lending activities.

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

Interest rate risk is centrally managed by Asset and Liability Management. The Corporation actively measures and monitors components of interest rate risk including term structure or repricing risk, yield curve risk, basis risk and options risk. The Corporation measures and manages both the short-term and long-term effects of changing interest rates. An income simulation model measures the sensitivity of net interest income to changing interest rates over the next twenty-four month period. An economic value of equity model measures the sensitivity of the value of existing on-balance-sheet and off-balance-sheet positions to changing interest rates.

The income simulation model measures the direction and magnitude of changes in net interest income resulting from changes in interest rates. Forecasting net interest income and its sensitivity to changes in interest rates requires that the Corporation make assumptions about the volume and characteristics of new business and the behavior of existing positions. These business assumptions are based on the Corporation's experience, business plans and published industry experience. Key assumptions employed in the model include prepayment speeds on mortgage-related assets and consumer loans, loan volumes and pricing, deposit volumes and pricing, the expected life and repricing characteristics of loans and deposits without maturity dates, 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 on net interest income of higher or lower interest rates. Actual results will differ from simulated results due to, among others, the timing, magnitude and frequency of interest rate changes, the difference between actual experience and the assumed volume and characteristics of new business and behavior of existing positions, and changes in market conditions and management strategies.

The Corporation models 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. The frequency of modeling these scenarios varies depending upon market conditions and other factors. Such analyses are used to identify risk and develop strategies.

An economic value of equity model is used by the Corporation to value all current on-balance-sheet and off-balance-sheet positions under a range of instantaneous interest rate changes. The resulting change in the value of equity is a measure of overall long-term interest rate risk inherent in the Corporation's existing on-balance-sheet and off-balance-sheet positions. The Corporation uses the economic value of equity model to complement the net interest income simulation modeling process.

The Corporation's interest rate risk management policies provide that net interest income should not decrease by more than 3% if interest rates gradually increase or decrease from current rates by 100 basis points over a twelve-month period and that the economic value of equity should not decline by more than 1.5% of the book value of assets for a 200 basis point instantaneous increase or decrease in interest rates. In the scenario with a 200 basis point decline in interest rates, rates are reduced to not less than zero. Policy exceptions, if any, are reported to the Finance Committee of the Board of Directors.

At March 31, 2002, the Corporation was outside of Board-approved policy limits assuming a gradual, parallel 100 basis point decrease in interest rates over the next twelve months. In the current low rate environment, the probability of an additional 100 basis point decline in rates is considered less

likely than usual. Therefore, management's actions have focused on attempting to

reduce the effects of significantly higher interest rates on the Corporation's net interest income and economic value of equity and on the effects of more modest interest rate declines.

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

The following table sets forth the sensitivity results for the quarters ended March 31, 2002 and 2001.

INTEREST SENSITIVITY ANALYSIS

	March 31 2002	March 31 2001
NET INTEREST INCOME SENSITIVITY SIMULATION		
Effect on net interest income from gradual interest rate change over following 12 months of:		
100 basis point increase	(0.2)%	(0.7)%
100 basis point decrease	(3.7)%	0.1%
ECONOMIC VALUE OF EQUITY SENSITIVITY MODEL		
Effect on value of on- and off-balance-sheet positions as a percentage of assets from instantaneous change in interest rates of:		
200 basis point increase	(1.0)%	(1.1)%
200 basis point decrease	0.4%	0.1%
KEY PERIOD-END INTEREST RATES		
One month LIBOR	1.88%	5.08%
Three-year swap	4.73%	5.07%

LIQUIDITY RISK

Liquidity represents the Corporation's ability to obtain cost-effective funding to meet the needs of customers as well as the Corporation's financial obligations. Liquidity is centrally managed by Asset and Liability Management, with oversight provided by the Executive Asset and Liability Committee and the Finance Committee of the Board of Directors.

The Corporation's main sources of funds to meet its liquidity requirements are its core deposit base, access to the capital markets, sale of liquid assets, secured advances from the Federal Home Loan Bank and the capability to securitize assets for sale.

Access to capital markets is in part based on the Corporation's credit ratings, which are influenced by a number of factors including capital ratios, asset quality and earnings. Additional factors that impact liquidity include the maturity structure of existing assets, liabilities, and off-balance-sheet positions, the level of liquid securities and loans available for sale, regulatory capital classification, and the Corporation's ability to securitize and sell various types of loans.

Liquid assets consist of short-term investments and securities available for sale. At March 31, 2002, such assets totaled $12.8 billion, with $7.0 billion pledged as collateral for borrowings, trust and other commitments. Secured advances from the Federal Home Loan Bank, of which PNC Bank, N.A. ("PNC Bank"), PNC's principal bank subsidiary, is a member, are generally secured by residential mortgages, other real-estate related loans and mortgage-backed securities. At March 31, 2002, approximately $9.4 billion of residential mortgages and other real-estate related loans were available as collateral for borrowings from the Federal Home Loan Bank. Funding can also be obtained through alternative forms of borrowing, including federal funds purchased, repurchase agreements and short-term and long-term debt issuance.

Liquidity for the parent company and subsidiaries is generated through the issuance of securities in public or private markets and lines of credit. At March 31, 2002, the Corporation had unused capacity under effective shelf registration statements of approximately $3.3 billion of debt or equity securities and $400 million of trust preferred capital securities. The Corporation had an unused line of credit of $460 million at March 31, 2002.

The principal source of parent company revenue and cash flow is the dividends it receives from PNC Bank. PNC Bank's dividend level may be impacted by its capital needs, supervisory policies, corporate policies, contractual restrictions and other factors. Also, there are legal limitations on the ability of national banks to pay dividends or make other capital distributions. The amount available for dividend payments to the parent company by all bank subsidiaries was $59 million at March 31, 2002. Management expects PNC Bank's dividend capacity relative to such legal limitations to increase further by the retention of earnings during the remainder of 2002.

In addition to dividends from PNC Bank, other sources of parent company liquidity include cash and short-term investments, as well as dividends and loan repayments from other subsidiaries. As of March 31, 2002, the parent company had approximately $700 million in funds available from its cash and short-term investments or other funds available from unrestricted subsidiaries. Management believes the parent company has sufficient liquidity available from sources other than dividends from PNC Bank to meet current obligations to its debt holders, vendors, and others and to pay dividends at current rates through 2002.

OPERATIONAL RISK

The Corporation is exposed to a variety of operational risks that can affect each of its business activities. Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people or systems or from external events. The risk of loss also includes the potential legal actions that could result from operational deficiencies or noncompliance with regulations governing PNC.

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

TRADING ACTIVITIES

Most of PNC's trading activities are designed to provide capital markets services to customers and not to position the Corporation's portfolio for gains from market movements. Trading activities are confined to financial instruments and financial derivatives. PNC participates in derivatives and foreign exchange trading as well as underwriting and "market making" in equity securities as an accommodation to customers. PNC also engages in trading activities as part of risk management strategies. Net trading income was $24 million for the first three months of 2002 compared with $38 million for the first three months of 2001. See Note 7 Trading Activities in the Notes to Consolidated Financial Statements for additional information.

Risk associated with trading, capital markets and foreign exchange activities is managed using a value-at-risk approach that combines interest rate risk, foreign exchange rate risk, spread risk and volatility risk. Using this approach, exposure is measured as the potential loss due to a two standard deviation, one-day move in interest rates. The combined period-end value-at-risk of all trading operations using this measurement was estimated as less than $.6 million at March 31, 2002.

FINANCIAL DERIVATIVES

The Corporation uses a variety of financial derivatives as part of the overall asset and liability risk management process to manage interest rate, market and credit risk inherent in the Corporation's business activities. Substantially all such instruments are used to manage risk related to changes in interest rates. Interest rate and total rate of return swaps, purchased interest rate caps and floors and futures contracts are the primary instruments used by the Corporation for interest rate risk management.

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

Interest rate swaps are agreements with a counterparty to exchange periodic fixed and floating interest payments calculated on a notional amount. The floating rate is based on a money market index, primarily short-term LIBOR. Total rate of return swaps are agreements with a counterparty to exchange an interest rate payment for the total rate of return on a specified reference index calculated on a notional amount. Purchased interest rate caps and floors are agreements where, for a fee, the counterparty agrees to pay the Corporation the amount, if any, by which a specified market interest rate exceeds or is less than a defined rate applied to a notional amount, respectively. Interest rate futures contracts are exchange-traded agreements to make or take delivery of a financial instrument at an agreed upon price and time and are settled in cash daily.

Financial derivatives involve, to varying degrees, interest rate, market and credit risk. For interest rate and total rate of return swaps, caps and floors and futures contracts, only periodic cash payments and, with respect to caps and floors, premiums, are exchanged. Therefore, cash requirements and exposure to credit risk are significantly less than the notional value. Not all elements of interest rate, market and credit risk are addressed through the use of financial or other derivatives, and such instruments may be ineffective for their intended purposes due to unanticipated market characteristics among other reasons.

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

<TABLE>
<CAPTION>
FINANCIAL DERIVATIVES ACTIVITY

Dollars in millions	December 31 2001	Additions	Maturities	Terminations	March 31 2002	Weighted-Average Maturity
Interest rate risk management						
Interest rate swaps						
Receive fixed	$6,748	$2,000	$(750)	$(2,600)	$5,398	3 yrs. 9 mos.
Pay fixed	107				107	3 yrs. 10 mos.
Basis swaps	87			(30)	57	6 yrs. 6 mos.
Interest rate caps	25				25	4 yrs. 2 mos.
Interest rate floors	7				7	3 yrs. 1 mo.
Futures contracts	398			(158)	240	7 mos.
Total interest rate risk management	7,372	2,000	(750)	(2,788)	5,834	
Commercial mortgage banking risk management						
Interest rate swaps	105	281		(218)	168	10 yrs. 9 mos.
Total rate of return swaps	150	75	(75)		150	1 mo.
Total commercial mortgage banking risk management	255	356	(75)	(218)	318	
Total	$7,627	$2,356	$(825)	$(3,006)	$6,152	

</TABLE>

The following table sets forth the notional value and the fair value of financial derivatives used for risk management and designated as accounting hedges under SFAS No. 133 at March 31, 2002. Weighted-average interest rates presented are based on the implied forward yield curve at March 31, 2002.

<TABLE>
<CAPTION>
FINANCIAL DERIVATIVES - 2002

March 31, 2002 - dollars in millions	Notional Value	Fair Value	Weighted-Average Interest Rates Paid	Weighted-Average Interest Rates Received
Interest rate risk management				
Asset rate conversion				
Interest rate swaps (a)				
Receive fixed designated to loans	$2,985	$20	4.09%	

				4.61%
Pay fixed designated to loans	107	(5)	5.88	4.95
Basis swaps designated to loans	57		5.74	5.67
Interest rate caps designated to loans (b)	25		NM	NM
Interest rate floors designated to loans (c)	7		NM	NM
Futures contracts designated to loans	240		NM	NM
Total asset rate conversion	3,421	15		
Liability rate conversion				
Interest rate swaps (a)				
Receive fixed designated to borrowed funds	2,413	94	5.47	5.94
Total liability rate conversion	2,413	94		
Total interest rate risk management	5,834	109		
Commercial mortgage banking risk management				
Pay fixed interest rate swaps designated to loans held for sale (a)	168	2	5.94	6.19
Pay total rate of return swaps designated to loans held for sale (a)	150	1	5.80	1.48
Total commercial mortgage banking risk management	318	3		
Total financial derivatives designated for risk management	$6,152	$112		

</TABLE>

(a) The floating rate portion of interest rate contracts is based on money-market indices. As a percent of notional value, 57% were based on 1-month LIBOR, 42% on 3-month LIBOR and the remainder on other short-term indices.

(b) Interest rate caps with notional values of $15 million require the counterparty to pay the Corporation the excess, if any, of 3-month LIBOR over a weighted-average strike of 6.40%. In addition, interest rate caps with notional values of $6 million require the counterparty to pay the excess, if any, of 1-month LIBOR over a weighted-average strike of 6.00%. The remainder is based on other short-term indices. At March 31, 2002, 3-month LIBOR was 2.03% and 1-month LIBOR was 1.88%.

(c) Interest rate floors with notional values of $5 million require the counterparty to pay the excess, if any, of the weighted-average strike of 4.50% over 3-month LIBOR. The remainder is based on other short-term indices. At March 31, 2002, 3-month LIBOR was 2.03%.

NM- Not meaningful

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

FINANCIAL DERIVATIVES - 2001

<TABLE>
<CAPTION>

			Weighted-Average Interest Rates	
December 31, 2001 - dollars in millions	Notional Value	Fair Value	Paid	Received
<S>	<C>	<C>	<C>	<C>
Interest rate risk management				
Asset rate conversion				

Interest rate swaps (a)				
Receive fixed designated to loans	$4,335	$132	3.35%	5.23%
Pay fixed designated to loans	107	(5)	5.88	4.66
Basis swaps designated to loans	87		5.49	5.42
Interest rate caps designated to loans (b)	25		NM	NM
Interest rate floors designated to loans (c)	7		NM	NM
Futures contracts designated to loans	398		NM	NM
Total asset rate conversion	4,959	127		
Liability rate conversion				
Interest rate swaps (a)				
Receive fixed designated to borrowed funds	2,413	135	5.20	5.94
Total liability rate conversion	2,413	135		
Total interest rate risk management	7,372	262		
Commercial mortgage banking risk management				
Pay fixed interest rate swaps designated to loans held for sale (a)	105	1	5.52	5.82
Pay total rate of return swaps designated to loans held for sale (a)	150		5.89	1.39
Total commercial mortgage banking risk management	255	1		
Total financial derivatives designated for risk management	$7,627	$263		

</TABLE>

(a) The floating rate portion of interest rate contracts is based on money-market indices. As a percent of notional value, 65% were based on 1-month LIBOR, 34% on 3-month LIBOR and the remainder on other short-term indices.

(b) Interest rate caps with notional values of $15 million require the counterparty to pay the Corporation the excess, if any, of 3-month LIBOR over a weighted-average strike of 6.40%. In addition, interest rate caps with notional values of $6 million require the counterparty to pay the excess, if any, of 1-month LIBOR over a weighted-average strike of 6.00%. The remainder is based on other short-term indices. At December 31, 2001, 3-month LIBOR was 1.88% and 1-month LIBOR was 1.87%.

(c) Interest rate floors with notional values of $5 million require the counterparty to pay the excess, if any, of the weighted-average strike of 4.50% over 3-month LIBOR. The remainder is based on other short-term indices. At December 31, 2001, 3-month LIBOR was 1.88%.

NM- Not meaningful

OTHER DERIVATIVES

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

Additionally, the Corporation enters into other derivative transactions for risk management purposes that are not designated as accounting hedges, primarily consisting of interest rate floors and caps and basis swaps. Other noninterest income for the first three months of 2002 included approximately $1 million of net gains related to the derivatives held for risk management purposes not designated as accounting hedges.

<TABLE>
<CAPTION>

OTHER DERIVATIVES

	At March 31, 2002				2002
		Positive	Negative		Average
	Notional	Fair	Fair	Net Asset	

In millions	Value	Value	Value	(Liability)	Fair Value
<S>	<C>	<C>	<C>	<C>	<C>
Customer-related					
Interest rate					
Swaps	$20,951	$255	$(274)	$(19)	$(10)
Caps/floors					
Sold	2,960		(30)	(30)	(34)
Purchased	2,481	24		24	27
Foreign exchange	4,113	29	(25)	4	3
Other	3,824	68	(56)	12	11
Total customer-related	34,329	376	(385)	(9)	(3)
Other risk management and proprietary					
Interest rate					
Basis swaps	2,255	5		5	6
Caps/floors					
Sold					(22)
Purchased	4,400				22
Other	375	9	(3)	6	6
Total other risk management and proprietary	7,030	14	(3)	11	12
Total other derivatives	$41,359	$390	$(388)	$2	$9

</TABLE>

"OFF-BALANCE-SHEET" ACTIVITIES

PNC has reputation, legal, operational and fiduciary risks in virtually every area of its business, many of which are not reflected in assets and liabilities recorded on the balance sheet, and some of which are conducted through limited purpose entities known as "special purpose entities." These activities are part of the banking business and would be found in most larger financial institutions with the size and activities of PNC. Most of these involve financial products distributed to customers, trust and custody services, and processing and funds transfer services, and the amounts involved can be quite large in relation to the Corporation's assets, equity and earnings. The primary accounting for these activities on PNC's records is to reflect the earned income, operating expenses and any receivables or liabilities for transaction settlements. For example: PNC Bank provides credit and liquidity to customers through loan commitments and letters of credit; BlackRock provides investment advisory and administration services for others through registered investment companies, separate accounts, and other legal entities - additional information about BlackRock is available in its filings with the SEC and may be obtained electronically at the SEC's home page at www.sec.gov; PFPC processes mutual fund transactions, provides securities lending services and maintains custody of certain fund assets; PNC Advisors provides trust services and holds assets for personal and institutional customers; Hilliard Lyons maintains brokerage assets of customers; and Columbia Housing administers and manages funds that invest in affordable housing projects that generate tax credits to investors; among other activities. In addition to these activities, PNC has other activities or financial interests that involve credit risk and market risk (including interest rate risk) that are not fully reflected on the balance sheet. The most significant of these activities include the following:

- PNC provides administrative services, a portion of the program-level credit enhancement, and participates with other banks in providing liquidity facilities to Market Street.

- Loan commitments and letters of credit.

- Financial derivatives -- see Financial Derivatives in the Risk Management

section of this Financial Review.

- - Loan securitization and servicing activities. See Note 3 NBOC acquisition in the Consolidated Financial Statements for additional information.

Except to the extent inherent in customary activities such as those described above, PNC does not use off-balance-sheet entities to fund its business operations. The Corporation does not capitalize any off-balance-sheet entity with PNC stock and has no commitments to provide financial backing to any such entity by issuing PNC stock.

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

MARKET STREET FUNDING CORPORATION

Market Street is a multi-seller asset-backed commercial paper conduit that is independently owned and managed. The activities of Market Street are limited to the purchase of, or making of, loans secured by interests in pools of receivables from U.S. corporations unaffiliated with PNC that desire access to the commercial paper market. Market Street funds the purchases by issuing commercial paper. Market Street's commercial paper has been rated A1/P1 by Standard & Poor's and Moody's. Market Street had total assets of $5.2 billion at March 31, 2002.

PNC Bank provides certain administrative services, a portion of the program-level credit enhancement and participates with other banks in providing liquidity facilities to Market Street in exchange for fees negotiated based on market rates. Credit enhancement is provided in part by PNC Bank in the form of a revolving credit facility with a five year term expiring December 31, 2004. At March 31, 2002, approximately $160 million was outstanding on this facility. An additional $480 million was provided by a major insurer. Also at March 31, 2002, Market Street had liquidity facilities supporting individual pools of receivables totaling $7.0 billion, of which $5.8 billion are provided by PNC Bank. At March 31, 2002, none of the $5.8 billion of liquidity facilities had been drawn. In April 2002, PNC funded approximately $50 million to Market Street under a liquidity facility agreement as discussed elsewhere in this Financial Review.

As Market Street's program administrator, PNC received fees of $3.4 million for the three months ended March 31, 2002. Commitment fees related to PNC's portion of the liquidity facilities amounted to $2.3 million for the first quarter of 2002.

SECURITIZATIONS

From time to time the Corporation has sold loans in secondary market securitization transactions. The Corporation uses securitizations to manage various balance sheet risks. Also, in such securitization transactions, the Corporation may retain certain interest-only strips and servicing rights that were created in the sale of the loans. The Corporation's liquidity is not dependent on securitizations. As previously reported, in March 2001 PNC securitized $3.8 billion of residential mortgage loans by selling the loans into a trust with PNC retaining 99% or $3.7 billion of the certificates. The 1% interest in the trust was purchased by a publicly-traded entity managed by a subsidiary of PNC. A substantial portion of the entity's purchase price was financed by PNC. The reclassification of these loans to securities increased the liquidity of the assets and was consistent with PNC's on-going balance sheet restructuring. At the time of the securitization, gains of $25.9 million were deferred and were recognized when principal payments were received or the securities sold to third parties. At December 31, 2001, these securities had been reduced to $1.3 billion through sales and principal payments and the remaining deferred gains were $7.8 million. In the first quarter of 2002, the remaining securities were sold. The deferred gain remaining at the time of sale of $6.0 million was recognized as other noninterest income.

FORWARD-LOOKING STATEMENTS

This report contains, and other statements that the Corporation may make may contain, forward-looking statements within the meaning of the Private Securities Litigation Reform Act with respect to the outlook or expectations for earnings, revenues, asset quality, share repurchases, or other future financial or business performance, strategies and expectations. Forward-looking statements are typically identified by words or phrases such as "believe," "feel," "expect," "anticipate," "intend," "outlook," "estimate," "forecast," "predict,"

"position," "poised," "target," "mission," "assume," "achievable," "potential," "strategy," "goal," "objective," "plan," "aspiration," "outcome," "continue," "remain," "maintain," "seek," "strive," "trend" and variations of such words and similar expressions, or future or conditional verbs such as "will," "would," "should," "could," "might," "can," "may" or similar expressions.

The Corporation cautions that forward-looking statements are subject to numerous assumptions, risks and uncertainties, which change over time. Actual results could differ materially from those anticipated in forward-looking statements and future results could differ materially from historical performance. Forward-looking statements speak only as of the date they are made, and the Corporation assumes no duty to update forward-looking statements. In addition to factors mentioned elsewhere in this report or previously disclosed in the Corporation's SEC reports (accessible on the SEC's website at www.sec.gov), the following factors, among others, could cause actual results to differ materially from forward-looking statements or historical performance:

(1) The resolution of disputes over certain closing date adjustments related to the sale of the residential mortgage banking business;
(2) changes in political, economic or industry conditions, the interest rate environment or financial and capital markets, which could result in: a deterioration in credit quality and increased credit losses; an adverse effect on the allowance for credit losses; a reduction in demand for credit or fee-based products and services, net interest income, value of assets under management and assets serviced, value of venture capital investments and of other debt and equity investments, value of loans held for sale or value of other on-balance-sheet and off-balance-sheet assets; or changes in the availability and terms of funding necessary to meet PNC's liquidity needs;
(3) relative investment performance of assets under management;
(4) the introduction, withdrawal, success and timing of business initiatives and strategies, decisions regarding further reductions in balance sheet leverage, the timing and pricing of any sales of loans held for sale, and PNC's inability to realize cost savings or revenue enhancements, implement integration plans and other consequences of mergers, acquisitions, restructurings and divestitures;
(5) customer borrowing, repayment, investment and deposit practices and their acceptance of PNC's products and services;
(6) the impact of increased competition;
(7) the means PNC chooses to redeploy available capital, including the extent and timing of any share repurchases and investments in PNC businesses;
(8) the inability to manage risks inherent in PNC's business;
(9) the unfavorable resolution of legal proceedings or government inquiries;
(10) the denial of insurance coverage for claims made by PNC;
(11) an increase in the number of customer or counterparty delinquencies, bankruptcies or defaults that could result in, among other things, increased credit and asset quality risk, a higher loan loss provision and reduced profitability;
(12) the impact, extent and timing of technological changes, the adequacy of intellectual property protection and costs associated with obtaining rights in intellectual property claimed by others;
(13) actions of the Federal Reserve Board, legislative and regulatory reforms, and regulatory, supervisory or enforcement actions of government agencies; and
(14) terrorist activities, including the September 11th terrorist attacks, which may adversely affect the general economy, financial and capital markets, specific industries, and PNC. The Corporation cannot predict the severity or duration of effects stemming from such activities or any actions taken in connection with them.

Some of the above factors are described in more detail in the Overview and Risk Factors sections of this Financial Review and factors relating to credit risk, interest rate risk, liquidity risk, operational risk, trading activities, financial and other derivatives and "off-balance-sheet" activities are discussed in the Risk Management section of this Financial Review. Other factors are described elsewhere in this report.

CONSOLIDATED STATEMENT OF INCOME
THE PNC FINANCIAL SERVICES GROUP, INC.
<TABLE>
<CAPTION>
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Three months ended March 31 - in millions, except per share data Unaudited	2002	2001
INTEREST INCOME		
Loans and fees on loans	$599	$981
Securities	177	122

Loans held for sale	52	37
Other	30	32
Total interest income	858	1,172
INTEREST EXPENSE		
Deposits	176	397
Borrowed funds	92	221
Total interest expense	268	618
Net interest income	590	554
Provision for credit losses	82	80
Net interest income less provision for credit losses	508	474
NONINTEREST INCOME		
Asset management	221	223
Fund servicing	196	195
Service charges on deposits	54	50
Brokerage	55	54
Consumer services	55	55
Corporate services	118	76
Equity management	(2)	(39)
Net securities gains	4	29
Other	73	72
Total noninterest income	774	715
NONINTEREST EXPENSE		
Staff expense	430	421
Net occupancy	58	53
Equipment	68	57
Marketing	13	9
Distributions on capital securities	15	17
Other	207	224
Total noninterest expense	791	781
Income from continuing operations before minority interest and income taxes	491	408
Minority interest in income of consolidated entities	10	8
Income taxes	164	135

Income from continuing operations	317	265
Income from discontinued operations (less applicable income taxes of $0)		5
Net income before cumulative effect of accounting change	317	270
Cumulative effect of accounting change (less applicable income tax benefit of $2)		(5)
Net income	$317	$265
EARNINGS PER COMMON SHARE		
Continuing operations and net income		
Basic	$1.12	$.90
Diluted	1.11	.89
AVERAGE COMMON SHARES OUTSTANDING		
Basic	283	289
Diluted	285	293

</TABLE>

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED BALANCE SHEET
THE PNC FINANCIAL SERVICES GROUP, INC.

<TABLE>
<CAPTION>

In millions, except par value Unaudited	March 31 2002	December 31 2001
ASSETS		
Cash and due from banks	$2,786	$4,327
Short-term investments	2,105	1,335
Loans held for sale	3,648	4,189
Securities	11,092	13,908
Loans, net of unearned income of $1,136 and $1,164	38,539	37,974
Allowance for credit losses	(712)	(630)
Net loans	37,827	37,344
Goodwill	2,315	2,036
Other intangible assets	344	337
Other	6,447	6,092

Total assets	$66,564	$69,568
LIABILITIES		
Deposits		
Noninterest-bearing	$8,686	$10,124
Interest-bearing	36,224	37,180
Total deposits	44,910	47,304
Borrowed funds		
Federal funds purchased	34	167
Repurchase agreements	827	954
Bank notes and senior debt	5,480	6,362
Federal Home Loan Bank borrowings	1,787	2,047
Subordinated debt	2,275	2,298
Other borrowed funds	585	262
Total borrowed funds	10,988	12,090
Other	3,656	3,333
Total liabilities	59,554	62,727
Minority interest	183	170
Mandatorily redeemable capital securities of subsidiary trusts	848	848
SHAREHOLDERS' EQUITY		
Preferred stock	1	1
Common stock - $5 par value		
Authorized 800 shares		
Issued 353 shares	1,764	1,764
Capital surplus	1,090	1,077
Retained earnings	6,730	6,549
Deferred benefit expense	(15)	(16)
Accumulated other comprehensive (loss) income	(30)	5
Common stock held in treasury at cost: 69 and 70 shares	(3,561)	(3,557)
Total shareholders' equity	5,979	5,823
Total liabilities, minority interest, capital securities and shareholders' equity	$66,564	$69,568

</TABLE>

See accompanying Notes to Consolidated Financial Statements.

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

Three months ended March 31 - in millions Unaudited	2002	2001
OPERATING ACTIVITIES		
Net income	$317	$265
Income from discontinued operations		(5)
Cumulative effect of accounting change		5
Income from continuing operations	317	265
Adjustments to reconcile income from continuing operations to net cash provided by operating activities		
Provision for credit losses	82	80
Depreciation, amortization and accretion	10	80
Deferred income taxes	125	114
Securities transactions	(4)	(28)
Valuation adjustments	37	8
Change in		
Loans held for sale	728	(124)
Other	(717)	(245)
Net cash provided by operating activities	578	150
INVESTING ACTIVITIES		
Net change in loans	224	(64)
Repayment of securities	826	265
Sales		
Securities	4,500	4,958
Loans	478	1,161
Foreclosed assets	1	5
Purchases		
Securities	(2,826)	(7,357)
Loans	(13)	(110)
Net cash (paid) received for divestitures/acquisitions	(1,676)	503
Other	(39)	71
Net cash provided (used) by investing activities	1,475	(568)
FINANCING ACTIVITIES		
Net change in		
Noninterest-bearing deposits	(1,438)	(59)
Interest-bearing deposits	(956)	(416)
Federal funds purchased	(133)	(642)
Repurchase agreements	(127)	223

Sales/issuances		
Federal Home Loan Bank borrowings		2,623
Other borrowed funds	6,812	9,413
Common stock	35	80
Repayments/maturities		
Bank notes and senior debt	(870)	(750)
Federal Home Loan Bank borrowings	(260)	(500)
Subordinated debt		(100)
Other borrowed funds	(6,488)	(9,783)
Acquisition of treasury stock	(33)	(191)
Cash dividends paid	(136)	(144)
Net cash used by financing activities	(3,594)	(246)
DECREASE IN CASH AND DUE FROM BANKS	(1,541)	(664)
Cash and due from banks at beginning of year	4,327	3,662
Cash and due from banks at end of period	$2,786	$2,998
CASH PAID FOR		
Interest	$283	$577
Income taxes	11	29
NON-CASH ITEMS		
Transfer of mortgage loans to securities		3,775
Transfer to (from) loans held for sale from (to) loans	160	(6)
Transfer from loans to other assets	4	3

</TABLE>

See accompanying Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
THE PNC FINANCIAL SERVICES GROUP, INC.

BUSINESS

The PNC Financial Services Group, Inc. ("Corporation" or "PNC") is one of the largest diversified financial services companies in the United States, operating businesses engaged in regional community banking, corporate banking, real estate finance, asset-based lending, wealth management, asset management and global fund services. The Corporation provides certain products and services nationally and others in PNC's primary geographic markets in Pennsylvania, New Jersey, Delaware, Ohio and Kentucky. The Corporation also provides certain banking, asset management and global fund services internationally. PNC is subject to intense competition from other financial services companies and is subject to regulation by various domestic and international authorities.

NOTE 1 ACCOUNTING POLICIES

The unaudited consolidated interim financial statements include the accounts of PNC and its subsidiaries, most of which are wholly owned, and other consolidated entities. Such statements have been prepared in accordance with accounting principles generally accepted in the United States. All significant intercompany accounts and transactions have been eliminated. Certain prior-period amounts have been reclassified to conform with the current period presentation. These reclassifications did not impact the Corporation's financial condition or results of operations.

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

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

The consolidated financial statements, notes to consolidated financial statements and statistical information reflect the residential mortgage banking business, which was sold on January 31, 2001, in discontinued operations, unless otherwise noted.

The notes included herein should be read in conjunction with the audited consolidated financial statements included in PNC's 2001 Annual Report to Shareholders, excerpts from which are included as Exhibit 13 to PNC's 2001 Annual Report on Form 10-K ("2001 Form 10-K").

NOTE 2 DISCONTINUED OPERATIONS

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

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

INCOME FROM DISCONTINUED OPERATIONS

Three months ended March 31 - in millions	2001
Income from operations, after tax	$15
Net loss on sale of business, after tax	(10)
Total income from discontinued operations	$5

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

NOTE 3 NBOC ACQUISITION

In January 2002, PNC Business Credit acquired a portion of National Bank of Canada's ("NBOC") U.S. asset-based lending business in a purchase business combination. With this acquisition, PNC Business Credit established six new marketing offices and enhanced its presence as one of the premier asset-based lenders for the middle market customer segment. The transaction was designed to allow PNC to acquire the higher-quality portion of the portfolio, and provide NBOC a means for the orderly liquidation and exit of the remaining portfolio.

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

NBOC retained a portfolio ("Serviced Portfolio") totaling approximately $670 million of credit exposure including $463 million of outstandings, which will be serviced by PNC for an 18-month term unless a different date is mutually agreed upon. The Serviced Portfolio retained by NBOC primarily represents the portion of NBOC's U.S. asset-based loan portfolio with the highest risk. The loans are either to borrowers with deteriorating trends or with identified weaknesses which if not corrected could jeopardize full satisfaction of the loans or in industries to

which PNC Business Credit wants to limit its exposure. Approximately $138 million of the Serviced Portfolio outstandings were nonperforming on the acquisition date. At the end of the servicing term, NBOC has the right to transfer the then remaining Serviced Portfolio to PNC ("Put Option"). NBOC's and PNC's strategy is to aggressively liquidate the Serviced Portfolio during the servicing term. PNC intends to sell or otherwise liquidate any remaining loans in the event NBOC puts them to PNC at the end of the servicing term.

NBOC retains significant risks and rewards of owning the Serviced Portfolio, including realized credit losses, during the servicing term as described below. NBOC assigned $24 million of specific reserves to certain of the loans in the Serviced Portfolio. Additionally, NBOC absorbs realized credit losses on the Serviced Portfolio in addition to the specific reserves on individual identified loans. If during the servicing term the realized credit losses in the Serviced

Portfolio exceed $50 million plus the specific reserves, then PNC Business Credit will advance cash to NBOC for these excess losses ("Excess Loss Payments"). PNC is to be reimbursed by NBOC for any Excess Loss Payments if the Put Option is not exercised. If the Put Option is exercised, the Put Option purchase price will be reduced by the amount of any Excess Loss Payments.

As part of the allocation of the purchase price for the business acquired, PNC Business Credit established a liability of $112 million to reflect its obligation under the Put Option. An independent third party valuation firm valued the Put Option by estimating the difference between the anticipated fair value of loans from the Serviced Portfolio expected to be outstanding at the put date and the anticipated Put Option purchase price. The Put Option liability will be revalued on a quarterly basis by the independent valuation firm with changes in the value included in earnings. At March 31, 2002 the Put Option liability was approximately $107 million. The $5 million reduction from the acquisition date amount was recognized in earnings for the first quarter as other noninterest income.

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

At March 31, 2002, the valuation firm estimated that loans outstanding in the Serviced Portfolio at the put date would be $332.5 million and that estimated credit losses on liquidating the Serviced Portfolio would be $56.5 million including $12.1 million during the servicing term. Using these and other assumptions, if the Put were exercised at the end of the servicing term, PNC would record the acquired loans at $165 million. Actual results may differ materially from these assumptions.

Prior to closing of the acquisition, PNC Business Credit transferred $49 million of nonperforming loans to NBOC in a transaction accounted for as a financing. Those loans are subject to the terms of the servicing agreement and are included in the Serviced Portfolio amounts set forth above. The loans were transferred to loans held for sale on PNC's balance sheet at a loss of $9.9 million, which was recognized as a charge-off in the first quarter of 2002. The carrying amount of those loans held for sale was $33.2 million at March 31, 2002 and is included in PNC's nonperforming assets. Excluding these loans, the Serviced Portfolio in January 2002 was $620 million of credit exposure including $413 million of outstandings of which $88 million was nonperforming. At March 31, 2002, comparable amounts were $532 million, $385 million, and $110 million, respectively.

NOTE 4 RECENT ACCOUNTING PRONOUNCEMENTS
In October 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards ("SFAS") No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," which replaces SFAS No. 121. This statement primarily defines one accounting model for long-lived assets to be disposed of by sale, including discontinued operations, and addresses implementation issues regarding the impairment of long-lived assets. The standard was effective January 1, 2002 and is not expected to have a material impact on the Corporation's consolidated financial statements.

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

In accordance with SFAS No. 142, the Corporation identified its reporting unit structure for goodwill impairment testing purposes as of January 1, 2002. Management performed the first step of the transitional goodwill impairment test on its reporting units during the first quarter of 2002. The results of this test indicate no impairment loss as the fair value of the reporting units exceeds the carrying amount of the net assets (including goodwill) in all cases. Fair value was determined by using a discounted cash flow methodology.

As a result of adopting this statement, the Corporation reassessed the useful lives and the classification of identifiable intangible assets and determined that they continue to be appropriate.

The carrying amount of goodwill and other intangible assets, net of

amortization, consisted of the following:

GOODWILL AND OTHER INTANGIBLES

In millions	March 31 2002	December 31 2001
Goodwill	$2,315	$2,036
Customer-related intangibles	146	138
Commercial mortgage servicing rights	198	199
Total	$2,659	$2,373

The changes in the carrying amount of goodwill and net other intangible assets for the three months ended March 31, 2002, are as follows:

CHANGES IN GOODWILL AND OTHER INTANGIBLES

In millions	Goodwill	Customer-Based	Servicing Rights
Balance at December 31, 2001	$2,036	$138	$199
Additions during the quarter	279	13	5
Amortization		(5)	(6)
Balance at March 31, 2002	$2,315	$146	$198

In conjunction with the NBOC acquisition, PNC Business Credit recorded a customer-based intangible of $12.4 million that will be amortized over seven years. Goodwill recorded in connection with the NBOC acquisition was approximately $277 million, of which approximately $101 million is non-deductible for federal tax purposes.

Amortization expense on intangible assets during the first quarter of 2002 was approximately $11 million. Amortization expense on existing intangible assets for the remainder of 2002 and for 2003, 2004, 2005, 2006 and 2007 is estimated to be $35 million, $43 million, $40 million, $37 million, $35 million and $33 million, respectively.

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

PRO FORMA EFFECTS

Three months ended March 31 In millions, except per share data	2002	2001
Reported income from continuing operations	$317	$265
Goodwill amortization, net of taxes		23
Pro forma income from continuing operations	$317	$288
Basic earnings per share		
Reported, from continuing operations	$1.12	$.90
Goodwill amortization, net of taxes		.08
Pro forma basic earnings per share	$1.12	$.98
Diluted earnings per share		
Reported, from continuing operations	$1.11	$.89
Goodwill amortization, net of taxes		.08
Pro forma diluted earnings per share	$1.11	$.97

NOTE 6 CASH FLOWS

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

NOTE 7 TRADING ACTIVITIES
Most of PNC's trading activities are designed to provide capital markets services to customers and not to position the Corporation's portfolio for gains from market movements. PNC participates in derivatives and foreign exchange trading as well as underwriting and "market making" in equity securities as an accommodation to customers. PNC also engages in trading activities as part of risk management strategies.

Net trading income for the first three months of 2002 totaled $24 million compared with $38 million for the prior-year period and was included in noninterest income as follows:

DETAILS OF TRADING ACTIVITIES

Three months ended March 31 - in millions	2002	2001
Corporate services		$1
Other noninterest income		
Securities underwriting and trading	$17	20
Derivatives trading	1	12
Foreign exchange	6	5
Net trading income	$24	$38

NOTE 8 NONPERFORMING ASSETS
Nonperforming assets were as follows:

In millions	March 31 2002	December 31 2001
Nonaccrual loans	$251	$211
Nonperforming loans held for sale (a)	175	169
Foreclosed assets	12	11
Total nonperforming assets (b)	$438	$391

(a) Includes a $6 million troubled debt restructured loan held for sale as of December 31, 2001.
(b) Excludes $18 million of equity management assets carried at estimated fair value at March 31, 2002 and December 31, 2001.

NOTE 9 ALLOWANCE FOR CREDIT LOSSES
Changes in the allowance for credit losses were as follows:

In millions	2002	2001
Allowance at January 1	$630	$675
Charge-offs		
Commercial	(39)	(78)
Commercial real estate	(2)	
Consumer	(10)	(10)
Residential mortgage	(1)	
Lease financing	(5)	(3)
Total charge-offs	(57)	(91)
Recoveries		
Commercial	10	6
Consumer	4	5
Residential mortgage	1	
Lease financing	1	
Total recoveries	16	11
Net charge-offs		
Commercial	(29)	(72)
Commercial real estate	(2)	
Consumer	(6)	(5)
Lease financing	(4)	(3)
Total net charge-offs	(41)	(80)
Provision for credit losses	82	80
Acquired allowance (NBOC acquisition)	41	
Allowance at March 31	$712	$675

NOTE 10 LEGAL PROCEEDINGS
Note 24 to the Consolidated Financial Statements included in the Corporation's 2001 Form 10-K describes putative federal securities law class action litigation against the Corporation, certain present or former officers and directors, and its independent auditors for 2001; a dispute over certain closing date purchase price adjustments related to the January 2001 sale of the Corporation's

residential mortgage banking business; and regulatory inquiries relating to certain transactions with subsidiaries of a third party financial institution. There were no material developments in any of these matters or in management's assessment of them during the quarter ended March 31, 2002.

The Corporation and persons to whom the Corporation may have indemnification obligations, in the normal course of business, are subject to various other pending and threatened legal proceedings in which claims for monetary damages and other relief are asserted. Management does not anticipate that the ultimate aggregate liability, if any, arising out of such other lawsuits will have a material adverse effect on the Corporation's financial position.

At the present time, management is not in a position to determine whether any pending or threatened legal proceedings will have a material adverse effect on the Corporation's results of operations in any future reporting period.

NOTE 11 SECURITIES

<TABLE>
<CAPTION>

In millions	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
<S>	<C>	<C>	<C>	<C>
MARCH 31, 2002				
SECURITIES AVAILABLE FOR SALE				
Debt securities				
U.S. Treasury and government agencies	$760	$1	$(7)	$754
Mortgage-backed	6,836	20	(121)	6,735
Asset-backed	2,706	1	(39)	2,668
State and municipal	62	2		64
Other debt	73	1	(1)	73
Total debt securities	10,437	25	(168)	10,294
Corporate stocks and other	446		(15)	431
Total securities available for sale	$10,883	$25	$(183)	$10,725
SECURITIES HELD TO MATURITY				
Debt securities				
U.S. Treasury and government agencies	$264		$(20)	$244
Asset-backed	8			8
Other debt	95			95
Total debt securities	367		(20)	347
Total securities held to maturity	$367		$(20)	$347
DECEMBER 31, 2001				
SECURITIES AVAILABLE FOR SALE				
Debt securities				
U.S. Treasury and government agencies	$808	$3	$(4)	$807
Mortgage-backed	9,669	37	(128)	9,578

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

</TABLE>

The fair value of total securities at March 31, 2002 was $11.1 billion compared with $13.9 billion at December 31, 2001. Securities represented 17% of total assets at March 31, 2002 compared with 20% at December 31, 2001. The decline in total securities compared with December 31, 2001 was primarily due to the sale of mortgage-backed securities during the first quarter of 2002.

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

The securities classified as held to maturity are owned by the subsidiaries of a third party financial institution that are consolidated in PNC's financial statements as described in Note 3 to the Consolidated Financial Statements included in the Corporation's 2001 Form 10-K. The expected weighted-average life of securities held to maturity was 18 years and 9 months at March 31, 2002 and 18 years and 11 months at December 31, 2001.

At March 31, 2002, the securities available for sale balance included a net unrealized loss of $158 million, which represented the difference between fair value and amortized cost. The comparable amount at December 31, 2001 was a net unrealized loss of $132 million. Net unrealized gains and losses in the securities available for sale portfolio are included in accumulated other comprehensive income or loss, net of tax or, for the portion attributable to changes in a hedged risk as part of a fair value hedge strategy, in net income.

Net securities gains were $4 million for the first three months of 2002 and $29 million for the first three months of 2001. Net securities losses of $1 million for the first three months of 2001 related to commercial mortgage banking activities were included in corporate services revenue. There was no comparable amount for the first three months of 2002.

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

SECURITIES SOLD

Three months ended March 31 In millions	Proceeds	Gross Gains	Gross Losses	Net Gains	Taxes
2002	$4,500	$14	$10	$4	$1
2001	4,958	32	4	28	10

NOTE 12 EARNINGS PER SHARE

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

<TABLE>
<CAPTION>
Three months ended March 31
In millions, except share and per share data
2002   2001
- --

<S>
<C>   <C>
CALCULATION OF BASIC EARNINGS PER COMMON SHARE
Income from continuing operations
$317 $265
Less: Preferred dividends declared
5
- --

Income from continuing operations applicable to basic earnings per common share
317   260
Income from discontinued operations applicable to basic earnings per common share
5
Cumulative effect of accounting change applicable to basic earnings per common share
(5)
- --

Net income applicable to basic earnings per common share
$317 $260

Basic weighted-average common shares outstanding (in thousands)
282,770   289,205

Basic earnings per common share from continuing operations
$1.12 $.90
Basic earnings per common share from discontinued operations
.02
Basic earnings per common share from cumulative effect of accounting change
(.02)
- --

Basic earnings per common share
$1.12 $.90
===
==============

CALCULATION OF DILUTED EARNINGS PER COMMON SHARE
Income from continuing operations
$317 $265
Less: Dividends declared on nonconvertible Series F preferred stock
4
- --

Income from continuing operations applicable to diluted earnings per common share
317   261
Income from discontinued operations applicable to diluted earnings per common share
5
Cumulative effect of accounting change applicable to diluted earnings per common share
(5)
- --

Net income applicable to diluted earnings per common share
$317 $261

Basic weighted-average common shares outstanding (in thousands)
282,770   289,205
Weighted-average common shares to be issued using average market price and assuming:
Conversion of preferred stock Series A and B
102   111
Conversion of preferred stock Series C and D
821   902
Conversion of debentures
17   17
Exercise of stock options
1,090   2,266
Incentive share awards
428   304
- --

Diluted weighted-average common shares outstanding (in thousands)
285,228   292,805

Diluted earnings per common share from continuing operations
$1.11 $.89
Diluted earnings per common share from discontinued operations
.02
Diluted earnings per common share from cumulative effect of accounting change
(.02)

Diluted earnings per common share	$1.11	$.89

</TABLE>

NOTE 13 SHAREHOLDERS' EQUITY

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

<TABLE>
<CAPTION>

In millions, except share and per share data	Preferred Stock	Common Stock	Capital Surplus	Retained Earnings	Deferred Benefit Expense	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total
Balance at December 31, 2001	$1	$1,764	$1,077	$6,549	$(16)	$5	$(3,557)	$5,823
Net income				317				317
Other comprehensive income (loss), net of tax (a)								
Net unrealized securities losses						(17)		(17)
Net unrealized losses on cash flow hedge derivatives						(19)		(19)
Other						1		1
Comprehensive income								282
Cash dividends declared								
Common ($.48 per share)				(136)				(136)
Treasury stock activity (182,000 net shares purchased)			8				(4)	4
Tax benefit of ESOP and stock option plans			5					5
Deferred benefit expense					1			1
Balance at March 31, 2002	$1	$1,764	$1,090	$6,730	$(15)	$(30)	$(3,561)	$5,979

</TABLE>

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

<TABLE>
<CAPTION>

Three months ended March 31, 2002 In millions	Pretax amount	Tax Benefit (Expense)	After-tax Amount

<S>	<C>	<C>	<C>
Unrealized securities losses	$(40)	$14	$(26)
Less: Reclassification adjustment for losses realized in net income	(14)	5	(9)
Net unrealized securities losses	(26)	9	(17)
Unrealized losses on cash flow hedge derivatives	(6)	2	(4)
Less: Reclassification adjustment for gains realized in net income	23	(8)	15
Net unrealized losses on cash flow hedge derivatives	(29)	10	(19)
Other	2	(1)	1
Other comprehensive income (loss)	$(53)	$18	$(35)

</TABLE>

NOTE 14 SEGMENT REPORTING
PNC operates seven major businesses engaged in regional community banking, corporate banking, real estate finance, asset-based lending, wealth management, asset management and global fund services.

Business results are presented based on PNC's management accounting practices and the Corporation's management structure. There is no comprehensive, authoritative body of guidance for management accounting equivalent to generally accepted accounting principles; therefore, PNC's business results are not necessarily comparable with similar information for any other company. Financial results are presented, to the extent practicable, as if each business operated on a stand-alone basis. Also, certain amounts for 2001 have been reclassified to conform with the 2002 presentation.

The management accounting process uses various balance sheet and income statement assignments and transfers to measure performance of the businesses. Methodologies change from time to time as management accounting practices are enhanced and businesses change. Securities or borrowings and related net interest income are assigned based on the net asset or liability position of each business. Capital is assigned based on management's assessment of inherent risks and equity levels at independent companies providing similar products and services. The allowance for credit losses is allocated based on management's assessment of risk inherent in the loan portfolios. Support areas not directly aligned with the businesses are allocated primarily based on the utilization of services.

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

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

BUSINESS SEGMENT PRODUCTS AND SERVICES
Regional Community Banking provides deposit, branch-based brokerage, electronic banking and credit products and services to retail customers as well as deposit, credit, treasury management and capital markets products and services to small businesses primarily within PNC's geographic region.

Corporate Banking provides credit, equipment leasing, treasury management and

capital markets products and services primarily to mid-sized corporations and government entities within PNC's geographic region.

PNC Real Estate Finance provides credit, capital markets, treasury management, commercial mortgage loan servicing and other financial products and services to developers, owners and investors in commercial real estate. PNC's commercial real estate financial services platform provides processing services through Midland Loan Services, Inc., a leading third-party provider of loan servicing and technology to the commercial real estate finance industry, and national syndication of affordable housing equity through Columbia Housing Partners, LP.

PNC Business Credit provides asset-based lending, capital markets and treasury management products and services to middle market customers nationally. PNC Business Credit's lending services include loans secured by accounts receivable, inventory, machinery and equipment, and other collateral, and its customers include manufacturing, wholesale, distribution, retailing and service industry companies.

PNC Advisors provides a full range of tailored investment products and services to affluent individuals and families, including full-service brokerage through J.J.B. Hilliard, W.L. Lyons, Inc. and investment advisory services to the ultra-affluent through Hawthorn. PNC Advisors also serves as investment manager and trustee for employee benefit plans and charitable and endowment assets.

BlackRock is one of the largest publicly traded investment management firms in the United States with approximately $238 billion of assets under management at March 31, 2002. BlackRock manages assets on behalf of institutions and individuals worldwide through a variety of fixed income, liquidity and equity mutual funds, separate accounts and alternative investment products. Mutual funds include the flagship fund families, BlackRock Funds and BlackRock Provident Institutional Funds. In addition, BlackRock provides risk management and investment system services to institutional investors under the BlackRock Solutions name.

PFPC is the largest full-service mutual fund transfer agent and second largest provider of mutual fund accounting and administration services in the United States, providing a wide range of fund services to the investment management industry. PFPC also provides processing solutions to the international marketplace through its Ireland and Luxembourg operations.

<TABLE>
<CAPTION>

RESULTS OF BUSINESSES

Three months ended March 31 In millions	Regional Community Banking	Corporate Banking	PNC Real Estate Finance	PNC Business Credit	PNC Advisors	BlackRock	PFPC	Other	Total
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
2002									
INCOME STATEMENT									
Net interest income	$382	$94	$30	$33	$26	$3	$(18)	$40	$590
Noninterest income	167	99	21	12	157	146	195	(23)	774
Total revenue	549	193	51	45	183	149	177	17	1,364
Provision for credit losses	12	46	(5)	28				1	82
Depreciation and amortization	9	2	1		2	5	1	19	39
Other noninterest expense	257	95	35	14	128	91	147	(15)	752
Earnings before minority interest and income taxes	271	50	20	3	53	53	29	12	491
Minority interest in income of consolidated entities								10	10
Income taxes	94	17	(2)	1	20	22	12		

Earnings	$177	$33	$22	$2	$33	$31	$17	$2	$317
Inter-segment revenue	$5	$2			$13	$4	$2	$(26)	
AVERAGE ASSETS	$38,749	$15,217	$5,174	$3,817	$3,042	$667	$1,848	$(355)	$68,159
2001									
INCOME STATEMENT									
Net interest income	$352	$142	$28	$24	$32	$2	$(15)	$(11)	$554
Noninterest income	188	47	24	14	167	134	193	(52)	715
Total revenue	540	189	52	38	199	136	178	(63)	1,269
Provision for credit losses	10	57	9	5				(1)	80
Depreciation and amortization	18	3	5	1	4	6	10	17	64
Other noninterest expense	264	102	32	7	124	86	141	(39)	717
Earnings before minority interest and income taxes	248	27	6	25	71	44	27	(40)	408
Minority interest in income of consolidated entities								8	8
Income taxes	88	7	(8)	9	27	19	10	(17)	135
Earnings	$160	$20	$14	$16	$44	$25	$17	$(31)	$265
Inter-segment revenue	$1	$1			$19	$3		$(24)	
AVERAGE ASSETS	$40,617	$17,686	$5,453	$2,377	$3,505	$500	$1,735	$(88)	$71,785

</TABLE>

STATISTICAL INFORMATION
THE PNC FINANCIAL SERVICES GROUP, INC.

CONSOLIDATED AVERAGE BALANCE SHEET AND NET INTEREST ANALYSIS

<TABLE>
<CAPTION>

	First Quarter 2002			Fourth Quarter 2001		
Taxable-equivalent basis Dollars in millions	Average Balances	Interest	Average Yields/Rates	Average Balances	Interest	Average Yields/Rates
<S>	<C>	<C>	<C>	<C>	<C>	

<C>

ASSETS						
Interest-earning assets						
Loans held for sale	$4,276	$52	4.85%	$2,400	$27	4.49%
Securities						
Securities available for sale						
U.S. Treasury and government agencies and corporations	3,506	47	5.33	3,796	49	5.20
Other debt	9,048	125	5.50	8,866	115	5.18
State, municipal and other	94	3	14.24	86	3	12.02
Total securities available for sale	12,648	175	5.52	12,748	167	5.23
Securities held to maturity	363	3	3.61	272	4	6.11
Total securities	13,011	178	5.47	13,020	171	5.25
Loans, net of unearned income						
Commercial	16,264	240	5.90	18,215	288	6.19
Commercial real estate	2,452	33	5.36	2,621	38	5.68
Consumer	9,278	156	6.82	9,112	169	7.36
Residential mortgage	5,756	98	6.85	6,381	113	7.05
Lease financing	4,327	70	6.52	4,457	73	6.56
Other	394	4	4.16	407	5	5.13
Total loans, net of unearned income	38,471	601	6.28	41,193	686	6.58
Other	1,867	30	6.38	1,619	22	5.40
Total interest-earning assets/interest income	57,625	861	5.99	58,232	906	6.16
Noninterest-earning assets						
Investment in discontinued operations						
Allowance for credit losses	(637)			(727)		
Cash and due from banks	2,877			2,949		
Other assets	8,294			9,525		
Total assets	$68,159			$69,979		
LIABILITIES, MINORITY INTEREST, CAPITAL SECURITIES AND SHAREHOLDERS' EQUITY						
Interest-bearing liabilities						
Interest-bearing deposits						
Demand and money market	$21,802	60	1.11	$22,295	87	1.56
Savings	1,994	2	.48	1,931	3	.54
Retail certificates of deposit	10,608	101	3.86	11,114	118	4.19
Other time	827	9	4.40	485	8	6.20
Deposits in foreign offices	867	4	1.65	478	2	1.93
Total interest-bearing deposits	36,098	176	1.97	36,303	218	2.38
Borrowed funds						
Federal funds purchased	1,962	9	1.74	1,258	6	1.96
Repurchase agreements	915	3	1.38	801	3	1.63
Bank notes and senior debt	5,675	38	2.68	6,033	52	3.36
Federal Home Loan Bank borrowings	1,873	2	.48	2,247	9	1.66
Subordinated debt	2,209	25	4.60	2,344	28	4.74
Other borrowed funds	538	15	11.11	341	8	

	Average Balances	Interest	Average Yields/Rates	Average Balances	Interest	Average Yields/Rates
						9.05
Total borrowed funds	13,172	92	2.80	13,024	106	3.22
Total interest-bearing liabilities/interest expense	49,270	268	2.19	49,327	324	2.60
Noninterest-bearing liabilities, minority interest, capital securities and shareholders' equity						
Demand and other noninterest-bearing deposits	8,288			8,318		
Accrued expenses and other liabilities	3,675			4,857		
Minority interest	177			166		
Mandatorily redeemable capital securities of subsidiary trusts	848			848		
Shareholders' equity	5,901			6,463		
Total liabilities, minority interest, capital securities and shareholders' equity	$68,159			$69,979		
Interest rate spread			3.80			3.56
Impact of noninterest-bearing sources			.32			.40
Net interest income/margin		$593	4.12%		$582	3.96%

</TABLE>

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

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

<TABLE>
<CAPTION>

Third Quarter 2001			Second Quarter 2001			First Quarter 2001		
Average Balances	Interest	Average Yields/Rates	Average Balances	Interest	Average Yields/Rates	Average Balances	Interest	Average Yields/Rates
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
$1,955	$24	4.83%	$1,723	$31	7.05%	$2,005	$37	7.31%
3,908	56	5.69	3,696	54	5.79	3,933	57	5.84
6,538	97	5.93	7,910	122	6.18	4,001	63	6.32
91	1	7.75	101	2	7.33	127	2	5.63

10,537	154	5.86	11,707	178	6.07	8,061	122	6.08
92	2	6.92						
10,629	156	5.87	11,707	178	6.07	8,061	122	6.08
19,296	333	6.76	20,271	375	7.31	20,882	422	8.09
2,548	43	6.67	2,572	48	7.40	2,580	55	8.44
9,102	181	7.86	9,096	188	8.29	9,085	194	8.70
7,771	138	7.11	8,459	152	7.18	12,673	232	7.32
4,381	75	6.76	4,149	74	7.08	3,897	71	7.32
456	7	6.04	459	7	6.66	520	11	7.98
43,554	777	7.04	45,006	844	7.46	49,637	985	7.96
1,725	30	6.86	1,562	30	7.94	1,831	33	7.20
57,863	987	6.75	59,998	1,083	7.19	61,534	1,177	7.67
						207		
(678)			(684)			(683)		
2,921			2,907			2,977		
8,870			8,494			7,957		
$68,976			$70,715			$71,992		
$21,559	123	2.25	$20,944	134	2.57	$20,468	162	3.20
1,925	4	.84	1,936	5	.94	1,919	6	1.31
11,785	142	4.79	12,662	175	5.54	13,724	199	5.90
501	8	6.26	537	8	6.48	565	10	6.67
357	3	3.54	1,096	12	4.17	1,402	20	5.75
36,127	280	3.07	37,175	334	3.60	38,078	397	4.22
1,457	13	3.55	2,596	28	4.30	2,941	44	5.92
893	7	2.90	958	9	3.64	1,145	14	4.83
4,973	55	4.33	5,189	67	5.08	5,896	91	6.21
2,459	22	3.48	2,550	31	4.78	1,576	21	5.46
2,332	32	5.54	2,364	36	6.15	2,408	42	6.94
413	10	8.87	373	9	9.80	409	9	8.92
12,527	139	4.35	14,030	180	5.09	14,375	221	6.15
48,654	419	3.40	51,205	514	4.01	52,453	618	4.75
8,448			8,228			8,190		
4,141			3,655			3,716		
142			122			114		
848			848			848		
6,743			6,657			6,671		

$68,976		$70,715		$71,992	
	3.35		3.18		2.92
	.54		.59		.70
$568	3.89%	$569	3.77%	$559	3.62%

</TABLE>

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

Securities and Exchange Commission
Washington, D.C. 20549

Quarterly Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended March 31, 2002.

Commission File Number 1-9718

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

As of April 30, 2002 The PNC Financial Services Group, Inc. had 283,559,839 shares of common stock ($5 par value) outstanding.

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

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

	Cross-reference	Page(s)
PART I	FINANCIAL INFORMATION	
Item 1	Financial Statements	
	Consolidated Statement of Income for the three months ended March 31, 2002 and 2001	33
	Consolidated Balance Sheet as of March 31, 2002 and December 31, 2001	34
	Consolidated Statement of Cash Flows for the three months ended March 31, 2002 and 2001	35
	Notes to Consolidated Financial Statements	36 - 44
	Consolidated Average Balance Sheet and Net Interest Analysis	45 - 46
Item 2	Management's Discussion and Analysis of Financial Condition and Results of Operations	3 - 32
Item 3	Quantitative and Qualitative Disclosures About Market Risk	19 - 32

PART II OTHER FINANCIAL INFORMATION

ITEM 4. SUBMISSION OF MATTERS FOR A VOTE OF SECURITY HOLDERS

An annual meeting of shareholders of The PNC Financial Services Group, Inc. was held on April 23, 2002 for the purpose of considering and acting upon the election of 15 directors to serve until the next annual meeting and until their successors are elected and qualified.

Fifteen directors were elected and the votes cast for or against/withheld were as follows:

Nominee	Aggregate Votes For	Against/Withheld
Paul W. Chellgren	222,481,966	11,008,437
Robert N. Clay	222,472,959	11,017,444
George A. Davidson, Jr.	221,250,810	12,239,593
David F. Girard-diCarlo	219,108,093	14,382,310
Walter E. Gregg, Jr.	222,185,804	11,304,599
William R. Johnson	222,453,217	11,037,186
Bruce C. Lindsay	221,249,400	12,241,003
Thomas H. O'Brien	221,904,771	11,585,632
Jane G. Pepper	221,065,229	12,425,174
James E. Rohr	222,083,926	11,406,477
Lorene K. Steffes	222,435,537	11,054,866
Dennis F. Strigl	222,349,306	11,141,097
Thomas J. Usher	222,428,156	11,062,247
Milton A. Washington	222,308,815	11,181,588
Helge H. Wehmeier	221,303,849	12,186,554

With respect to the preceding matters, holders of the Corporation's common and voting preferred stock voted together as a single class. The following table sets forth, as of the February 28, 2002 record date, the number of shares of each class or series of stock that were issued and outstanding and entitled to vote, the voting power per share and the aggregate voting power of each class or series:

Title of Class or Series	Voting Rights Per Share	Number of Shares Entitled to Vote	Aggregate Voting Power
Common Stock	1	283,182,441	283,182,441
$1.80 Cumulative Convertible Preferred Stock - Series A	8	9,835	78,680
$1.80 Cumulative Convertible Preferred Stock - Series B	8	2,938	23,504
$1.60 Cumulative Convertible Preferred Stock - Series C	4/2.4	200,939	334,898*
$1.80 Cumulative Convertible Preferred Stock - Series D	4/2.4	290,736	484,560*
Total possible votes			284,104,083*

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

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

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

10.7	PNC and Affiliates Deferred Compensation Plan, as amended and restated*
12.1	Computation of Ratio of Earnings to Fixed Charges
12.2	Computation of Ratio of Earnings to Fixed Charges and Preferred Stock Dividends

* Denotes management compensatory plan.

Copies of these Exhibits may be obtained electronically at the Securities and Exchange Commission's home page at www.sec.gov. Copies may also be obtained without charge by writing to Thomas F. Garbe, Director of Financial Accounting, at corporate headquarters, by calling (412) 762-1553 or via e-mail at financial.reporting@pnc.com.

The Corporation did not file any Reports on Form 8-K during the quarter ended March 31, 2002.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on May 15, 2002, on its behalf by the undersigned thereunto duly authorized.

THE PNC FINANCIAL SERVICES GROUP, INC.
By: /s/ Robert L. Haunschild
Robert L. Haunschild
Chief Financial Officer

CORPORATE INFORMATION
THE PNC FINANCIAL SERVICES GROUP, INC.

CORPORATE HEADQUARTERS

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

STOCK LISTING

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

INTERNET INFORMATION

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

FINANCIAL INFORMATION

The Annual Report on Form 10-K is filed with the Securities and Exchange Commission ("SEC"). Copies of this document and other filings, including exhibits thereto, may be obtained electronically at the SEC's home page at www.sec.gov. Copies may also be obtained without charge by writing to Thomas F. Garbe, Director of Financial Accounting, at corporate headquarters, by calling (412) 762-1553 or via e-mail at financial.reporting@pnc.com.

INQUIRIES

For financial services call 1-888-PNC-2265. Individual shareholders should contact Shareholder Relations at (800) 982-7652.

Analysts and institutional investors should contact William H. Callihan, Vice President, Investor Relations, at (412) 762-8257 or via e-mail at investor.relations@pnc.com.

News media representatives and others seeking general information should contact R. Jeep Bryant, Senior Vice President, Corporate Communications, at (412) 762-8221 or via e-mail at corporate.communications@pnc.com.

COMMON STOCK PRICES/DIVIDENDS DECLARED

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

	High	Low	Close	Cash Dividends Declared
2002 QUARTER				
First	$62.800	$52.500	$61.490	$.48
2001 QUARTER				
First	$75.813	$56.000	$67.750	$.48
Second	71.110	62.400	65.790	.48
Third	70.390	51.140	57.250	.48
Fourth	60.110	52.300	56.200	.48
Total				$1.92

DIVIDEND REINVESTMENT AND STOCK PURCHASE PLAN

The PNC Financial Services Group, Inc. Dividend Reinvestment and Stock Purchase

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

REGISTRAR AND TRANSFER AGENT

The Chase Manhattan Bank
85 Challenger Road
Ridgefield Park, New Jersey 07660
(800) 982-7652

EXHIBIT 10.7

THE PNC FINANCIAL SERVICES GROUP, INC. AND AFFILIATES DEFERRED COMPENSATION PLAN

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

WHEREAS, The PNC Financial Services Group, Inc. (the "Corporation") and certain of its affiliates previously adopted and presently maintain The PNC Financial Services Group, Inc. and Affiliates Deferred Compensation Plan (the "Plan") originally effective as of November 21, 1996;

WHEREAS, the Corporation desires to amend and restate the Plan in its entirety, effective January 1, 2002, to make such changes as deemed necessary or appropriate in connection with the Plan and as a result of changes to certain of the Corporation's incentive plans; and

WHEREAS, section 9(b) of the Plan authorizes the Corporation to amend the Plan at any time.

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

SECTION 1

DEFINITIONS

1.1 "Account" means the bookkeeping account established for each Participant who is entitled to a benefit under the Plan. An Account is established only for purposes of determining deemed investments hereunder and not to segregate assets that may or must be used to satisfy benefits. An Account will be credited with Deferral Amounts set forth in section 3 of the Plan and will be credited or debited to reflect deemed investment results under section 5 of the Plan. A Participant's "Account" shall also include amounts deferred under deferral elections made before January 1, 1996, which pre-1996 deferrals shall be accounted for separately from Deferral Amounts for and after 1996. A Participant's Account shall also include any amounts deferred which are subject to restrictions and the possibility of forfeiture under the terms of any Cash Incentive Award made under any incentive plan.

1.2 "Affiliate" means any business entity whose relationship with the Corporation is described in subsections (b), (c) or (m) of section 414 of the Code.

1.3 "Beneficiary" or "Beneficiaries" means the individual or individuals designated by the Participant to receive the balance of the Participant's Account upon the Participant's death, in accordance with section 6 of the Plan.

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

1.5 "Cash Incentive Award" means any incentive award, including incentive awards otherwise payable in the form of the Corporation's stock, granted to a Participant under an incentive plan designated by the Plan Manager as participating hereunder and listed in Schedule B hereto, any other cash bonus or incentive compensation payment that may be designated by the Plan Manager as eligible for deferral hereunder and listed in Schedule B hereto, and amounts payable under any Severance Agreement.

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

1.7 "CIC Trigger Event" has the meaning assigned to such term in the Trust.

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

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

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

1.11 "Corporation" means The PNC Financial Services Group, Inc. and any

successors thereto.

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

1.13 "Deferral Amount" means the amount credited to a Participant's Account in accordance with the Participant's Deferral Election less any amounts transferred to the SISP and employment taxes. The term "Deferral Amount" shall not include any gains or losses credited or debited thereto.

1.14 "Deferral Election" means a Participant's irrevocable election to defer all or a portion of the Participant's Cash Incentive Award by timely delivery to the Plan Manager of a Deferral Election Form.

1.15 "Deferral Election Form" means the document, in a form or forms approved by the Plan Manager, whereby the Participant elects to defer all or a portion of any Cash Incentive Award, which designates when payment of the portion of the Participant's Account attributable to such Deferral Amount, including earnings thereon, will commence, and the form of payment.

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

1.17 "Distribution Date" means the annual payment date designated by the Participant on the Participant's Deferral Election Form for all distributions, except for distributions on account of Hardship. A Participant may designate January 15 or July 15 as the applicable annual Distribution Date.

1.18 "Eligible Cash Incentive Award" means the amount of a Participant's Cash Incentive Award up to the greater of (i) $25,000 or (ii) 50% of the Cash Incentive Award; provided, however, that for a Participant who is not a member of the Corporate Executive Group, the Eligible Cash Incentive Award may not exceed $125,000.

1.19 "Employee" means any person employed by an Employer.

1.20 "Employer" means the Corporation and any Affiliate that has been designated by the Plan Manager as an Employer hereunder and listed in Schedule A hereto.

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

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

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

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

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

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

1.23 "ISP" means The PNC Financial Services Group, Inc. Incentive Savings Plan as amended from time to time.

1.24 "Participant" means any Employee who meets the eligibility criteria set forth in section 2 of the Plan and/or has an Account under the Plan.

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

1.26 "Plan" means The PNC Financial Services Group, Inc. and Affiliates Deferred Compensation Plan, which is the Plan set forth in this document.

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

1.28 "Retirement" means termination of employment with the Corporation and all of its Affiliates at any time and for any reason (other than death, termination for cause or, unless the Committee determines otherwise, termination in connection with a divestiture of assets or of one or more subsidiaries of the Corporation) on or after the first day of the first month after a Participant has attained age fifty five (55) and completed five (5) years of Vesting Service. .

1.29 "Severance Agreement" means any Change in Control Severance Agreement between the Corporation and an executive of the Corporation.

1.30 "Severance From Service" means a Participant's termination of employment with The PNC Financial Services Group, Inc. and all of its Affiliates on account of Retirement, Disability or other termination of employment.

1.31 "SISP" means The PNC Financial Services Group, Inc. Supplemental Incentive Savings Plan as amended from time to time.

1.32 "Spouse" means the person to whom the Participant is legally married (as determined under the laws of the state in which the Participant is a resident at the time of marriage).

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

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

SECTION 2

ELIGIBILITY FOR PARTICIPATION

Any Employee who has historically earned or is anticipated to earn annual total compensation in the year for which a Deferral Election is made of at least $100,000, or such other greater amount as may be designated by the Committee from time to time, may be eligible to participate in the Plan, if so designated by the Plan Manager. The Plan Manager may from time to time expand or limit the group of employees permitted to participate in the Plan. The decision as to whether an Employee is eligible to participate in the Plan is reserved to the Plan Manager in his or her sole discretion.

SECTION 3

DEFERRAL ELECTION

3.1 DEFERRAL AMOUNT

Any Employee who is eligible to participate in the Plan pursuant to the criteria set forth in section 2 may elect to defer payment of all or any part of an Cash Incentive Award; provided, however, that a Participant's gross Deferral Amount may not be less than $5,000 for any single deferral. Effective January 1, 1999, if a Participant also participates in the ISP at the time of a Cash Incentive Award, a portion of the Eligible Cash Incentive Award amount that the Participant elects to defer under this Plan will be transferred to the SISP. The portion that will be allocated to the SISP will equal the percentage of "Compensation" (as defined in the ISP) the Participant has elected to defer under the ISP multiplied by an amount equal to the difference between (A) the Participant's "Compensation" under the ISP calculated as if Code section 401(a)(17) were not applicable and the Participant had not made a deferral under this Plan and (B) the Participant's "Compensation" actually calculated under the ISP. Amounts transferred to the SISP will be subject to the terms and conditions of the SISP.

3.2 DEFERRAL ELECTION FORM

Except for Deferral Election Forms for any Cash Incentive Award payable under a Severance Agreement, a Participant's Deferral Election Form must be received by the Plan Manager prior to January 1 of each calendar year. Except for Deferral Election Forms for any Cash Incentive Award payable under a Severance Agreement, any Deferral Election Form shall apply only to a Cash Incentive Award granted to the Participant for the calendar year (or any portion of the calendar year) beginning on such January 1. Notwithstanding the foregoing, in the calendar year in which an Employee first becomes eligible to be a Participant hereunder, the Deferral Election Form must be received by the Plan Manager within 30 days after the Employee first becomes eligible, in order to be effective for any Cash Incentive Award granted for such calendar year (or for a portion of such calendar year). Each Deferral Election Form shall also specify the year in which payment shall commence the form of distribution and the applicable Distribution Date. A Deferral Election Form for any Cash Incentive Award payable under a Severance Agreement will be valid only if it is received by the Plan Manager either 30 days after the date of the Severance Agreement or at least one year before the Participant's "Date of Termination," as that term is defined in the Severance Agreement.

3.3 STOCK DEFERRALS

From time to time, certain of the Corporation's eligible incentive plans may permit or require Participants to defer incentive awards that they would otherwise receive in the form of restricted shares of the Corporation's common stock ("Stock Deferrals"). Such Stock Deferrals may also be subject to such terms and conditions as may be imposed by the Corporation under the terms of the incentive plans or the individual awards under

such plans, including, but not limited to, execution of such agreements between the Corporation and the Participant as may be required by the Corporation as a condition to receipt of the award and its eligibility for deferral under this Plan.

Stock Deferrals shall be credited to Participants' Accounts as set forth in Section 1.1. Stock Deferrals shall be subject to any restricted period as may be applicable to the underlying incentive award, and shall be deemed to be invested in the Corporation's common stock during any such restricted period and may not be transferred to other deemed investments until the restricted period has terminated. Distributions from the Stock Deferral portion of Accounts shall not be permitted until any restricted period has terminated. Hardship distributions made pursuant to Section 4.3 shall not include any portion of a Participant's Account attributable to Stock Deferrals.

SECTION 4

DISTRIBUTION OF DEFERRAL AMOUNTS AND PARTICIPANT ACCOUNTS

4.1 DISTRIBUTION DEFERRAL ELECTIONS

Distributions of a Participant's Account attributable to any Deferral Amount shall commence in accordance with the Participant's Deferral Election Form; provided, however, that no Participant may elect to defer the payment of any Deferred Amount for a period of less than one full calendar year, and, provided, further, that if the Participant fails to select a time when payment of a Participant's Account attributable to any Deferral Amount will commence, payment will commence as of the first Distribution Date after the Participant's Severance From Service. Notwithstanding the foregoing and except as set forth below under distributions on account of Hardship, any distribution of a Participant's Account attributable to any pre-1996 Deferral Election shall be payable only upon the Participant's Severance From Service.

4.2 TIME AND MANNER OF DISTRIBUTION

All distributions shall be payable in a lump sum or annual installments over a period designated by the Participant not to exceed the lesser of ten years or the joint life expectancy of the Participant and the Participant's Spouse, based upon life expectancy tables approved by the Plan Manager. The form of distribution applicable to any Deferral Amount, and any earnings thereon, shall be elected at the time of the Participant's Deferral Election on each Deferral Election Form;

provided, however, that if the Participant fails to select a form for the payment of a Participant's Account attributable to any Deferral Amount, payment will be made in the form of the lump sum. A Participant may not subsequently change the time or form of distribution, except with respect to any Cash Incentive Award payable under a Severance Agreement; provided, however, that such change will be valid only if it is received by the Plan Manager at least one year before the Participant's "Date of Termination," as that term is defined in the Severance Agreement. Distributions shall be made only in cash, except as may otherwise be provided in any eligible incentive plan. The first annual payment will be made as soon as

may be practicable after the Distribution Date in the year designated by the Participant with the remaining installments (if any) continuing to be payable as soon as may be practicable after the same Distribution Date each year thereafter.

4.3 HARDSHIP DISTRIBUTION

Upon approval of the Plan Manager, in his or her sole and absolute discretion, payment of all or any portion of any Participant's Account shall be made in the event of a Participant's Hardship. Payment of any Hardship distribution shall be made only in cash in a single sum as soon as administratively feasible after approval.

4.4 DEATH BENEFIT

Except as provided in section 4.5, if a Participant's Severance From Service occurs because of the Participant's death, either before or after payments commence, the balance of the Participant's Account shall be distributed to the Participant's Beneficiary or Beneficiaries at the time and pursuant to the method elected by the Participant. Upon application of the Participant's Beneficiary, the Plan Manager may, in his or her sole and absolute discretion, direct that the balance of any deceased Participant's Account be paid in a single lump sum.

4.5 ACCELERATED DISTRIBUTION

Except as may be otherwise provided in any Participant's Severance Agreement or upon a Severance From Service that occurs during a Coverage Period, upon a Participant's Severance From Service for any reason other than death, Disability or Retirement, the Committee shall direct payment of the balance of the Participant's Account to be accelerated and paid in a single sum to the Participant on the first annual Distribution Date coincident with or next following the date of the Participant's Severance From Service.

SECTION 5

INVESTMENT FUNDS

Deferral Amounts credited to a Participant's Account under the Plan shall be deemed to be invested in the investment fund or funds selected by the Participant in accordance with procedures established by the Plan Manager. The Participant may elect to change the investment fund elections in accordance with procedures established by the Plan Manager. The Committee shall, in its sole discretion, determine the various investment funds which will be available for the deemed investment of all Deferral Amounts. If a Participant fails to select an investment fund or fund with respect to any Deferral Amount, such Deferral Amount shall be automatically invested in a short-term investment fund as may be designated from time-to-time by the Committee, until the Participant provides investment directions in accordance with procedures established by the Plan Manager. A Participant's Account shall be valued daily.

The Committee, in its sole and absolute discretion, shall establish procedures for allocating earnings to a Participant's Account.

SECTION 6

DESIGNATION OF BENEFICIARIES

A Participant shall designate a Beneficiary or Beneficiaries to receive the balance of the Participant's Account upon the Participant's death. Such designation shall be on a form approved by the Plan Manager and shall not be

effective until it is received by the Plan Manager. If no valid Beneficiary designation form is on file with the Plan Manager upon the Participant's death, then the balance of the Participant's Account shall be payable to the Beneficiary designated by the Participant under the Employer's group life insurance plan, or, if no such designation exists, to the Participant's estate.

SECTION 7

TRUST FUND

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

SECTION 8

CLAIMS PROCEDURE

8.1 INITIAL CLAIM

Claims for benefits under the Plan shall be filed with the Plan Manager. If any Participant or Beneficiary claims to be entitled to a benefit under the Plan and the Plan Manager determines that such claim should be denied in whole or in part, the Plan Manager shall notify such person of its decision in writing. Such notification will be written in a manner calculated to be understood by such person and will contain (i) specific reasons for the denial, (ii) specific reference to pertinent Plan provisions, (iii) a description of any additional material or information necessary for such person to perfect such claim and an explanation of why such material or information is necessary and (iv) information as to the steps to be taken if the person wishes to submit a request for review. Such notification will be given within 90 days after the claim is received by the Plan Manager. If such notification is not given within such period, the claim will be considered denied as of the last day of such period and such person may request a review of his or her claim.

8.2 REVIEW PROCEDURE

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

8.3 CLAIMS AND REVIEW PROCEDURE NOT MANDATORY AFTER A CHANGE IN CONTROL

After the occurrence of a Change in Control, the claims procedure and review procedure provided for in this section 8 shall be provided for the use and benefit of Participants who may choose to use such procedures, but compliance with the provisions of this section 8 shall not be mandatory for any Participant claiming benefits after a Change in Control. It shall not be necessary for any Participant to exhaust these procedures and remedies after a Change in Control prior to bringing any legal claim or action, or asserting any other demand, for payments or other benefits to which such Employee claims entitlement.

SECTION 9

ADMINISTRATION

The Committee shall have the sole and absolute authority to determine eligibility for benefits and administer, interpret, construe and vary the terms of the Plan; provided, however, that after a Change in Control the Committee shall be subject to the direction of the trustee of the Trust with respect to the exercise of the authority granted by this section 9 and elsewhere in this Plan.

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

SECTION 10

AMENDMENT AND TERMINATION

The Committee shall have the sole and absolute discretion to modify, amend or terminate this Plan at any time; provided, that no modification, amendment or termination shall be made which would have the effect of decreasing the amount payable to any Participant or Beneficiary hereunder without the consent of such Participant or Beneficiary.

After a Change in Control, the Plan may not be amended in any manner that adversely affects the administration or payment of a Participant's benefits hereunder (including but not limited to the timing and form or payment of benefits hereunder) without the consent of the Participant nor may the provisions of this section 10 or section 11 be amended after a Change in Control with respect to a Participant without the written consent of the Participant; provided, however, that the failure of a Participant to consent to any such amendment shall not impair the ability of the Committee to amend the Plan with respect to any other Participant who has consented to such amendment.

SECTION 11

SUCCESSORS

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

SECTION 12

GOVERNING LAW

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

SECTION 13

MISCELLANEOUS

13.1 LIABILITY OF THE BOARD

The Board shall not be liable to any person for any action taken or admitted in connection with the administration, interpretation, construction or variance of the Plan.

13.2 NO CONTRACT OF EMPLOYMENT

Nothing herein shall be construed as an offer or commitment by the Corporation or any Affiliate to continue any Participant's employment with it for any period of time.

13.3 WITHHOLDING

All applicable federal, state, local and social security taxes will be withheld and deducted from amounts distributed hereunder, as appropriate.

13.4 SPENDTHRIFT CLAUSE

The right of the Participants to any amounts deferred or invested in this Plan shall not be transferable or assignable and shall not be subject to alienation, encumbrance, garnishment, attachment, execution or levy of any kind, voluntary or involuntary, except when, where and if compelled by applicable law.

13.5 SEVERABILITY

Whenever possible, each provision of this Plan shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of the Plan shall be held to be prohibited by or invalid under applicable law, then (i) such provision shall be deemed to be amended to, and to have contained from the outset such language as shall be necessary to, accomplish the objectives of the provision as originally written to the fullest extent permitted by law and (ii) and other provisions of this Plan shall remain in full force and effect.

13.6 ENTIRE AGREEMENT

This writing constitutes the final and complete embodiment of the understandings of the parties hereto and all prior understandings and communications of the parties oral or written concerning this Plan are hereby renounced, revoked and superseded.

SCHEDULE A

AFFILIATES

PNC Bank, N.A.
PNC Capital Markets, Inc.
The PNC Financial Services Group, Inc.
PNC Alliance, LLC.
PNC Equity Management Inc.
PNC Commercial Management, Inc.
PNC Leasing LLC.
PNC Brokerage Corp
PNC Bank, Delaware
PFPC, Inc.
PFPC Trust Co.
Automated Business Development Corp.
Midland Loan Services, Inc.
Columbia Housing Partners, L.P.
PNC Affordable Housing Inc.
TRI Capital Company, Inc.

SCHEDULE B
ELIGIBLE INCENTIVE PLANS

PLAN CODE	PLAN NAME
C10	PNC LEASING LLC
C11	LEVERAGED FINANCE INCENTIVE
C13	(INVESTMENT BANKING) CAPITAL MARKETS
C14	CLIENT RELATIONSHIP TEAM
C16	TREASURY MANAGEMENT INCENTIVE
C24	PNC500 INCENTIVE COMPENSATION
E01	COMM'L FINANCE INCENTIVE
E02	PNC BUSINESS CREDIT
T02	FIXED INCOME RESEARCH TEAM
T07	AMG - B/R ANNUAL
H01	CRC PNC CAPITAL RECOVERY CORP
K03	MERGERS & ACQUISITIONS SPECIAL
K04	STAFF SERVICES INSURANCE SPECIAL
R35	REGIONAL CONS. DISCRETIONARY BONUS PLAN
R37	DEALER FINANCE - FLOOR PLAN
R44	ATM SALES
V01	PNC BROKERAGE CORPORATE SALES INCENTIVE PLAN
V12	EXECUTIVE SALES MANAGEMENT
A90	REGIONAL PRESIDENTS
CEG	CORPORATE EXECUTIVE GROUP
MIP	MANAGEMENT INCENTIVE PLAN
Q01	PNC EQUITY MANAGEMENT CORP INCENTIVE
F14	PFPC ANNUAL INCENTIVE PLAN
G02	RELATIONSHIP MANAGER (R/E)

G04	CMBS
G05	SECURED LENDING/PNC MORTGAGE WAREHOUSE LENDING
G06	PNC SECURED LENDING REAL ESTATE INCENTIVE COMP.
G08	MIDLAND PERFORMANCE BONUS PLAN
G09	COLUMBIA HOUSING; INSTITUTION SALES INCENTIVE
G10	CMBS PRODUCT INCENTIVE - MIDLAND
G11	MIDLAND INCENTIVE
G12	AFFORDABLE HOUSING PERFORMANCE BONUS POOL
G14	TRI CAPITAL AFFORDABLE HOUSING
G15	MIDLAND CONTRACTS
C03	INSTITUTIONAL INVESTMENT GROUP - BDO SALES
T01	EQUITY RESEARCH TEAM
T05	TEAM PERFORMANCE - INSTITUTIONAL SERVICES
V10	CLIENT DEVELOPMENT OFFICER
V13	SMART INCENTIVE PLAN - SALES - QTRLY
V14	LEADERSHIP INCENTIVE PLAN - PERFORMANCE
V15	REGIONAL SALES MANAGERS - ANNUAL
V18	PNC ADVISORS, NA (NEW ENGLAND)
V19	SALES & SERVICE ACHIEVEMENT - SPOT
V20	PROFESSIONAL STAFF SERVICE PLAN

SCHEDULE B
ELIGIBLE INCENTIVE PLANS

PLAN CODE	PLAN NAME
V21	SMART INCENTIVE PLAN - REVENUE MANAGEMENT- ANNUAL
V22	INSTITUTIONAL INVESTMENT GROUP - SALES
V23	HAWTHORN INCENTIVE PLAN
V24	VESTED INTEREST CENTRAL SUPPORT GROUP - ANNUAL
V25	INSTITUTIONAL INVESTMENT GROUP - REVENUE MANAGEMENT
V26	LEADERSHIP INCENTIVE PLAN - SALES OVERRIDE
V27	VESTED INTEREST CENTRAL SUPPORT GROUP - QUARTERLY
V28	SERVICE CENTER 2000
V30	CLIENT ADVIS. REV MANAGEMENT - ANNUAL
V31	CLIENT ADVIS. REV MANAGEMENT - QUARTERLY
V32	PRIVATE CLIENT GROUP REV. MANAGEMENT - ANNUAL
V33	PRIVATE CLIENT GROUP REV. MANAGEMENT - QUARTERLY
V34	REGIONAL SALES MANAGERS - QUARTERLY
V35	GREENWICH CT TEAM

<TABLE>
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THE PNC FINANCIAL SERVICES GROUP, INC. AND SUBSIDIARIES
EXHIBIT 12.1
COMPUTATION OF RATIO OF EARNINGS
TO FIXED CHARGES

	Three months ended March 31	Year ended December 31				
Dollars in millions	2002	2001	2000	1999	1998	1997
<S>	<C>	<C>	<C>	<C>	<C>	<C>
EARNINGS						
Income from continuing operations before taxes	$ 481	$ 564	$1,848	$1,788	$1,651	$1,595
Fixed charges excluding interest on deposits	121	763	1,033	980	1,159	1,080
Subtotal	602	1,327	2,881	2,768	2,810	2,675
Interest on deposits	176	1,229	1,653	1,369	1,471	1,457
Total	$ 778	$2,556	$4,534	$4,137	$4,281	$4,132
FIXED CHARGES						
Interest on borrowed funds	$ 92	$ 646	$ 915	$ 870	$1,065	$1,010
Interest component of rentals	14	53	50	44	33	26
Amortization of notes and debentures		1	1	1	1	1
Distributions on Mandatorily Redeemable Capital Securities of Subsidiary Trusts	15	63	67	65	60	43
Subtotal	121	763	1,033	980	1,159	1,080
Interest on deposits	176	1,229	1,653	1,369	1,471	1,457
Total	$ 297	$1,992	$2,686	$2,349	$2,630	$2,537
RATIO OF EARNINGS TO FIXED CHARGES						
Excluding interest on deposits	4.98 x	1.74 x	2.79 x	2.82 x	2.42 x	2.48 x
Including interest on deposits	2.62	1.28	1.69	1.76	1.63	1.63

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THE PNC FINANCIAL SERVICES GROUP, INC. AND SUBSIDIARIES
EXHIBIT 12.2
COMPUTATION OF RATIO OF EARNINGS
TO FIXED CHARGES AND PREFERRED STOCK DIVIDENDS

	Three months ended March 31	Year ended December 31				
Dollars in millions	2002	2001	2000	1999	1998	1997
<S>	<C>	<C>	<C>	<C>	<C>	<C>
EARNINGS						
Income from continuing operations before taxes	$ 481	$ 564	$1,848	$1,788	$1,651	$1,595
Fixed charges and preferred stock dividends excluding interest on deposits	121	783	1,063	1,010	1,188	1,110
Subtotal	602	1,347	2,911	2,798	2,839	2,705
Interest on deposits	176	1,229	1,653	1,369	1,471	1,457
Total	$ 778	$2,576	$4,564	$4,167	$4,310	$4,162
FIXED CHARGES						
Interest on borrowed funds	$ 92	$ 646	$ 915	$ 870	$1,065	$1,010
Interest component of rentals	14	53	50	44	33	26
Amortization of notes and debentures		1	1	1	1	1
Distributions on Mandatorily Redeemable Capital Securities of Subsidiary Trusts	15	63	67	65	60	43
Preferred stock dividend requirements		20	30	30	29	30
Subtotal	121	783	1,063	1,010	1,188	1,110
Interest on deposits	176	1,229	1,653	1,369	1,471	1,457
Total	$ 297	$2,012	$2,716	$2,379	$2,659	$2,567
RATIO OF EARNINGS TO FIXED CHARGES AND PREFERRED STOCK DIVIDENDS						
Excluding interest on deposits	4.98 x	1.72 x	2.74 x	2.77 x	2.39 x	2.44 x
Including interest on deposits	2.62	1.28	1.68	1.75	1.62	1.62

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