THE PNC FINANCIAL SERVICES GROUP, INC.

Quarterly Report on Form 10-Q
For the quarterly period ended September 30, 2002

Page 1 represents a portion of the third 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.

CONSOLIDATED FINANCIAL HIGHLIGHTS
THE PNC FINANCIAL SERVICES GROUP, INC.

<TABLE>
<CAPTION>

Dollars in millions, except per share data	Three months ended September 30		Nine months ended September 30	
Unaudited	2002	2001	2002	2001
<S>	<C>	<C>	<C>	<C>
FINANCIAL PERFORMANCE				
Revenue				
Net interest income (taxable-equivalent basis)(a)	$ 532	$ 568	$1,683	$1,696
Noninterest income	758	720	2,387	2,168
Total revenue	$1,290	$1,288	$4,070	$3,864
Income from continuing operations	$ 285	$ 247	$ 922	$ 807
Discontinued operations				5
Income before cumulative effect of accounting change	285	247	922	812
Cumulative effect of accounting change				(5)
Net income	$ 285	$ 247	$ 922	$ 807
Per common share				
DILUTED EARNINGS				
Continuing operations	$ 1.00	$ .84	$ 3.23	$ 2.73
Discontinued operations				.02
Before cumulative effect of accounting change	1.00	.84	3.23	2.75
Cumulative effect of accounting change				(.02)
Net income	$ 1.00	$ .84	$ 3.23	$ 2.73
CASH DIVIDENDS DECLARED	$ .48	$ .48	$ 1.44	$ 1.44
SELECTED RATIOS				
BASED ON CONTINUING OPERATIONS				
Return on				
Average common shareholders' equity	17.49%	14.83%	20.01%	16.49%
Average assets	1.72	1.42	1.84	1.53
Net interest margin	3.88	3.89	4.00	3.76
Noninterest income to total revenue	58.76	55.90	58.65	56.11
Efficiency (b)	58.98	57.83	57.69	57.68
BASED ON NET INCOME				
Return on				
Average common shareholders' equity	17.49%	14.83%	20.01%	16.49%
Average assets	1.72	1.42	1.84	1.51
Net interest margin	3.88	3.89	4.00	3.73
Noninterest income to total revenue	58.76	55.90	58.65	56.20
Efficiency (b)	58.98	57.83	57.69	57.60

</TABLE>

Certain prior period amounts included in these Consolidated Financial Highlights have been reclassified to conform to the presentation as of and for the three months and nine months ended September 30, 2002. Amounts for 2002 reflect the adoption, effective January 1, 2002, of the new accounting standard under which goodwill is no longer amortized to expense. In addition, amounts included in these Consolidated Financial Highlights are presented on a continuing operations basis, unless otherwise noted.

(a) The interest income earned on certain assets is completely or partially

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

(b) The efficiency ratio is noninterest expense divided by the sum of taxable-equivalent net interest income and noninterest income. Amortization and distributions on capital securities are excluded for purposes of computing this ratio. Residential mortgage banking risk management activities are also excluded, as applicable, from net income for purposes of computing this ratio.

Dollars in millions, except per share data Unaudited	September 30 2002	December 31 2001	September 30 2001
BALANCE SHEET DATA			
Assets	$67,659	$69,638	$71,894
Earning assets	55,650	57,875	57,546
Loans, net of unearned income	35,917	37,974	42,140
Allowance for credit losses	(648)	(560)	(638)
Securities	12,536	13,908	11,051
Loans held for sale	1,989	4,189	2,242
Deposits	44,960	47,304	44,918
Borrowed funds	9,947	12,090	13,046
Allowance for unfunded loan commitments and letters of credit	79	70	82
Shareholders' equity	6,717	5,823	6,773
Common shareholders' equity	6,707	5,813	6,557
Book value per common share	23.62	20.54	23.09
Loans to deposits	80%	80%	94%
CAPITAL RATIOS			
Tier I Risk-based	8.8%	7.8%	8.4%
Total Risk-based	12.5	11.8	12.0
Leverage	7.8	6.8	8.1
Common shareholders' equity to total assets	9.91	8.35	9.12
ASSET QUALITY RATIOS			
Nonperforming assets to total loans, loans held for sale and foreclosed assets	1.08%	.93%	1.18%
Net charge-offs to average loans (for the three months ended)	.79	7.30	.59
Allowance for credit losses to total loans (c)	1.80	1.47	1.51
Allowance for credit losses to nonperforming loans (c)	239	265	177

(c) The asset quality ratios presented for all periods reflect a reclassification of a portion of the allowance for credit losses related to unfunded loan commitments and letters of credit to a liability on the Consolidated Balance Sheet. Amounts reclassified were $70 million at December 31, 2001 and $82 million at September 30, 2001. The reclassifications had the effect of lowering previously reported asset quality ratios. The allowance for unfunded loan commitments and letters of credit is available for potential

credit losses as loan commitments are funded. See Allowances For Credit Losses And Unfunded Loan Commitments And Letters Of Credit in the Consolidated Balance Sheet Review section of the Financial Review for additional information.

This Financial Review should be read in conjunction with The PNC Financial Services Group, Inc. ("Corporation" or "PNC") unaudited Consolidated Financial Statements and unaudited Statistical Information included herein and the Financial Review, audited Consolidated Financial Statements and Statistical Information included in the Corporation's 2001 Annual Report on Form 10-K ("2001 Form 10-K"). Certain prior-period amounts have been reclassified to conform with the current year presentation. The term "loans" in this report excludes loans held for sale and securities that represent interests in pools of loans. For information regarding certain business and regulatory risks, see the Risk Factors and Risk Management sections in this Financial Review and the Business section of the 2001 Form 10-K. 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.

SUMMARY FINANCIAL RESULTS

Consolidated net income for the first nine months of 2002 was $922 million or $3.23 per diluted share compared with $807 million or $2.73 per diluted share for the first nine months of 2001. Results for the first nine months 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 2001 results, earnings would have been $877 million or $2.97 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 20.01% and return on average assets was 1.84% for the first nine months of 2002 compared with 16.49% and 1.51%, respectively, for the first nine months of 2001.

Comparable prior year returns excluding goodwill amortization expense were 17.93% and 1.64%, respectively.

Consolidated net income for the third quarter of 2002 was $285 million or $1.00 per diluted share, up from $247 million or $.84 per diluted share for the third quarter of 2001. Excluding goodwill amortization expense from third quarter 2001 results, the Corporation earned $271 million or $.92 per diluted share a year ago. Return on average common shareholders' equity was 17.49% and return on average assets was 1.72% for the third quarter of 2002 compared with 14.83% and 1.42%, respectively, for the third quarter of 2001. Comparable prior year returns excluding goodwill amortization expense were 16.29% and 1.56%, 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. See Note 2 Discontinued Operations in the Notes to Consolidated Financial Statements for additional information.

Third quarter 2002 results reflected further progress in addressing a number of key challenges outlined in the Corporation's 2001 Form 10-K:

- Overall balance sheet characteristics were further strengthened:

- Regional Community Banking grew demand deposits by 7% on average compared with the third quarter of 2001.

- Nonperforming assets declined 18% from June 30, 2002 to $409 million at September 30, 2002.

- Balance sheet liquidity was strong as the loans to deposits ratio was 80% at September 30, 2002.

- Capital continued to be strengthened during the quarter and the ratio of common shareholders' equity to total assets increased from 8.3% at December 31, 2001 to 9.9% at September 30, 2002.

- Institutional loans held for sale were reduced $571 million during the third quarter to $495 million at September 30, 2002 and have been reduced 81% from December 31, 2001. Total credit exposure (comprised of loans outstanding, unfunded commitments and letters of credit) declined 78% from year end 2001.

- BlackRock earnings grew 21% to $33 million compared with the third quarter of 2001 and were comparable with $35 million earned in the second quarter of 2002.

Although overall results for the third quarter of 2002 were higher compared with the prior year third quarter, earnings declined compared with the second quarter of 2002. Revenue declined from last quarter due to the impact of the depressed financial markets on market-sensitive businesses and a lower level of average earning assets. These effects were partially offset by the benefit of higher net securities gains, lower credit costs and reduced expenses.

Management expects that the remainder of 2002 will continue to be a challenging operating environment that will limit opportunities for revenue growth. In addition to the economy, interest rates, financial market conditions and the possibility of international hostilities, the Corporation's success during the remainder of the year will depend on its ability to address its key operating challenges. These challenges include the continued liquidation of loans held for sale without significant valuation losses, the stability of asset quality, revenue growth and development of value-added customer relationships, successfully leveraging technology and managing the revenue/expense relationship, and regulatory actions. See 2002 Operating Environment in the Financial Review section of the 2001 Form 10-K for additional information. Also see the Risk Factors, Risk Management and Forward-Looking Statements sections of this Financial Review.

As previously reported, in July 2002 the Corporation announced that it had reached a resolution with the Securities and Exchange Commission ("SEC") concerning the SEC's previously disclosed inquiry into the transfer of certain PNC assets to companies formed with American International Group, Inc. ("AIG") in 2001. PNC also announced in July 2002 that it had entered into an agreement with the Federal Reserve Bank of Cleveland ("Federal Reserve"), and that PNC Bank, N.A. ("PNC Bank"), PNC's principal bank subsidiary, had entered into an agreement with the Office of the Comptroller of the Currency ("OCC"). See Regulatory Matters in the Risk Management section of this Financial Review for additional information.

BALANCE SHEET HIGHLIGHTS

PNC's focus during the first nine months of 2002 was on retaining and growing value-added transaction deposits while changing the mix of earning assets, including a reduction of institutional loans held for sale.

Total assets were $67.7 billion at September 30, 2002 compared with $69.6 billion at December 31, 2001. Average interest-earning assets were $55.8 billion for the first nine months of 2002, a decrease of $3.9 billion compared with the first nine months of 2001. This decline was due to a decrease in average loans that was partially offset by increases in average securities and average loans held for sale.

Average loans for the first nine months of 2002 were $37.7 billion, a decrease of $8.4 billion compared with the first nine months of 2001. Average loans represented 68% of total average earning assets for the first nine months of 2002 compared with 77% for the first nine months of 2001. The decreases were primarily due to a decline in residential mortgages and institutional lending portfolios that more than offset an increase in PNC Business Credit loans resulting from the acquisition in 2002 of a portion of National Bank of Canada's ("NBOC") U.S. asset-based lending business.

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

Average securities of $11.7 billion for the first nine months of 2002 were up $1.6 billion compared with the first nine months of 2001 and represented 21% of average earning assets for 2002 compared with 17% for 2001. The increases were primarily due to net securities purchases upon redeployment of funds resulting from loan downsizing and interest rate risk management activities.

Funding cost is affected by the volume and composition of funding sources as well as related rates paid thereon. Average deposits comprised 66% and 64% of total sources of funds for the first nine 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 totaled $22.0 billion for the first nine months of 2002, an increase of $1.0 billion or 5% compared with the comparable 2001 period. This increase reflects focused 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 nine months of 2002 decreased $2.4 billion compared with the first nine months of 2001 commensurate with the decline in average earning assets. See the Consolidated Average Balance Sheet and Net Interest Analysis for additional information.

REVIEW OF BUSINESSES

PNC operates seven major businesses engaged in regional community banking, 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 or borrowings and related net interest income are assigned based on the net asset or liability position of each business. Capital is assigned based on management's assessment of inherent risks and equity levels at independent companies providing similar products and services. The allowance for credit losses is allocated based on management's assessment of risk inherent in the loan portfolios. The costs incurred by support areas not directly aligned with the businesses are allocated primarily based on utilization of services.

Total business 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, eliminations and other corporate 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 or credits are separately identified in the business income statements. Performance ratios in the results of individual businesses reflect the impact of the charges or credits.

<TABLE>
<CAPTION>
RESULTS OF BUSINESSES(a)

Nine months ended September 30 Dollars in millions	Earnings		Revenue (taxable-equivalent basis)		Return on Assigned Capital		Average Assets	
	2002	2001	2002	2001	2002	2001	2002	2001
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Banking Businesses								

Regional Community Banking	$545	$523	$1,671	$1,685	28%	26%	$39,010	$40,188
Corporate Banking	117	48	588	576	15	5	14,275	16,984
PNC Real Estate Finance	67	47	171	162	23	16	5,017	5,288
PNC Business Credit	12	39	133	102	6	32	3,870	2,431
Total banking businesses	741	657	2,563	2,525	23	19	62,172	64,891
Asset Management and Processing								
PNC Advisors	84	117	504	562	22	29	2,976	3,399
BlackRock	99	79	440	404	24	25	790	644
PFPC	57	49	578	596	37	31	1,891	1,759
Total asset management and processing	240	245	1,522	1,562	25	28	5,657	5,802
Total business results	981	902	4,085	4,087	23	21	67,829	70,693
Other	(59)	(95)	(15)	(223)			(988)	(132)
Results from continuing operations	922	807	4,070	3,864	20	16	66,841	70,561
Discontinued operations		5						68
Cumulative effect of accounting change		(5)						
Total consolidated	$922	$807	$4,070	$3,864	20	16	$66,841	$70,629

</TABLE>

(a) Amounts for 2002 reflect, where applicable, the adoption, effective January 1, 2002, of the new accounting standard under which goodwill is no longer amortized to expense.

REGIONAL COMMUNITY BANKING

Nine months ended September 30 Taxable-equivalent basis Dollars in millions	2002	2001
INCOME STATEMENT		
Net interest income	$1,078	$1,093
Net securities gains	84	85
Other noninterest income	509	507
Total revenue	1,671	1,685
Provision for credit losses	37	35
Noninterest expense	797	800
Goodwill amortization		27
Severance costs		3
Pretax earnings	837	820
Income taxes	292	297
Earnings	$545	$523
AVERAGE BALANCE SHEET		
Loans		
Consumer		
Home equity	$7,002	$6,295
Indirect	569	853
Other consumer	649	794

Total consumer	8,220	7,942
Residential mortgage	4,435	8,691
Commercial	3,512	3,588
Vehicle leasing	1,750	1,872
Other	120	135
Total loans	18,037	22,228
Securities	10,855	9,561
Student and other loans held for sale	1,354	1,270
Assigned assets and other assets	8,764	7,129
Total assets	$39,010	$40,188
Deposits		
Noninterest-bearing demand	$4,980	$4,516
Interest-bearing demand	6,012	5,602
Money market	12,311	12,020
Total transaction deposits	23,303	22,138
Savings	1,966	1,870
Certificates	10,177	12,291
Total deposits	35,446	36,299
Other liabilities	932	1,177
Assigned capital	2,632	2,712
Total funds	$39,010	$40,188
PERFORMANCE RATIOS		
Return on assigned capital	28%	26%
Noninterest income to total revenue	35	35
Efficiency	48	48

OTHER INFORMATION

In millions	September 30 2002	December 31 2001
Total nonperforming assets	$65	$52
Vehicle leasing outstandings, net of unearned income	$1,511	$1,930

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.

The strategic focus of Regional Community Banking is on driving sustainable revenue growth, aggressively managing the revenue/expense relationship and improving the risk/return dynamic of this business. In addition, Regional Community Banking seeks to increase transaction deposits, which serve as a means to deepen customer relationships and support growth in consumer services revenue.

During the first nine months of 2002, Regional Community Banking experienced an increase in consumer households served, grew transaction deposits and improved the retention of existing customer accounts. Despite this trend and success in keeping deposit funding costs low, this business was adversely impacted by a change in mix of earning assets and lower yields in the relatively low interest rate environment in 2002.

Regional Community Banking contributed $545 million or 56% of total business earnings for the first nine months of 2002 compared with $523 million or 58% for the first nine months of 2001. Excluding net securities gains in both periods, gains related to residential mortgage loan securitizations of $8 million in 2002 and $26 million in 2001, and $27 million of goodwill amortization expense in 2001, earnings for the first nine months of 2002 were flat compared with the prior-year period.

Total revenue was $1.7 billion for the first nine months of 2002 and 2001. Excluding net securities gains and loan securitization gains from both periods, revenue was flat in the period-to-period comparison primarily due to lower net interest income in 2002 offset by higher noninterest income.

The provision for credit losses for the first nine months of 2002 increased to $37 million compared with $35 million in the prior year due to higher net charge-offs on residential mortgage loans. See Critical Accounting Policies And Judgments in the Risk Factors section of this Financial Review for additional information.

Total loans decreased 19% on average in the first nine months of 2002 compared with the prior year. Home equity loans, the lead consumer lending product, grew 11% in the comparison. The overall decline resulted primarily from the reduction of residential mortgage and indirect auto products and prepayments on

residential mortgages. The increase in average securities in the nine month comparison reflects the Corporation's balance sheet and interest rate risk management activities.

Total deposits declined 2% in the period-to-period comparison as increases in transaction and savings deposits were more than offset by a decline in certificates of deposit. Demand and money market deposits increased due to ongoing strategic marketing efforts to add new accounts and retain existing customers as funds shifted from certificates of deposit.

As previously reported, the Corporation made the decision to discontinue its vehicle leasing business in the fourth quarter of 2001. This portfolio, which has declined 22% since December 31, 2001, is expected to mature over a period of approximately five years with an average remaining life of two years. See Strategic Repositioning in the Consolidated Balance Sheet Review section and Critical Accounting Policies And Judgments in the Risk Factors section of this Financial Review for additional information.

CORPORATE BANKING

Nine months ended September 30 Taxable-equivalent basis Dollars in millions	2002	2001
INCOME STATEMENT		
Net interest income	$271	$396
Noninterest income	317	180
Total revenue	588	576
Provision for credit losses	139	53
Noninterest expense	272	289
Institutional lending repositioning		158
Goodwill amortization		2
Severance costs		3
Pretax earnings	177	71
Income taxes	60	23
Earnings	$117	$48
AVERAGE BALANCE SHEET		
Loans	$9,698	$14,285
Loans held for sale	1,674	312
Other assets	2,903	2,387
Total assets	$14,275	$16,984
Deposits	$4,608	$4,764
Assigned funds and other liabilities	8,596	10,946
Assigned capital	1,071	1,274
Total funds	$14,275	$16,984
PERFORMANCE RATIOS		
Return on assigned capital	15%	5%
Noninterest income to total revenue	54	20
Efficiency	46	59

OTHER INFORMATION

In millions	September 30 2002	December 31 2001
Total nonperforming assets	$158	$220
INSTITUTIONAL LENDING REPOSITIONING		
Loans held for sale		
Credit exposure	964	4,594
Outstandings	415	2,294
Exit portfolio		
Credit exposure	611	2,662
Outstandings	12	192

Corporate Banking provides credit, equipment leasing, treasury management and capital markets products and services to mid-sized corporations, government entities and selectively to large corporations primarily within PNC's geographic region. Additionally, Corporate Banking administers Market Street Funding Corporation ("Market Street"), a multi-seller asset-backed commercial paper conduit that is independently owned and managed. The strategic focus for Corporate Banking is to adapt its institutional expertise to the middle market with an emphasis on higher-margin noncredit products and services, especially

treasury management and capital markets, and to improve the risk/return characteristics of the lending business. Corporate Banking intends to continue its efforts to manage credit risk, liquidate loans held for sale and sustain relationships with traditional customers emphasizing noncredit products.

During the first nine months of 2002, Corporate Banking made significant progress in the repositioning of its institutional lending business. The exit and held for sale portfolios at September 30, 2002 had total credit exposure of $1.6 billion including outstandings of $427 million, a reduction in outstandings of approximately 83% from December 31, 2001. Of these amounts, $964 million of credit exposure and $415 million of outstandings 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 Critical Accounting Policies And Judgments in the Risk Factors section and Strategic Repositioning in the Consolidated Balance Sheet Review section of this Financial Review for additional information.

Corporate Banking contributed $117 million or 12% of total business earnings for the first nine months of 2002 compared with $48 million or 6% for the first nine months of 2001. The 2001 period included significant charges associated with the transfer of loans to held for sale in connection with the institutional lending repositioning. Results for this business continued to be adversely affected by weak economic and market conditions combined with the impact of PNC's institutional lending downsizing efforts.

Total revenue of $588 million for the first nine months of 2002 increased $12 million compared with the same period in 2001. Net interest income for the first nine months in 2002 decreased $125 million compared with the first nine months of 2001 primarily due to the impact of the decline in interest rates combined with the reduction in average loans resulting from the ongoing institutional lending downsizing. Noninterest income for the first nine months of 2002 increased $137 million compared with the same period in 2001 primarily due to $100 million of net gains in excess of valuation adjustments related to institutional loans held for sale in 2002 and higher treasury management fees in 2002.

Total credit costs were $139 million for the first nine months of 2002 compared with $129 million for the first nine months of 2001. Credit costs for the 2001 period included $53 million reflected in provision for credit losses and $76 million of institutional lending repositioning charges. Valuation adjustments totaling $82 million for loans previously designated as held for sale are also reflected in the 2001 institutional lending repositioning charge. Net charge-offs were $125 million for the first nine months of 2002 compared with $129 million a year ago. The provision for credit losses for the first nine months of 2002 reflects $94 million related to two Market Street liquidity facilities as well as the impact of refinements to the Corporation's reserve methodology related to impaired loans and pooled reserves. See Market Street in the Risk Management section of this Financial Review, Critical Accounting Policies And Judgments in the Risk Factors section, and Allowances For Credit Losses And Unfunded Loan Commitments And Letters Of Credit in the Consolidated Balance Sheet Review section of this Financial Review for additional information.

Treasury management and capital markets products offered through Corporate Banking are sold by several businesses across the Corporation and related revenue net of expense is included in the results of those businesses. Consolidated revenue from treasury management was $257 million for the first nine months of 2002, an increase of $6 million compared to the first nine months of 2001, as higher fee revenue was partially offset by lower income earned on customers' deposit balances. Consolidated revenue from capital markets was $88 million for the first nine months of 2002, a decrease of $1 million compared with the first nine months of 2001 primarily due to lower fees as a result of weak economic and market conditions partially offset by the comparative impact of valuation losses associated with equity investments in 2001.

Nonperforming assets were $158 million at September 30, 2002 compared with $220 million at December 31, 2001. The decrease was primarily due to the Corporation's continued liquidation of the institutional held for sale portfolio.

PNC REAL ESTATE FINANCE

Nine months ended September 30 Taxable-equivalent basis Dollars in millions	2002	2001
INCOME STATEMENT		

Net interest income	$87	$88
Noninterest income		
Commercial mortgage banking	46	45
Other	38	29
Total noninterest income	84	74
Total revenue	171	162
Provision for credit losses	(7)	12
Noninterest expense	119	104
Goodwill amortization		14
Pretax earnings	59	32
Minority interest (benefit) expense	(2)	
Income tax (benefit) expense	(6)	(15)
Earnings	$67	$47
AVERAGE BALANCE SHEET		
Loans		
Commercial real estate	$2,251	$2,321
Commercial - real estate related	1,474	1,778
Total loans	3,725	4,099
Commercial mortgages held for sale	252	234
Other loans held for sale	157	4
Other assets	883	951
Total assets	$5,017	$5,288
Deposits	$702	$468
Assigned funds and other liabilities	3,920	4,422
Assigned capital	395	398
Total funds	$5,017	$5,288
PERFORMANCE RATIOS		
Return on assigned capital	23%	16%
Noninterest income to total revenue	49	46
Efficiency	63	58

OTHER INFORMATION

In millions	September 30 2002	December 31 2001
Total nonperforming assets	$3	$6
INSTITUTIONAL LENDING REPOSITIONING		
Loans held for sale		
Credit exposure	68	324
Outstandings	55	244
Exit portfolio		
Credit exposure	25	30
Outstandings	13	5

PNC Real Estate Finance specializes in financial solutions for the acquisition, development, permanent financing and operation of commercial real estate nationally. PNC Real Estate Finance offers treasury and investment management, access to the capital markets, commercial mortgage loan servicing and other products and services to clients that develop, own, manage or invest in commercial real estate. PNC's commercial real estate financial services platform provides processing services through Midland Loan Services, Inc. ("Midland"), 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, L.P. Activities related to Columbia Housing Partners, L.P. will require additional regulatory approvals as a result of bank regulatory, supervisory and examination activities. See Regulatory Matters in the Risk Management section of this Financial Review for additional information.

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

PNC Real Estate Finance contributed $67 million or 7% of total business earnings for the first nine months of 2002 compared with $47 million or 5% for the first nine months of 2001. Net gains in excess of valuation adjustments related to institutional loans held for sale, the cessation of goodwill amortization in 2002 and the impact of a loan recovery in the exited warehouse lending business more than offset higher noninterest expense in 2002. Average loans decreased 9% in the period-to-period comparison reflecting the impact of the institutional lending repositioning.

Total revenue was $171 million for the first nine months of 2002 compared with $162 million for the first nine months of 2001. The increase of $9 million or 6% was primarily due to net gains in excess of valuation adjustments of $6 million related to institutional loans held for sale.

Noninterest expense increased $15 million for the first nine months of 2002 compared with the prior year period primarily due to impairment charges related to low income housing partnership assets.

The commercial mortgage servicing portfolio grew 12% to $74 billion at September 30, 2002. Midland, as a third-party servicer, is required to comply with various contractual obligations, including the obligations to advance funds for delinquent borrower payments and property protection purposes, and to monitor property taxes and insurance. A total of $77 million of advances were outstanding at September 30, 2002. Midland has priority to recover these advances before the security holders of the related securitizations.

COMMERCIAL MORTGAGE SERVICING PORTFOLIO

In billions	2002	2001
January 1	$68	$54
Acquisitions/additions	15	20
Repayments/transfers	(9)	(8)
September 30	$74	$66

The provision for credit losses for the nine months ended September 30, 2002 included the benefit of a recovery amount in the exited warehouse lending business. See Critical Accounting Policies And Judgments in the Risk Factors section of this Financial Review for additional information.

During the first nine months of 2002, PNC Real Estate Finance made significant progress in downsizing its institutional lending business. The exit and held for sale portfolios at September 30, 2002 had total credit exposure of $93 million including outstandings of $68 million, a reduction in outstandings of approximately 73% since December 31, 2001. Of these amounts, $68 million of credit exposure and $55 million of outstandings were classified as held for sale as of September 30, 2002. 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 Critical Accounting Policies And Judgments in the Risk Factors section and Strategic Repositioning in the Consolidated Balance Sheet Review section of this Financial Review for additional information.

PNC BUSINESS CREDIT

Nine months ended September 30 Taxable-equivalent basis Dollars in millions	2002	2001
INCOME STATEMENT		
Net interest income	$101	$77
Noninterest income	32	25
Total revenue	133	102
Provision for credit losses	72	13
Noninterest expense	41	22
Institutional lending repositioning		4
Goodwill amortization		1
Pretax earnings	20	62
Income taxes	8	23
Earnings	$12	$39
AVERAGE BALANCE SHEET		
Loans	$3,550	$2,304
Loans held for sale	83	66
Other assets	237	61
Total assets	$3,870	$2,431
Deposits	$78	$81
Assigned funds and other liabilities	3,540	2,189
Assigned capital	252	161
Total funds	$3,870	$2,431
PERFORMANCE RATIOS		
Return on assigned capital	6%	32%
Noninterest income to total revenue	24	21

Efficiency	30	22

OTHER INFORMATION

In millions	September 30 2002	December 31 2001
Total nonperforming assets	$179	$109
INSTITUTIONAL LENDING REPOSITIONING		
Loans held for sale		
Credit exposure	46	40
Outstandings	25	30

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

In January 2002, PNC Business Credit acquired a portion of NBOC's U.S. asset-based lending business in a purchase business combination. See Note 3 NBOC Acquisition in the Notes to Consolidated Financial Statements for additional information.

PNC Business Credit contributed $12 million or 1% of total business earnings for the first nine months of 2002 compared with $39 million or 4% for the first nine months of 2001. Earnings declined and performance ratios were adversely impacted in the comparison as higher revenue in 2002 was more than offset by an increase in the provision for credit losses.

Revenue was $133 million for the first nine months of 2002, a $31 million or 30% increase compared with the first nine months of 2001 as both net interest income and noninterest income increased. The increase in net interest income for the first nine months of 2002 reflected a net increase of $1.2 billion or 54% in total average loans for the period resulting primarily from the NBOC acquisition.

Noninterest income in the first nine months of 2002 included a $19 million benefit resulting from the reduction in the put option liability related to the NBOC acquisition partially offset by $11 million of valuation adjustments in excess of net gains related to the institutional loans held for sale. Noninterest income for the first nine months of 2001 included $7 million of gains on equity interests received as compensation in conjunction with lending relationships and $4 million of net valuation adjustments related to institutional loans held for sale.

The provision for credit losses for the first nine months of 2002 was $72 million compared with $13 million for the first nine months of 2001. Net charge-offs were $26 million for the first nine months of 2002 compared with $13 million a year ago. The provision for credit losses increased in the first nine months of 2002 as additions to reserves were made due to a decline in credit quality and the impact of refinements to the Corporation's reserve methodology related to impaired loans and pooled reserves. PNC Business Credit loans, including those acquired in the NBOC acquisition, are secured loans to borrowers, many with a weak credit risk rating. As a result, these loans typically exhibit a higher risk of default and a greater proportion of such loans may be classified as nonperforming. The impact of these loans on the provision for credit losses and the level of nonperforming assets may be even more pronounced during periods of economic downturn consistent with PNC Business Credit's recent experience. PNC Business Credit attempts to manage this risk through direct control of cash flows and collateral requirements. Compensation for this higher risk of default is obtained by way of higher interest rates charged. See Critical Accounting Policies And Judgments in the Risk Factors section and Allowance For Credit Losses And Unfunded Loan Commitments And Letters Of Credit in the Consolidated Balance Sheet Review section of this Financial Review for additional information.

Total noninterest expense increased $19 million to $41 million and the efficiency ratio increased to 30% during the first nine months of 2002 compared with the first nine months of 2001 primarily due to costs added with the NBOC acquisition.

Nonperforming assets were $179 million at September 30, 2002 compared with $109 million at December 31, 2001. The increase was primarily due to one credit. See Credit Risk in the Risk Management section of the Financial Review included in the 2001 Form 10-K for additional information.

PNC Business Credit included several credits in the Corporation's institutional lending repositioning. Credit exposure of $46 million including $25 million of outstandings classified as held for sale remained at September 30, 2002. The net increase in credit exposure from December 31, 2001 resulted from certain credits in connection with the NBOC acquisition. See Critical Accounting Policies And Judgments in the Risk Factors section and Strategic Repositioning in the Consolidated Balance Sheet Review section of this Financial Review for

additional information.

PNC ADVISORS

Nine months ended September 30 Taxable-equivalent basis Dollars in millions	2002	2001
INCOME STATEMENT		
Net interest income	$76	$99
Noninterest income		
Investment management and trust	258	302
Brokerage	102	100
Other	68	61
Total noninterest income	428	463
Total revenue	504	562
Provision for credit losses	3	1
Noninterest expense	368	371
Goodwill amortization		5
Pretax earnings	133	185
Income taxes	49	68
Earnings	$84	$117
AVERAGE BALANCE SHEET		
Loans		
Consumer	$1,216	$1,098
Residential mortgage	537	884
Commercial	467	543
Other	335	395
Total loans	2,555	2,920
Other assets	421	479
Total assets	$2,976	$3,399
Deposits	$2,004	$2,078
Assigned funds and other liabilities	452	774
Assigned capital	520	547
Total funds	$2,976	$3,399
PERFORMANCE RATIOS		
Return on assigned capital	22%	29%
Noninterest income to total revenue	85	82
Efficiency	73	66

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. During the second quarter of 2002, Hilliard Lyons acquired from Regional Community Banking the branch-based brokerage business that formerly operated under the PNC Brokerage brand name. This business was combined with Hilliard's brokerage operations and now provides services in the branch network under the PNC Investments brand name. However, the revenue and expense related to the branch-based brokerage business continues to be included in the results of Regional Community Banking. Consolidated revenue from brokerage was $151 million for the first nine months of 2002 compared with $163 million for the first nine months of 2001. PNC Advisors also serves as investment manager and trustee for employee benefit plans and charitable and endowment assets.

PNC Advisors is focused on acquiring and retaining customers and growing customer relationships. This business has been adversely impacted by depressed financial market conditions and the loss of customers resulting from investment performance. Management is addressing investment performance and the revenue/expense relationship given current conditions.

PNC Advisors contributed $84 million or 8% of total business earnings for the first nine months of 2002 compared with $117 million or 13% for the first nine months of 2001. Earnings decreased in the comparison primarily due to lower revenue.

Revenue for the first nine months of 2002 decreased $58 million compared with the prior year period due to depressed financial market conditions, lower average loans, a narrower net interest margin and the positive effect of the

recognition of revenue accrual adjustments of $15 million in 2001. The decline in net interest income for the first nine months of 2002 compared with the first nine months of 2001 was attributable to both a decline in average loans and a lower interest rate environment in 2002. Assets under management and related noninterest income are closely tied to the performance of the equity markets. Management expects that revenues in this business will continue to be challenged until equity market conditions and investment performance improve for a sustained period. See Business and Economic Conditions and Asset Management Performance in the Risk Factors section of the Financial Review included in the 2001 Form 10-K for additional information regarding matters that could impact PNC Advisors' revenue.

ASSETS UNDER MANAGEMENT(a)

September 30 - in billions	2002	2001
Personal investment management and trust	$40	$46
Institutional trust	10	13
Total	$50	$59

ASSET TYPE

September 30 - in billions	2002	2001
Equity	$26	$35
Fixed income	17	17
Liquidity	7	7
Total	$50	$59

(a) Excludes brokerage assets administered.

Assets under management decreased $9 billion primarily due to the decline in the value of the equity component of customers' portfolios. Brokerage assets administered by Hilliard Lyons, including assets of the former PNC Brokerage business, were $31 billion at September 30, 2002 compared with $32 billion at September 30, 2001 and were also impacted by weak equity market conditions.

PNC Advisors provides investment management services directly and through funds and accounts managed by BlackRock and funds managed by unaffiliated investment managers. In July 2002, the Corporation and BlackRock entered into a revised agreement with respect to investment management services. The agreement includes a reduction in the rate of fees received from BlackRock based on current market conditions and the impact of a reduction in the level of PNC Advisors' customer assets managed by BlackRock. Based on the current levels and mix of those assets in BlackRock investment funds, the agreement is expected to reduce PNC Advisors' total revenue by approximately $12 million on an annual basis.

BLACKROCK

Nine months ended September 30 Dollars in millions	2002	2001
INCOME STATEMENT		
Investment advisory and administrative fees	$397	$376
Other income	43	28
Total revenue	440	404
Operating expense	246	222
Fund administration and servicing costs-affiliates	33	47
Amortization of intangible assets	1	8
Total expense	280	277
Operating income	160	127
Nonoperating income	7	7
Pretax earnings	167	134
Income taxes	68	55
Earnings	$99	$79
PERIOD-END BALANCE SHEET		
Intangible assets	$181	$184
Other assets	609	460
Total assets	$790	$644

Liabilities	$194	$186
Stockholders' equity	596	458
Total liabilities and stockholders' equity	$790	$644
PERFORMANCE DATA		
Return on equity	24%	25%
Operating margin(a)	39	36
Diluted earnings per share	$1.52	$1.22

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

The financial information presented above reflects BlackRock on a stand-alone basis. BlackRock is approximately 69% owned by PNC and is consolidated into PNC's financial statements. Accordingly, approximately 31% of BlackRock's earnings were recognized as a minority interest expense in the consolidated income statement.

BlackRock is one of the largest publicly traded investment management firms in the United States with approximately $246 billion of assets under management at September 30, 2002. BlackRock manages assets on behalf of institutions and individuals worldwide through a variety of fixed income, liquidity and equity mutual funds, separate accounts and alternative investment products. Mutual funds include the flagship fund families - BlackRock Funds and BlackRock Provident Institutional Funds. In addition, BlackRock provides risk management and investment system services to institutional investors under the BlackRock Solutions brand name. BlackRock continues to focus on delivering superior relative investment performance to clients while pursuing strategies to build on core strengths and to selectively expand the firm's expertise and breadth of distribution.

BlackRock contributed $99 million or 10% of total business earnings for the first nine months of 2002 compared with $79 million or 9% for the first nine months of 2001. Earnings increased 25% in the period-to-period comparison primarily due to a 9% increase in assets under management and increased sales of BlackRock Solutions products and services.

Total revenue for the first nine months of 2002 increased $36 million or 9% compared with the first nine months of 2001 primarily due to increases in separate account assets under management, sales of alternative investment products and performance fees. Current market conditions substantially reduce the likelihood of performance fees for the remainder of 2002. See Business and Economic Conditions and Asset Management Performance in the Risk Factors section of the Financial Review included in the 2001 Form 10-K for additional information regarding matters that could impact asset management revenue.

Excluding goodwill amortization, expenses increased $10 million, or 4%, in the period-to-period comparison in support of revenue growth and business expansion. Expense growth was mitigated by lower fund administration and servicing costs-affiliates.

ASSETS UNDER MANAGEMENT

September 30 - in billions	2002	2001
Separate accounts		
Fixed income	$146	$119
Liquidity	5	7
Liquidity - securities lending	6	8
Equity	8	8
Alternative investment products	6	5
Total separate accounts	171	147
Mutual funds(a)		
Fixed income	19	14
Liquidity	52	56
Equity	4	9
Total mutual funds	75	79
Total assets under management	$246	$226

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

In July 2002, BlackRock and the Corporation entered into a revised agreement with respect to investment management services. The agreement includes a reduction in the rate of fees paid to PNC Advisors based on current market conditions and the impact of a reduction in the level of PNC Advisors' customer assets managed by BlackRock. The lower levels of PNC client assets invested in

the BlackRock Funds and the effect of the revised investment services agreement resulted in a reduction in fund administration and servicing costs-affiliates of approximately $15 million for the nine months ended September 30, 2002. PNC client-related revenue subject to fund administration and servicing payments declined approximately $20 million for the nine months ended September 30, 2002.

BlackRock adopted a new long-term incentive and retention program for key employees, subject to approval by regulators and BlackRock's stockholders at the next annual meeting in May 2003. The program seeks to provide continuity of the management team, whose contracts expire at the end of this year, while promoting development of the firm's future leaders. Stock options on up to 3.5 million shares of BlackRock stock may be granted at market, subject to vesting at December 31, 2006. In addition, up to $240 million of deferred compensation may be awarded, with payments subject to the achievement of performance hurdles no later than March 2007. If the performance hurdles are achieved, up to $200 million of the deferred compensation plan will be funded with the surrender by PNC of up to 4 million shares of PNC's 44.9 million shares of BlackRock common stock. BlackRock will fund the remainder with up to $40 million in cash. See BlackRock Long-Term Incentive and Retention Plan in this Financial Review for further information. See Securities in this Financial Review for certain fourth quarter expectations regarding BlackRock's collateralized bond obligation investments.

BlackRock is listed on the New York Stock Exchange under the symbol BLK. Additional information about BlackRock is available in its SEC filings at www.sec.gov.

PFPC

Nine months ended September 30 Dollars in millions	2002	2001
INCOME STATEMENT		
Fund servicing revenue	$578	$596
Operating expense	457	436
Goodwill amortization		30
(Accretion)/amortization of other intangibles, net	(14)	(11)
Operating income	135	141
Nonoperating income(a)	8	11
Debt financing	67	71
Facilities consolidation and other (credits)/charges	(19)	
Pretax earnings	95	81
Income taxes	38	32
Earnings	$57	$49
AVERAGE BALANCE SHEET		
Intangible assets	$1,030	$1,072
Other assets	861	687
Total assets	$1,891	$1,759
Assigned funds and other liabilities	$1,683	$1,551
Assigned capital	208	208
Total funds	$1,891	$1,759
PERFORMANCE RATIOS		
Return on assigned capital	37%	31%
Operating margin	27	24

(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.

The financial results for this business may be significantly impacted by the net gain or loss of large clients or groups of smaller clients and by shifts in client assets between higher and lower margin products. During the first nine months of 2002, PFPC was adversely impacted by depressed financial market conditions, a shift in client assets from equity to fixed income products and client attrition. Management is addressing the revenue/expense relationship of

this business given current conditions.

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

PFPC contributed $57 million or 6% of total business earnings for the first nine months of 2002 compared with $49 million or 5% for the first nine months of 2001. Earnings in the first nine months of 2002 included the impact of a one-time benefit of approximately $13 million of fees related to the renegotiation of a client contract and the benefit of a $19 million reduction in reserves. These reserves were originally established in the fourth quarter of 2001 and primarily related to a previously announced plan to consolidate selected facilities. The facilities strategy has been modified and certain originally contemplated relocations will no longer occur. PFPC also benefited in 2002 from the adoption of the new goodwill accounting standard that reduced amortization expense by $30 million compared with the first nine months of 2001. These benefits were partially offset by higher staff and technology-related costs. The cost of integration, technology and infrastructure investments, coupled with a shift in both product and client mix, continued to exert pressure on operating margins. Margins are expected to remain under pressure at least until equity markets and investor sentiment and demand improve for a sustained period.

Revenue of $578 million for the first nine months of 2002 decreased $18 million compared with the first nine months of 2001. Notwithstanding the one-time $13 million benefit described above, revenue declined in the comparison primarily due to depressed financial market conditions, pricing and other competitive factors including client attrition. See Business and Economic Conditions and Fund Servicing in the Risk Factors section of the Financial Review included in the 2001 Form 10-K for additional information regarding matters that could impact fund servicing revenue.

Operating expense increased $21 million or 5% in the period-to-period comparison primarily due to increased staff levels for new product support combined with additional costs associated with investments in technology.

Operating income for the first nine months of 2002 included accretion of a discounted client contract liability of $26 million. Accretion for the first nine months of 2001 was $22 million.

SERVICING STATISTICS

September 30	2002	2001
Accounting/administration net assets ($ in billions)		
Domestic	$464	$484
Foreign (a)	25	16
Total	$489	$500
Custody assets ($ in billions)	$311	$359
Shareholder accounts (in millions)	52	47

(a) Represents net assets serviced offshore.

Accounting/administration net assets have decreased compared with the 2001 period as the impact of depressed financial markets and changes in domestic client mix have more than offset successful offshore sales efforts. Custody assets have declined primarily due to changes in client relationships.

CONSOLIDATED INCOME STATEMENT REVIEW

NET INTEREST INCOME

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

Taxable equivalent net interest income declined slightly, from $1.696 billion to $1.683 billion, in the first nine months of 2002 compared with the first nine months of 2001, while the net interest margin widened to 4.00% compared with 3.76% in the prior year period. The level of net interest income for the first nine months of 2002 reflected the positive effects of a lower interest rate environment and transaction deposit growth that was mitigated by the impact of the continued downsizing of the loan portfolio. The widening of the net interest margin for 2002 resulted from the impact of changes in balance sheet composition and a lower interest rate environment, combined with a steep yield curve. See

Interest Rate Risk in the Risk Management section of this Financial Review for additional information.

Taxable-equivalent net interest income was $532 million and net interest margin was 3.88% for the third quarter of 2002 compared with $568 million and 3.89%, respectively, for the third quarter of 2001. Net interest income declined compared with the third quarter of 2001 primarily due to the impact of a $3.6 billion, or 6%, decrease in average earning assets. The decline in average earning assets resulted from the continued downsizing of the institutional lending portfolio in 2002 that was partially offset by a higher level of federal funds sold that increased overall balance sheet liquidity.

PROVISION FOR CREDIT LOSSES

The provision for credit losses was $244 million for the first nine months of 2002 compared with $235 million for the first nine months of 2001. The provision for credit losses was $73 million for the third quarter of 2002 compared with $110 million for the prior year quarter. The provision for the first nine months of 2002 reflects additions to reserves for PNC Business Credit and Corporate Banking, and losses in Corporate Banking primarily related to Market Street liquidity facilities. The provision for both periods of 2001 reflects the impact of transfers of loans to held for sale and an increase in the allowance for credit losses.

Net charge-offs were $188 million or .67% of average loans for the first nine months of 2002 compared with $190 million or .55%, respectively, for the first nine months of 2001. Net charge-offs were $73 million or .79% of average loans for the third quarter of 2002 compared with $65 million or .59%, respectively, for the third quarter of 2001. Net charge-offs for the first nine months and third quarter of 2002 included $43 million related to a single credit supported by vocational student loans that resulted from a draw during the second quarter of 2002 by Market Street on a liquidity facility provided by PNC. See Market Street within this Financial Review for further information. Net charge-offs for the first nine months of 2002 also included a second quarter 2002 charge-off of $45 million related to another Market Street customer.

NONINTEREST INCOME

Noninterest income was $2.387 billion for the first nine months of 2002 compared with $2.168 billion for the first nine months of 2001. Third quarter 2002 noninterest income totaled $758 million compared with $720 million in the third quarter of 2001.

Asset management fees totaled $651 million for the first nine months of 2002, up $6 million compared with the first nine months of 2001. The increase in the year-to-date 2002 period primarily reflected an increase in separate account base fee revenue arising from growth in assets under management at BlackRock, partially offset by lower asset management fees at PNC Advisors primarily due to weak equity markets in 2002 and the recognition of $15 million of revenue accrual adjustments that benefited the first nine months of 2001. Asset management fees for the third quarter of 2002 declined $8 million, to $200 million, compared with the prior year third quarter. The decrease for the third quarter of 2002 was primarily due to the impact of depressed financial market conditions and lower performance fees compared with the third quarter of 2001. Consolidated assets under management increased to $285 billion at September 30, 2002 compared with $270 billion at September 30, 2001 due to growth at BlackRock.

Fund servicing fees decreased $7 million, to $578 million, for the first nine months of 2002 compared with the first nine months of 2001. Excluding a one-time benefit of approximately $13 million related to the renegotiation of a client contract recognized during the second quarter of 2002 at PFPC, fund servicing fees for the first nine months of 2002 declined $20 million. For the third quarter of 2002, fund servicing fees declined $15 million, to $180 million. The declines in both 2002 periods were due to the impact of depressed financial market conditions, pricing and other competitive factors including customer attrition.

Service charges on deposits were $166 million for the first nine months of 2002, an increase of $6 million compared with the prior year-to-date period. Service charges on deposits totaled $57 million for the third quarter of 2002 compared with $56 million for the third quarter of 2001. For both 2002 periods, the benefit of an increase in average transaction deposits offset the impact of price reductions from comparable services. Brokerage fees declined $12 million, to $151 million, for the first nine months of 2002 compared with the first nine months of 2001. Brokerage fees totaled $41 million in the third quarter of 2002, down $13 million from the third quarter of 2001. The third quarter decrease reflected lower sales commissions resulting from the impact of depressed financial market conditions, lower trading volumes and lower income from insurance annuities.

Consumer services revenue for the first nine months of 2002 totaled $178 million, an increase of $7 million compared with the first nine months of 2001.

For the third quarter of 2002, consumer services revenue was $62 million, compared with $58 million for the prior year quarter. The increases for both periods reflected additional fees from ATM and debit card transactions arising from increased transaction volumes.

Corporate services revenue was $375 million for the first nine months of 2002 compared with $149 million for the first nine months of 2001. Third quarter 2002 corporate services revenue was $108 million, compared with a net loss of $3 million for the third quarter of 2001. Excluding the impact of net gains and valuation adjustments related to institutional loans held for sale in each period, corporate services revenue was $280 million for the first nine months of 2002 and $235 million for the prior year-to-date period. Excluding the effect of these items from third quarter results, corporate services revenue was $91 million for the third quarter of 2002 compared with $82 million for 2001. Growth in treasury management fees drove the increase in both the nine-month and third quarter 2002 amounts compared with the respective 2001 periods.

Equity management (private equity activities) net losses on portfolio investments were $37 million for the first nine months of 2002 compared with net losses of $82 million for the first nine months of 2001. For the third quarter of 2002, equity management net losses on portfolio investments totaled $22 million compared with net losses of $13 million for the prior year quarter.

Net securities gains totaled $88 million for the first nine months of 2002 compared with $134 million for the comparable prior year period. Net securities gains were $68 million for the third quarter of 2002 compared with $88 million for the third quarter of 2001.

Other noninterest income was $237 million for the first nine months of 2002, a decline of $6 million compared with the first nine months of 2001. A $19 million benefit resulting from the reduction in the put option liability related to the NBOC acquisition and a $14 million gain on the sale of a real estate investment in 2002 were more than offset in the comparison by gains of $26 million related to residential loan securitizations and a higher level of revenue from trading activities in the first nine months of 2001. Other noninterest income decreased $13 million, to $64 million, for the third quarter of 2002 compared with the prior year quarter primarily due to lower trading revenues.

Net trading income included in other noninterest income totaled $77 million for the first nine months of 2002 compared with $113 million for the comparable prior year period. For the third quarter of 2002, net trading income included in other noninterest income was $24 million compared with $36 million for the prior year quarter. The decreases for both 2002 periods resulted from lower derivatives trading income, including income in connection with an option contract in 2001 that did not recur in 2002. See Trading Activities in the Risk Management section of this Financial Review and Note 7 Trading Activities in the Notes to Consolidated Financial Statements for additional information.

NONINTEREST EXPENSE

Total noninterest expense was $2.392 billion for the first nine months of 2002, an increase of $26 million or 1% compared with the first nine months of 2001. Noninterest expense totaled $777 million for the third quarter of 2002, a decline of $14 million from the prior year third quarter. Excluding the impact of goodwill amortization expense recorded in the first nine months and third quarter of 2001, noninterest expense increased $114 million and $15 million, respectively, in the comparable 2002 periods. The increase in noninterest expense for the first nine months of 2002 was attributable primarily to increases of $24 million, $21 million, and $19 million at BlackRock, PFPC and PNC Business Credit, respectively. These increases reflected higher operating expenses to support revenue growth, business expansion, and the NBOC acquisition, respectively. In addition, other noninterest expense for the first nine months of 2002 included a $15 million adjustment related to incentive and retention arrangements in the form of co-investment partnerships for certain equity management employees. Higher consulting, legal and accounting fees and higher occupancy and equipment costs, partially offset by the benefit of a $19 million reduction in reserves at PFPC, drove the increase in expenses for the third quarter of 2002 compared to the prior year quarter. The PFPC reserves were originally established in the fourth quarter of 2001 and are primarily related to a previously announced plan to consolidate selected facilities. The facilities strategy has been modified and certain originally contemplated relocations will no longer occur.

The efficiency ratio was 58% for the first nine months of 2002 and 2001, while the efficiency ratio for the third quarters of 2002 and 2001 was 59% and 58%, respectively. Average full-time equivalent employees totaled approximately 24,000 and 24,600 for the first nine months of 2002 and 2001, respectively. The decrease was mainly in Corporate Banking, PNC Advisors and Regional Community Banking.

CONSOLIDATED BALANCE SHEET REVIEW

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, 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 are related to PNC's vehicle leasing business that is being discontinued. At September 30, 2002, PNC's vehicle leasing business had $1.5 billion in assets that have been designated for exit and are expected to mature over a period of approximately five years with a weighted average remaining life of two years. See Critical Accounting Policies And Judgments in the Risk Factors section of this Financial Review for additional information regarding certain risks associated with executing these strategies.

Details of the credit exposure and outstandings by business in the institutional lending held for sale and exit portfolios are included in the Corporate Banking, PNC Real Estate Finance and PNC Business Credit sections of the Review of Businesses within this Financial Review. A rollforward of the institutional lending held for sale portfolio follows:

ROLLFORWARD OF INSTITUTIONAL LENDING HELD FOR SALE PORTFOLIO

In millions	Credit Exposure	Outstandings
January 1, 2002	$4,958	$2,568
Additions	119	238
Sales	(2,015)	(1,191)
Payments and other exposure reductions	(1,743)	(922)
Valuation adjustments, net	(241)	(198)
September 30, 2002	$1,078	$495

During the third quarter and first nine months of 2002, the liquidation of institutional loans held for sale resulted in net gains in excess of valuation adjustments of $17 million and $95 million, respectively. Details by business follow:

INSTITUTIONAL LENDING HELD FOR SALE ACTIVITY

Three months ended September 30, 2002 In millions	Net gains on liquidation	Valuation Adjustments	Total
Corporate Banking	$68	$(47)	$21
PNC Real Estate Finance	2	(2)	
PNC Business Credit	2	(6)	(4)
Total	$72	$(55)	$17

Nine months ended September 30, 2002 In millions	Net gains on liquidation	Valuation Adjustments	Total
Corporate Banking	$312	$(212)	$100
PNC Real Estate Finance	19	(13)	6
PNC Business Credit	5	(16)	(11)
Total	$336	$(241)	$95

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 $134 million at September 30, 2002. The following table summarizes the third quarter and year-to-date 2002 changes to these reserves:

ROLLFORWARD OF OTHER RESERVES RELATED TO FOURTH QUARTER 2001 ACTIONS

In millions	2001 Charge	Utilized in 2001	First Half 2002 Activity	Third Quarter 2002 Activity	At Sept. 30 2002
Vehicle leasing	$135	$(11)	$(3)	$(2)	$119
Asset impairment and severance costs	37	(24)	(12)	(1)	
Facilities consolidation and other charges	36		(2)	(19)	15
Total	$208	$(35)	$(17)	$(22)	$134

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 September 30, 2002, the related liability had been reduced to $119 million as a result of goodwill impairment of $11 million recorded in the fourth quarter of 2001 and a net $5 million reduction related to severance and contractual payments recorded in the first nine months of 2002 in connection with PNC's exit of this business.

The liability for asset impairment and severance costs was eliminated as of September 30, 2002 as a result of asset write-downs and severance benefits paid totaling $24 million in the fourth quarter of 2001 and $13 million of severance benefits paid in the first nine 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. The charges primarily reflected costs related to exiting certain lease agreements and the abandonment of related leasehold improvements. During the third quarter of 2002, the Corporation recognized a $19 million reduction of these charges as the facilities strategy has been modified and certain originally contemplated relocations will no longer occur.

LOANS

Loans were $35.9 billion at September 30, 2002, a $2.1 billion decrease from year-end 2001 primarily due to the impact of residential mortgage loan prepayments and sales, transfers to held for sale and the managed reduction of institutional loans, which more than offset the impact in 2002 of the NBOC acquisition and growth in home equity loans.

DETAILS OF LOANS

In millions	September 30 2002	December 31 2001
Commercial		
Manufacturing	$3,726	$3,352
Retail/wholesale	4,247	3,856
Service providers	1,986	2,136
Real estate related	1,554	1,720
Financial services	1,252	1,362
Communications	115	139
Health care	450	517
Other	2,042	2,123
Total commercial	15,372	15,205
Commercial real estate		
Mortgage	516	592
Real estate project	1,958	1,780
Total commercial real estate	2,474	2,372
Consumer		
Home equity	7,905	7,016
Automobile	540	773
Other	1,283	1,375
Total consumer	9,728	9,164
Residential mortgage	3,829	6,395
Lease financing		
Vehicle	1,676	2,201
Equipment	3,537	3,356
Total lease financing	5,213	5,557
Other	409	445
Unearned income	(1,108)	(1,164)
Total, net of unearned income	$35,917	$37,974

Loan portfolio composition continued to be diversified across PNC's footprint among numerous industries and types of businesses. At September 30, 2002, loans of $35.9 billion included $1.5 billion of vehicle leases, net of unearned income, and $25 million of commercial and commercial real estate loans that have been designated for exit.

NET UNFUNDED COMMITMENTS

September 30 December 31

In millions	2002	2001
Commercial	$21,263	$20,233
Commercial real estate	850	711
Consumer	5,373	4,977
Lease financing	60	146
Other	114	139
Designated for exit or held for sale	1,460	4,837
Total	$29,120	$31,043

Commitments to extend credit represent arrangements to lend funds or provide liquidity subject to specified contractual conditions. Commitments include loan commitments and liquidity facilities provided to Market Street. Commercial commitments are reported net of participations, assignments and syndications, primarily to financial institutions, totaling $6.9 billion at September 30, 2002 and $7.1 billion at December 31, 2001.

Net outstanding letters of credit totaled $3.8 billion and $4.0 billion at September 30, 2002 and December 31, 2001, respectively, and consisted primarily of standby letters of credit that commit the Corporation to make payments on behalf of customers if specified future events occur.

LOANS HELD FOR SALE

Loans held for sale were $2.0 billion at September 30, 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 $110 million of loans held at September 30, 2002 by companies formed with AIG are classified in the consolidated financial statements as loans held for sale. Substantially all student loans are classified as loans held for sale.

DETAILS OF LOANS HELD FOR SALE

In millions	September 30 2002	December 31 2001
Institutional lending repositioning		
Commercial		
Manufacturing	$181	$810
Communications	60	690
Service providers	53	333
Retail/wholesale	26	114
Financial services	24	40
Health care	23	73
Real estate related	7	30
Other	65	223
Total commercial	439	2,313
Commercial real estate	56	248
Lease financing		7
Total institutional lending repositioning	495	2,568
Student loans	1,225	1,340
Other	269	281
Total loans held for sale	$1,989	$4,189

NONPERFORMING, PAST DUE AND POTENTIAL PROBLEM ASSETS

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

NONPERFORMING ASSETS BY TYPE

Dollars in millions	September 30 2002	December 31 2001
Nonaccrual loans		
Commercial	$232	$188
Commercial real estate	5	4
Consumer	12	3
Residential mortgage	5	5
Lease financing	15	11
Total nonaccrual loans	269	211
Troubled debt restructured loan	2	
Total nonperforming loans	271	211
Nonperforming loans held for sale(a)	125	169
Foreclosed assets		

Commercial real estate		1
Residential mortgage	6	3
Other	7	7
Total foreclosed assets	13	11
Total nonperforming assets	$409	$391
Nonperforming loans to total loans	.75%	.56%
Nonperforming assets to total loans, loans held for sale and foreclosed assets	1.08	.93
Nonperforming assets to total assets	.60	.56

(a) Includes a troubled debt restructured loan held for sale of $11 million and $6 million as of September 30, 2002 and December 31, 2001, respectively.

Of the total nonperforming loans at September 30, 2002, 56% are related to PNC Business Credit. These loans are to borrowers, many of which have weak credit risk ratings. As a result, these loans typically exhibit a higher risk of default and a greater proportion of such loans may be classified as nonperforming. The above table excludes nonperforming equity management assets carried at estimated fair value of $42 million and $18 million at September 30, 2002 and December 31, 2001, respectively, and included in other assets on the Consolidated Balance Sheet. Nonperforming equity management assets at September 30, 2002 include $13 million of troubled debt restructured assets.

The amount of nonperforming loans that were current as to principal and interest was $165 million at September 30, 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 $70 million at September 30, 2002 and $8 million at December 31, 2001.

NONPERFORMING ASSETS BY BUSINESS

In millions	September 30 2002	December 31 2001
Regional Community Banking	$65	$52
Corporate Banking	158	220
PNC Real Estate Finance	3	6
PNC Business Credit	179	109
PNC Advisors	4	4
Total nonperforming assets	$409	$391

At September 30, 2002, Corporate Banking and PNC Business Credit had nonperforming loans held for sale of $99 million and $26 million, respectively, which are included in the preceding table.

CHANGE IN NONPERFORMING ASSETS

In millions	2002	2001
January 1	$391	$372
Transferred from accrual	711	589
Returned to performing	(27)	(14)
Principal reductions	(310)	(159)
Asset sales	(145)	(25)
Charge-offs and valuation adjustments	(211)	(237)
September 30	$409	$526

Credit quality was adversely affected for the first nine months of 2002 and continued weakness or further weakening of the economy, or other factors that affect asset quality, could result in an increase in the number of delinquencies, bankruptcies or defaults, and a higher level of nonperforming assets, net charge-offs and provision for credit losses in future periods.

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

	Amount		Percent of Total Outstandings	
Dollars in millions	Sept. 30 2002	Dec. 31 2001	Sept. 30 2002	Dec 31 2001
Commercial	$32	$54	.21%	.36%
Commercial real estate	4	11	.16	.46
Consumer	40	36	.41	.39
Residential mortgage	40	56	1.04	.88
Lease financing	1	2	.02	.05

Total loans	117	159	.33	.42
Loans held for sale	14	33	.70	.79
Total loans and loans held for sale	$131	$192	.35%	.46%

Loans and loans held for sale not included in nonperforming or past due categories, but where information about possible credit problems causes management to be uncertain about the borrower's ability to comply with existing repayment terms over the next six months, totaled $231 million and $42 million, respectively, at September 30, 2002. Approximately one-fourth of these loans are in the PNC Business Credit portfolio and all of the loans held for sale relate to the institutional lending repositioning.

CREDIT RISK

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

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

The Corporation maintains an allowance for credit losses to absorb losses inherent in the loan portfolio. The allowance is determined based on quarterly assessments of the probable estimated losses inherent in the loan portfolio. The methodology for measuring the appropriate level of the allowance consists of several elements, including specific allocations to impaired loans, allocations to pools of non-impaired loans and unallocated reserves. While allocations are made to specific loans and pools of loans, the total reserve is available for all loan losses. Enhancements and refinements to the reserve methodology during the second quarter of 2002 resulted in a reallocation of the allowance for credit losses among the Corporation's businesses and from unallocated to specific and pool categories.

In addition to the allowance for credit losses, the Corporation maintains an allowance for unfunded loan commitments and letters of credit. This amount, reported as a liability on the Consolidated Balance Sheet, is determined using estimates of the probability of the ultimate funding and losses related to those credit exposures. The methodology used is similar to the methodology used for determining the adequacy of the allowance for credit losses.

Specific allowances are established for loans considered impaired by a method prescribed by SFAS No. 114, "Accounting by Creditors for Impairment of a Loan." All nonperforming loans are considered impaired under SFAS No. 114. Specific allowances are determined for individual loans over a dollar threshold by PNC's Special Asset Committee based on an analysis of the present value of its expected future cash flows discounted at its effective interest rate, its observable market price or the fair value of the underlying collateral. A minimum specific allowance is established on all impaired loans at the applicable pool reserve allocation for similar loans.

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

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

Consumer (including residential mortgage) loan allocations are made at a total portfolio level by consumer product line based on historical loss experience. A four-quarter average loss rate is computed as net charge-offs for the prior four quarters as a percentage of the average loan outstandings in those quarters. This loss rate is applied to loans outstanding at the end of the current period.

The final loan reserve allocations are based on this methodology and management's judgment of other qualitative factors which may include, among others, regional and national economic conditions, business segment and

portfolio concentrations, historical versus estimated losses, model risk and changes to the level of credit risk in the portfolio.

Unallocated reserves are established to provide coverage for risks not considered in the specific, pool and consumer reserve methodologies, such as, but not limited to, potential judgment and data errors. Furthermore, events may have occurred as of the reserve evaluation date that are not yet reflected in the risk measures or characteristics of the portfolio due to inherent lags in information. Management's evaluation of these and other relevant factors determines the level of unallocated reserves established at the evaluation date.

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

ALLOCATION OF ALLOWANCE FOR CREDIT LOSSES

	September 30, 2002		December 31, 2001	
Dollars in millions	Allowance	Loans to Total Loans	Allowance	Loans to Total Loans
Commercial	$500	42.8%	$392	40.0%
Commercial real estate	58	6.9	63	6.3
Consumer	29	27.1	39	24.1
Residential mortgage	10	10.7	8	16.8
Other	51	12.5	58	12.8
Total	$648	100%	$560	100%

For purposes of this presentation, the unallocated portion of the allowance for credit losses of $111 million at September 30, 2002 and $143 million at December 31, 2001 has been assigned to loan categories based on the relative specific and pool allocation amounts. The unallocated portion of the allowance for credit losses represented 17% of the total allowance and .31% of total loans at September 30, 2002, compared with 26% and .38%, respectively, at December 31, 2001.

The provision for credit losses for the first nine months of 2002 and the evaluation of the allowances for credit losses and unfunded loan commitments and letters of credit as of September 30, 2002 reflected changes in loan portfolio composition, the net impact of downsizing credit exposure, the impact of refinements to the Corporation's reserve methodology and changes in asset quality. The provision includes amounts for potential losses on loans and credit exposure related to unfunded loan commitments and letters of credit.

ROLLFORWARD OF ALLOWANCE FOR CREDIT LOSSES

In millions	2002	2001
January 1	$560	$598
Charge-offs	(224)	(219)
Recoveries	36	29
Net charge-offs	(188)	(190)
Provision for credit losses	244	235
Acquired allowance (NBOC acquisition)	41	
Net change in allowance for unfunded loan commitments and letters of credit	(9)	(5)
September 30	$648	$638

ROLLFORWARD OF ALLOWANCE FOR UNFUNDED LOAN COMMITMENTS AND LETTERS OF CREDIT

In millions	2002	2001
January 1	$70	$77
Net change in allowance for unfunded loan commitments and letters of credit	9	5
September 30	$79	$82

The allowance for credit losses as a percent of nonperforming loans and total loans was 239% and 1.80%, respectively, at September 30, 2002 compared with 265% and 1.47%, respectively, at December 31, 2001. The decline in the allowance as a percent of nonperforming loans since December 31, 2001 resulted from increases in nonperforming loans at PNC Business Credit and in Corporate Banking related to a Market Street liquidity facility.

CHARGE-OFFS AND RECOVERIES

Nine months ended September 30 Dollars in millions	Charge-offs	Recoveries	Net Charge-offs	Percent of Average Loans
2002				
Commercial	$167	$23	$144	1.20%
Commercial real estate	2		2	.11
Consumer	30	11	19	.27
Residential mortgage	5	1	4	.11
Lease financing	20	1	19	.60
Total	$224	$36	$188	.67
2001				
Commercial	$165	$13	$152	1.01%
Commercial real estate	6	1	5	.26
Consumer	31	13	18	.26
Residential mortgage	1		1	.01
Lease financing	16	2	14	.45
Total	$219	$29	$190	.55

CREDIT-RELATED INSTRUMENTS

CREDIT DEFAULT SWAPS
Credit default swaps provide, for a fee, an assumption of a portion of the credit risk associated with the underlying financial instruments. The Corporation primarily uses such contracts to mitigate credit risk associated with commercial lending activities. At September 30, 2002, credit default swaps with $168 million in notional value were used by the Corporation to hedge credit risk associated with commercial lending activities and are included in the Other Derivatives table in the Financial Derivatives section of this Financial Review. Net gains realized in connection with credit default swaps totaled $409,000 for the third quarter of 2002 and $570,000 for the first nine months of 2002. There were no gains or losses in the first nine months of the prior year.

INTEREST RATE DERIVATIVE RISK PARTICIPATION AGREEMENTS
The Corporation enters into risk participation agreements to share credit exposure with other financial counterparties related to interest rate derivative contracts. These agreements are considered to be financial guarantees and therefore are not included in the Financial Derivatives section of this Financial Review. Risk participation agreements executed by the Corporation to mitigate credit risk had a total notional value of $45 million at September 30, 2002. Additionally, risk participation agreements entered into in which the Corporation assumed credit exposure had a total notional value of $81 million at September 30, 2002.

SECURITIES
Total securities were $12.5 billion and represented 19% of total assets at September 30, 2002 compared with $13.9 billion and 20%, respectively, at December 31, 2001. The decreases were primarily due to net sales of mortgage-backed and asset-backed securities during 2002.

At September 30, 2002, the securities available for sale balance included a net unrealized gain of $272 million, which represented the difference between fair value and amortized cost. The comparable amount at December 31, 2001 was a net unrealized loss of $132 million. Net unrealized gains and losses in the securities available for sale portfolio are included in accumulated other comprehensive income or loss, net of tax or, for the portion attributable to a hedged risk as part of a fair value hedge strategy, in net income. The expected weighted-average life of securities available for sale was 2 years and 6 months at September 30, 2002 compared with 4 years at December 31, 2001.

Securities designated as held to maturity are carried at amortized cost and are assets of companies formed with AIG that are consolidated in PNC's financial statements. The expected weighted-average life of securities held to maturity was 20 years and 3 months at September 30, 2002 compared with 18 years and 11 months at December 31, 2001.

DETAILS OF SECURITIES

In millions	Amortized Cost	Fair Value
SEPTEMBER 30, 2002		
SECURITIES AVAILABLE FOR SALE		
Debt securities		
U.S. Treasury and government agencies	$839	$849
Mortgage-backed	8,511	8,695
Asset-backed	1,946	2,026
State and municipal	60	67
Other debt	57	60
Corporate stocks and other	509	497

Total securities available for sale	$11,922	$12,194
SECURITIES HELD TO MATURITY		
Debt securities		
U.S. Treasury and government agencies	$271	$315
Asset-backed	8	8
Other debt	63	63
Total securities held to maturity	$342	$386
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

Included in securities available for sale are certain investments in collateralized bond obligations held by BlackRock. Based on an assessment as of November 13, 2002, BlackRock management believes that some level of impairment against these assets will need to be recorded in the fourth quarter of 2002, with preliminary evaluations indicating that impairment charges could approximate $3 million to $4 million. The charge would be recorded in noninterest income.

EQUITY MANAGEMENT ACTIVITIES

At September 30, 2002, equity management investments carried at estimated fair value totaled approximately $566 million. Approximately 55% of the amount is invested directly in a variety of companies and approximately 45% is invested in various limited partnerships. Equity management funding commitments totaled $179 million at September 30, 2002. The valuation of equity management assets is subject to the performance of the underlying companies as well as market conditions and may be volatile. There is a time lag in the Corporation's receipt of financial information that is the primary basis for the valuation of the limited partnership interests. Consequently, PNC will recognize in the fourth quarter of 2002 valuation changes related to limited partnership investments that reflect the impact of third quarter 2002 market conditions and performance of the underlying companies. The Corporation continues to make equity management investments on a limited basis and to manage private equity investments for others. As described in the Corporation's July 18, 2002 Current Report on Form 8-K ("July 18, 2002 8-K"), such activities are subject to limitation as a result of bank regulatory, supervisory and examination activities and may have to be curtailed if the Corporation is not successful in satisfying relevant regulatory requirements.

FUNDING SOURCES

Total funding sources were $54.9 billion at September 30, 2002 and $59.4 billion at December 31, 2001 and were comprised of the following:

DETAILS OF FUNDING SOURCES

In millions	September 30 2002	December 31 2001
Deposits		
Demand and money market	$32,124	$32,589
Savings	2,024	1,942
Retail certificates of deposit	10,197	10,727
Other time	315	472
Deposits in foreign offices	300	1,574
Total deposits	44,960	47,304
Borrowed funds		
Federal funds purchased	35	167
Repurchase agreements	988	954
Bank notes and senior debt	4,962	6,362
Federal Home Loan Bank borrowings	1,270	2,047
Subordinated debt	2,423	2,298

Other borrowed funds	269	262
Total borrowed funds	9,947	12,090
Total	$54,907	$59,394

LIQUIDITY

Liquid assets consist of short-term investments and securities available for sale. At September 30, 2002, such assets totaled $17 billion, with $7.9 billion pledged as collateral for borrowings, trust and other commitments. Secured advances from the Federal Home Loan Bank, of which 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 September 30, 2002, total borrowing capacity from the Federal Home Loan Bank under current collateral requirements was $9.7 billion. Funding can also be obtained through alternative forms of borrowing, including federal funds purchased, repurchase agreements and short-term and long-term debt issuance.

Liquidity for the parent company and subsidiaries is generated through the issuance of securities in public or private markets and lines of credit. At September 30, 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 September 30, 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 without prior regulatory approval was approximately $365 million at September 30, 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 September 30, 2002, the parent company had approximately $665 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 to meet current obligations to its debt holders, vendors, and others and to pay dividends at current rates through 2002.

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 on, in part, a financial institution's capital strength. At September 30, 2002, each banking subsidiary of the Corporation was considered "well capitalized" based on regulatory capital ratio requirements.

RISK-BASED CAPITAL

Dollars in millions	September 30 2002	December 31 2001
Capital components		
Shareholders' equity		
Common	$6,707	$5,813
Preferred	10	10
Trust preferred capital securities	848	848
Minority interest	218	134
Goodwill and other intangibles	(2,450)	(2,174)
Net unrealized securities (gains) losses	(177)	86
Net unrealized gains on cash flow hedge derivatives	(143)	(98)
Nonfinancial equity investments	(36)	
Other, net	(25)	(20)
Tier I risk-based capital	4,952	4,599
Subordinated debt	1,351	1,616
Minority interest	36	36
Eligible allowance for credit losses	708	707
Total risk-based capital	$7,047	$6,958
Assets		
Risk-weighted assets and off-balance-sheet instruments, and market risk equivalent assets	$56,568	$58,958

Average tangible assets	63,239	67,604
Capital ratios		
Tier I risk-based	8.8%	7.8%
Total risk-based	12.5	11.8
Leverage	7.8	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 nine months of 2002, PNC repurchased 320,000 shares of its common stock under this program. 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. The Corporation does not currently intend to repurchase additional shares through the remainder of 2002 under this program.

RISK FACTORS

The Corporation is subject to a number of risks including, among others, those described below, in the Consolidated Balance Sheet Review, Risk Management and Forward-Looking Statements sections of this Financial Review and elsewhere in this report. The Business section of the 2001 Form 10-K describes a number of risks applicable to the Corporation, including: business and economic conditions, supervision and regulation, monetary and other policies, competition, disintermediation, asset management performance, fund servicing, acquisitions and terrorist activities. Reference is made to the 2001 Form 10-K as supplemented by the July 18, 2002 8-K for a detailed description of these risks which continue to have the potential to impact the Corporation's business, financial condition and results of operations, including, among others, the risk of international hostilities.

CRITICAL ACCOUNTING POLICIES AND JUDGMENTS

The Corporation's consolidated financial statements are prepared based on the application of certain accounting policies, the most significant of which are described in Note 1 Accounting Policies in the Notes to Consolidated Financial Statements. Certain of these policies require numerous estimates and strategic or economic assumptions that may prove inaccurate or 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.

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

The allowances for credit losses and unfunded loan commitments and letters of credit are calculated with the objective of maintaining reserve levels believed by management to be sufficient to absorb estimated probable credit losses. Management's determination of the adequacy of the allowances is based on periodic evaluations of the credit portfolio and other relevant factors. However, this evaluation is inherently subjective as it requires material estimates, including, among others, expected default probabilities, loss given default, 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 for credit losses to specific loan pools is based on historical loss trends and management's judgment concerning those trends.

Commercial loans are the largest category of credits and are the most sensitive to changes in assumptions and judgments underlying the determination of the allowance for credit losses. Approximately $500 million or 77% of the total allowance for credit losses at September 30, 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 on primarily either, in the case of limited partnership investments, the financial statements received from the general partner or, with respect to direct investments, the estimated fair value of the investments. Changes in the value of equity management investments are reflected in the Corporation's results of operations. Due to the nature of the direct investments, management must make assumptions as to future performance, financial condition, liquidity, availability of capital, and market conditions, among others, to determine the estimated fair value of the investments.

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

LEASE RESIDUALS

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

GOODWILL AND OTHER INTANGIBLE ASSETS

See Note 4 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, for certain businesses, the market value of assets under administration. A decline in earnings as a result of a lack of growth or the Corporation's inability to deliver cost effective services over sustained periods can lead to impairment of goodwill which could result in a charge and adversely impact earnings in future periods.

Total goodwill was $2.3 billion and other intangible assets, net of accumulated amortization, totaled $337 million at September 30, 2002.

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. Credit risk and liquidity risk are described in the Consolidated Balance Sheet Review section of this Financial Review. See the 2001 Form 10-K for further information. These factors and others could impact the Corporation's business, financial condition and results of operations.

PNC has risk management processes designed to provide for risk identification, measurement and monitoring. PNC has taken a number of actions to enhance these processes, including centralization of the risk management function, ongoing

development of an enterprise-wide risk profile and the addition of key risk management positions. The Corporation has recently announced several management appointments, as described below, to enhance the Corporation's risk management structure.

As previously reported, in April 2002 the Corporation created a new position, Chief Risk Officer. The Chief Risk Officer directs credit policy, balance sheet risk management and operational risk management, with the aim to help PNC sharpen its strategic focus and integrated coordination of all risk management activities throughout the Corporation. The Corporation's General Auditor reports directly to the Audit Committee of the Board of Directors and receives administrative support from the Chief Risk Officer.

In July 2002, the Corporation announced the appointment of a Chief Regulatory Officer effective August 1, 2002. The Chief Regulatory Officer, a newly-created position, is responsible for the management of all issues related to PNC's regulatory affairs and compliance.

In September 2002, PNC announced the appointment of a Chief Compliance Officer, effective October 1, 2002 and subject to regulatory approval. The Chief Compliance Officer reports to the Chief Regulatory Officer and is responsible for corporate compliance risk management strategies, policies and program development across all PNC business units, including PNC Bank. This will include development of a centralized compliance risk management framework and architecture while maintaining the principle of business accountability, working with regulatory agencies on compliance matters, and implementing compliance awareness programs and training.

In October 2002, PNC announced the appointment of a new Vice Chairman, pending regulatory approval. This Vice Chairman will report to PNC's Chairman and Chief Executive Officer and have broad administrative responsibilities and responsibilities for assisting the Corporation in implementing corporate governance enhancements. Reference is made to Regulatory Matters in this Financial Review for additional information.

INTEREST RATE 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 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 September 30, 2002, the Corporation was within these Board-approved policy limits. In the current rate environment, management's actions have focused on attempting to reduce the effects of modest interest rate declines and on the effects of higher interest rates on the Corporation's net interest income and economic value of equity.

The following table sets forth the sensitivity results for the quarters ended September 30, 2002 and 2001.

INTEREST SENSITIVITY ANALYSIS

	September 30 2002	September 30 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	0.3 %	(0.3)%
100 basis point decrease	(2.7)%	(1.8)%
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)%	(1.3)%
200 basis point decrease	(0.1)%	0.2%
KEY PERIOD-END INTEREST RATES		
One month LIBOR	1.81%	2.63%
Three-year swap	2.56%	3.92%

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 $78 million for the first nine months of 2002 compared with $118 million for the first nine 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 $500 thousand at September 30, 2002.

OPERATIONAL RISK
The Corporation is exposed to a variety of operational risks that can affect each of its business activities, particularly those involving processing and servicing. Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people or systems or from external events such as the September 11th terrorist attacks. The risk of loss also includes losses that may arise from the potential legal actions that could result from operational deficiencies or noncompliance with contracts, laws or regulations.

PNC monitors and evaluates operational risk on an ongoing basis through systems of internal control, formal Corporate-wide policies and procedures, and an internal audit function.

FINANCIAL DERIVATIVES
As required, effective January 1, 2001, the Corporation implemented SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended by SFAS No. 137 and 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 Statement of Income and an after-tax accumulated other comprehensive loss of $4 million reported in the Consolidated Balance Sheet.

The following table sets forth changes, during the first nine 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	September 30 2002	Weighted-Average Maturity
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Interest rate risk management						
Interest rate swaps						
Receive fixed	$6,748	$2,500	$(1,250)	$(2,600)	$5,398	3 yrs. 6 mos.
Pay fixed	107			(25)	82	4 yrs.
Basis swaps	87			(75)	12	5 yrs. 1 mo.
Interest rate caps	25			(6)	19	4 yrs. 6 mos.
Interest rate floors	7				7	2 yrs. 6 mos.
Futures contracts	398	166		(345)	219	8 mos.

Total interest rate risk management	7,372	2,666	(1,250)	(3,051)	5,737	
Commercial mortgage banking risk management						
Interest rate swaps	105	556		(427)	234	10 yrs. 3 mos.
Total rate of return swaps	150	200	(275)		75	2 mos.
Total commercial mortgage banking risk management	255	756	(275)	(427)	309	
Total	$7,627	$3,422	$(1,525)	$(3,478)	$6,046	

</TABLE>

The following tables set forth the notional value and the fair value of financial derivatives used for risk management and designated as accounting hedges under SFAS No. 133 at September 30, 2002 and December 31, 2001. Weighted-average interest rates presented are based on contractual terms, if fixed, or the implied forward yield curve at each respective date, if floating.

FINANCIAL DERIVATIVES - 2002

<TABLE>
<CAPTION>

	Notional		Weighted-Average Interest Rates	
September 30, 2002 - dollars in millions	Value	Fair Value	Paid	Received
Interest rate risk management				
Asset rate conversion				
Interest rate swaps(a)				
Receive fixed designated to loans	$2,985	$158	2.24%	4.31%
Pay fixed designated to loans	82	(10)	6.07	2.93
Basis swaps designated to loans	12		3.30	6.12
Interest rate caps designated to loans(b)	19		NM	NM
Interest rate floors designated to loans(c)	7		NM	NM
Futures contracts designated to loans	219		NM	NM
Total asset rate conversion	3,324	148		
Liability rate conversion				
Interest rate swaps(a)				
Receive fixed designated to borrowed funds	2,413	334	3.26	5.94
Total liability rate conversion	2,413	334		
Total interest rate risk management	5,737	482		
Commercial mortgage banking risk management				
Pay fixed interest rate swaps designated to loans held for sale(a)	234	(18)	5.09	4.36
Pay total rate of return swaps designated to loans held for sale(a)	75	(4)	5.50	1.32
Total commercial mortgage banking risk management	309	(22)		
Total financial derivatives designated for risk management	$6,046	$460		

</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 and 43% on 3-month LIBOR.

(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 $4 million require the counterparty to pay the excess, if any, of Prime over a weighted-average strike of 5.03%. At September 30, 2002, 3-month LIBOR was 1.79% and Prime was 4.75%.

(c) Interest rate floors with notional values of $5 million require the counterparty to pay the excess, if any, of the weighted-average strike of 4.50% over 3-month LIBOR. In addition, interest rate floors with notional values of $2 million require the counterparty to pay the excess, if any, of the weighted-average strike of 7.25% over Prime. At September 30, 2002, 3-month LIBOR was 1.79% and Prime was 4.75%.

NM- Not meaningful

FINANCIAL DERIVATIVES - 2001

<TABLE>
<CAPTION>

			Weighted-Average Interest Rates	
December 31, 2001 - dollars in millions	Notional Value	Fair Value	Paid	Received
Interest rate risk management				
Asset rate conversion				
Interest rate swaps(a)				
Receive fixed designated to loans	$4,335	$132	3.35%	5.23%
Pay fixed designated to loans	107	(5)	5.88	4.66
Basis swaps designated to loans	87		5.49	5.42
Interest rate caps designated to loans(b)	25		NM	NM
Interest rate floors designated to loans(c)	7		NM	NM
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
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 nine months of 2002 included approximately $7 million of net gains related to the derivatives held for risk management purposes not designated as accounting hedges.

OTHER DERIVATIVES

In millions	At September 30, 2002 Notional Value	Positive Fair Value	Negative Fair Value	Net Asset (Liability)	Average Fair Value(a)
Customer-related					
Interest rate					
Swaps	$22,751	$599	$(620)	$(21)	$(18)
Caps/floors					
Sold	2,337		(36)	(36)	(34)
Purchased	2,024	28		28	27
Foreign exchange	3,714	48	(43)	5	4
Other	4,836	90	(71)	19	13
Total customer-related	35,662	765	(770)	(5)	(8)
Other risk management and proprietary					
Interest rate					
Basis swaps	2,225	5		5	6
Caps/floors					
Sold					(9)
Purchased					9
Other	419	7	(1)	6	6
Total other risk management and proprietary	2,644	12	(1)	11	12
Total other derivatives	$38,306	$777	$(771)	$6	$4

(a) Represents average for nine months ended September 30, 2002.

"OFF-BALANCE-SHEET" ACTIVITIES
As previously reported, PNC has reputational, 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 servicing, 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 followed by PNC for these activities is to reflect the earned income, operating expenses and any receivables or liabilities for transaction settlements. See "Off-Balance-Sheet Activities" in the Risk Management section of the Financial Review included in the 2001 Form 10-K for further information.

The accounting for special purpose entities is currently under review by the Financial Accounting Standards Board. An exposure draft has been issued and the conditions for consolidation or non-consolidation of such entities could change. See Note 1 Accounting Policies in the Notes to Consolidated Financial Statements for additional information.

MARKET STREET

Market Street is a multi-seller asset-backed commercial paper conduit that is independently owned and managed. The activities of Market Street are limited to the purchase or making of loans secured by interests primarily in pools of receivables acquired from U.S. corporations unaffiliated with PNC that desire access to the commercial paper market. Market Street funds the purchases by issuing commercial paper. Market Street's commercial paper has been rated A1/P1 by Standard & Poor's and Moody's. Market Street had total assets of $4.2 billion at September 30, 2002 compared with $5.2 billion at December 31, 2001. The accounting rules for these types of entities are currently under review. See Note 1 Accounting Policies in the Notes to Consolidated Financial Statements for additional information.

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 September 30, 2002, approximately $133 million was outstanding on this facility compared with $166 million at December 31, 2001. An additional $397 million was provided by a major insurer. Also at September 30, 2002,

Market Street had liquidity facilities supporting individual pools of receivables totaling $6.0 billion, of which $4.8 billion are provided by PNC Bank. The comparable amounts at December 31, 2001 were $7.0 billion and $5.8 billion, respectively. Credit exposure related to PNC's liquidity facilities provided to Market Street is included in net unfunded commitments as described in Loans in the Consolidated Balance Sheet Review section of this Financial Review.

As Market Street's program administrator, PNC received fees of $10.7 million for the nine months ended September 30, 2002. Commitment fees related to PNC's portion of the liquidity facilities amounted to $6.3 million for the first nine months of 2002.

As previously reported, during the second quarter of 2002 the Corporation funded approximately $63 million resulting from a draw on a liquidity facility with Market Street. This loan was classified as a nonperforming asset at June 30, 2002. During the third quarter of 2002, the Corporation charged off $43 million of this amount against the allowance for credit losses. PNC is a beneficiary under an insurance policy that provides protection against losses related to the underlying collateral of student vocational loans. PNC is in litigation with the insurance carrier regarding the policy covering these losses. Management continues to vigorously pursue this claim and believes PNC is entitled to payment under the policy. The potential exposure related to this liquidity draw without reference to the insurance coverage was considered in determining the allocation of reserves within the allowance for credit losses at September 30, 2002.

REGULATORY MATTERS

As previously reported, in July 2002 the Corporation announced that it had reached a resolution with the SEC concerning the previously disclosed SEC inquiry into the transfer of certain PNC assets to companies formed with AIG in 2001. PNC consented to an SEC cease-and-desist order to settle the matter and neither admitted nor denied the SEC's findings. PNC also announced in July 2002 that it had entered into an agreement with the Federal Reserve, and that PNC Bank, PNC's principal bank subsidiary, had entered into an agreement with the OCC. These agreements address such issues as risk, management and financial controls, and followed the conclusion of scheduled regulatory examinations. The Corporation has incurred, and may continue to incur, additional operating costs in connection with its compliance with these agreements including, among others, incremental staff, continued higher legal and consulting expenses, and higher deposit insurance premiums. Also, the conduct of existing merchant banking, securities underwriting and dealing, and insurance activities is subject to

limitation as a result of bank regulatory, supervisory and examination activities. Reference is made to the July 18, 2002 8-K for additional information regarding these matters. Also, see PNC Real Estate Finance and Equity Management Activities in this Financial Review for further information.

As required by the Corporation's agreement with the Federal Reserve, during the third quarter of 2002 the Corporation's Board of Directors engaged an independent consultant approved by the Federal Reserve to conduct a review of, among other things, the structure, functions and performance of PNC's management and the Board of Directors oversight of management activities (the "Corporate Review") and to prepare a written report that includes findings, conclusions, and written descriptions of any management or operational changes recommended as a result of the Corporate Review. This confidential written report was provided to the Corporation's Board of Directors and the Federal Reserve in October 2002.

The Corporation believes that it has made substantial progress to date in enhancing its risk management and governance practices and improving its regulatory relations, while addressing the various requirements set forth in its written agreements with the Federal Reserve and the OCC. There can be no assurance, however, as to the precise timing for determining that all required corrective actions have been taken by the Corporation to the appropriate satisfaction of the Federal Reserve and OCC. The Board of Directors of the Corporation has recently reaffirmed its confidence going forward in the new senior management team assembled and led by Chairman and Chief Executive James E. Rohr. This team includes a number of new senior level executives recruited over the past several months. The Board and senior management team are committed to the goal of establishing the Corporation as an industry leader in the areas of governance, corporate conduct, risk management and regulatory relations and to meeting all of the Corporation's commitments to its regulators. While the Corporation believes that substantial progress has been made in this pursuit to date, the Corporation also recognizes that this remains an important ongoing effort requiring dedication and a commitment of resources at all levels of the institution.

STATUS OF DEFINED BENEFIT PENSION PLAN

As described in Note 21 to the Consolidated Financial Statements included in the 2001 Form 10-K, the Corporation has a noncontributory, qualified defined benefit pension plan ("pension plan") covering most employees. Contributions to the pension plan are actuarially determined with assets transferred to a trust to fund benefits payable to plan participants. On an annual basis, management reviews the actuarial assumptions related to the pension plan, including the discount rate, rate of compensation increase and the expected return on plan assets.

In accordance with SFAS No. 87, "Employers' Accounting for Pensions" and SFAS No. 132, "Employers' Disclosures about Pensions and Other Postretirement Benefits," the Corporation may be required to eliminate any prepaid pension asset and recognize a minimum pension liability if the accumulated benefit obligation exceeds the fair value of plan assets at year end. The corresponding charge would be recognized as a component of other comprehensive income and reduce total shareholders' equity, but would not impact net income.

The funded status of the pension plan obligation has been adversely affected by declines in the equity markets and the continued low interest rate environment during the first nine months of 2002. While management currently believes the recognition of a minimum pension liability at December 31, 2002 is remote, the final determination will depend on returns realized on the trust assets during the fourth quarter of 2002, the discount rate used to value the pension obligations and the level of additional pension contributions made during the fourth quarter. If the recognition of a minimum pension liability is required, the amount would be significant.

In addition, the Corporation expects 2003 pension plan expense to increase significantly to within a range of approximately $50 million to $70 million assuming no significant improvement in the equity markets during the fourth quarter of 2002. Pension expense is estimated to be approximately $17 million for full year 2002.

INTERNAL CONTROLS AND DISCLOSURE CONTROLS AND PROCEDURES

As of October 31, 2002, an evaluation was performed under the supervision and with the participation of the Corporation's management, including the Chief Executive Officer and the Vice Chairman and Chief Financial Officer, of the effectiveness of the design and operation of the Corporation's disclosure controls and procedures. Based on that evaluation, the Corporation's management, including the Chief Executive Officer and the Vice Chairman and Chief Financial Officer, concluded that the Corporation's disclosure controls and procedures were effective as of October 31, 2002.

There have been no significant changes in the Corporation's internal controls or in other factors that could significantly affect internal controls subsequent to October 31, 2002, the date as of which the most recent evaluation of such

internal controls was performed.

STOCK-BASED COMPENSATION
PNC will expense stock-based compensation using the fair value-based method, beginning with grants made in 2003. Assuming recurring stock option grants of similar size and value to those expected to be made during 2002, this impact is currently estimated to be approximately 5 cents per share for the year ending December 31, 2003. The annual impact is expected to increase over the next three years under the transitional guidance currently provided by SFAS No. 123, "Accounting for Stock-Based Compensation." When fully implemented, the current expected impact is a reduction of approximately 3 percent to earnings per share.

The Financial Accounting Standards Board recently issued an exposure draft of proposed amendments to the disclosure and transition provisions of SFAS No. 123; as a result, PNC's implementation of SFAS No. 123 may change in order to conform to any final pronouncement.

RECENT ACCOUNTING PRONOUNCEMENTS
See Note 5 Recent Accounting Pronouncements in the Notes to Consolidated Financial Statements for a summary of recently issued accounting pronouncements and their applicability to the Corporation.

BLACKROCK LONG-TERM RETENTION AND INCENTIVE PLAN
In October 2002, BlackRock adopted a new long-term retention and incentive program for key employees. The program permits BlackRock to grant up to 3.5 million stock options at market, subject to vesting at December 31, 2006, and up to $240 million in deferred compensation awards (the "Compensation Awards"), with payment subject to the achievement of certain performance hurdles no later than March 2007. Initially, BlackRock expects to award 3.36 million stock options and $130 million in Compensation Awards to more than 100 senior professionals. The remainder of the program will be reserved for grants over the next two years to professionals who exhibit leadership qualities and demonstrate the potential to make significant contributions to BlackRock over time. If the performance hurdles are achieved, up to $200 million of the Compensation Awards will be funded with up to 4 million shares of BlackRock common stock to be surrendered by PNC and distributed to program participants, less withholding. In addition, distributed shares to program participants will include an option to put such distributed shares back to BlackRock at fair market value. BlackRock will fund the remainder of the Compensation Awards with up to $40 million in cash.

The Awards will vest at the end of any three-month period beginning in 2005 or 2006 during which the daily average closing price of BlackRock's common stock is at least $65 per share. If that performance hurdle is not achieved, the Compensation Committee of the Board of Directors of BlackRock may, in its sole discretion, vest a portion of the Compensation Awards if BlackRock realizes compound annual growth in diluted earnings per share of at least 10% from January 1, 2002 to December 31, 2006 and BlackRock's publicly-traded stock performs in the top half of its peer group during that time.

There will be no expense recognition associated with the Compensation Awards unless vesting occurs or a partial vesting determination by the BlackRock Compensation Committee is considered probable and estimable. Once this determination is made, BlackRock will record compensation expense for the pro rata portion of the Compensation Awards earned to date. Compensation expense for the remaining Compensation Awards will be recognized by BlackRock ratably through March 31, 2007. In addition, at the time that the BlackRock common stock portion of the Compensation Awards is distributed, BlackRock will record an increase in stockholders' equity equal to the fair market value of the BlackRock common stock distributed to employees from shares surrendered by PNC. There will be no change in BlackRock's fully diluted shares upon vesting of the Compensation Awards because shares surrendered by PNC to fund the Compensation Awards are already issued and outstanding.

The terms of the program are subject to regulatory approval and to approval by BlackRock's stockholders at their next annual meeting in May 2003.

In connection with the adoption of the program, BlackRock and PNC have amended the BlackRock Initial Public Offering Agreement, which provides that, subject to certain notice requirements and evaluation and cure periods, PNC must deposit its shares of stock of BlackRock into a voting trust and refrain from soliciting proxies from holders of outstanding BlackRock capital securities if, within twelve months following a change of control of PNC or a change of control of BlackRock (as defined in the amended agreement), a majority of BlackRock's independent directors determine that such change of control has a material adverse effect on BlackRock and that adverse effect is not cured within a further three month period. Following the deposit of PNC's shares into a voting trust, PNC must, subject to the terms and conditions of the amended agreement, take one of the following three courses of action: (i) within two years, dispose of its ownership interest in BlackRock voting stock, such that neither PNC nor

its affiliates is the beneficial owner of more than 4.9% of any class of voting stock of BlackRock (and any shares of class B common stock deposited by PNC into the voting trust will be converted to class A common stock upon the election of this option (i)); (ii) proceed as expeditiously as is commercially reasonable to purchase all the outstanding BlackRock capital securities not held by PNC or its affiliates at the applicable Change of Control Price (which is defined in the amended agreement); or (iii) proceed as expeditiously as is commercially reasonable to sell its ownership interest in BlackRock capital securities, such that neither PNC nor its affiliates is the beneficial owner of more than 4.9% of any class of voting stock of BlackRock, to a third party in a transaction in which such third party offers to purchase all the outstanding shares not held by PNC or its affiliates at a price per share not less than the price per share offered to PNC. If PNC takes action under (ii) or (iii) above, all awards under the program will vest and be immediately payable and all stock options granted under BlackRock's 1999 Stock Award and Incentive Plan will vest and be exercisable.

BlackRock and PNC have also further amended BlackRock's Amended and Restated Stockholders Agreement with PNC, which provides, among other things, for rights of first refusal before shares of BlackRock class B common stock may be transferred. The amendment provides that nothing contained in the agreement will be deemed to prohibit PNC or its affiliates from effecting a distribution (including, but not limited to, a spin-off or a split-off) of its BlackRock common stock to the public shareholders of PNC if PNC should decide to do so.

FORWARD LOOKING STATEMENTS

This report and other statements made by the Corporation may contain forward-looking statements with respect to the Corporation's outlook or expectations for earnings, revenues, expenses, capital levels, asset quality or other future financial or business performance, strategies, expectations and the impact of legal, regulatory and supervisory matters on the Corporation's business operations and performance. Forward-looking statements are typically identified by words or phrases such as "believe," "feel," "expect," "anticipate," "intend," "outlook," "estimate," "forecast," "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. Forward-looking statements speak only as of the date they are made, and the Corporation assumes no duty to update forward-looking statements. Actual results could differ materially from those anticipated in forward-looking statements and future results could differ materially from historical performance.

In addition to factors 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) 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 and increased funding of unfunded loan commitments and letters of credit; an adverse effect on the allowance for credit losses; a reduction in demand for credit or fee-based products and services; a reduction in net interest income, value of assets under management and assets serviced, value of private equity investments and of other debt and equity investments, value of loans held for sale or value of other on-balance-sheet and off-balance-sheet assets; or changes in the availability and terms of funding necessary to meet PNC's liquidity needs;

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

(3) the introduction, withdrawal, success and timing of business initiatives and strategies, decisions regarding further reductions in balance sheet leverage, the timing and pricing of any sales of loans held for sale, and PNC's inability to realize cost savings or revenue enhancements, or implement integration plans relating to or resulting from mergers, acquisitions, restructurings and divestitures;

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

(5) the impact of increased competition;

(6) how PNC chooses to redeploy available capital;

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

(8) the resolution of legal proceedings involving closing date adjustments related to the sale of the residential mortgage banking business;

(9) the unfavorable resolution of legal proceedings or government inquiries; the impact of increased litigation risk from recent regulatory developments; and the impact of reputational risk created by recent regulatory developments on such matters as business generation and retention, the ability to attract and retain management, liquidity and funding;

(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 provision for credit losses 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;

(14) the impact of legislative and regulatory reforms;

(15) the impact of the regulatory examination process, the Corporation's failure to satisfy the requirements of written agreements with regulatory agencies, including the impact of limiting or curtailing equity management investments, and regulators' future use of supervisory and enforcement tools, and

(16) terrorist activities or other hostilities, including the situation surrounding Iraq, which may adversely affect the general economy, financial and capital markets, specific industries, and the Corporation.

Factors relating to interest rate risk, financial and other derivatives, and regulatory matters are discussed in the Risk Management section of this Financial Review. Other risk factors are described in the Risk Factors section and elsewhere in this report.

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

In millions, except per share data Unaudited	Three months ended September 30 2002	Three months ended September 30 2001	Nine months ended September 30 2002	Nine months ended September 30 2001
INTEREST INCOME				
Loans and fees on loans	$567	$776	$1,754	$2,596
Securities	140	155	466	454
Loans held for sale	24	24	117	92
Other	38	29	94	93
Total interest income	769	984	2,431	3,235
INTEREST EXPENSE				
Deposits	162	280	510	1,011
Borrowed funds	79	139	248	540
Total interest expense	241	419	758	1,551

Net interest income	528	565	1,673	1,684
Provision for credit losses	73	110	244	235
Net interest income less provision for credit losses	455	455	1,429	1,449
NONINTEREST INCOME				
Asset management	200	208	651	645
Fund servicing	180	195	578	585
Service charges on deposits	57	56	166	160
Brokerage	41	54	151	163
Consumer services	62	58	178	171
Corporate services	108	(3)	375	149
Equity management	(22)	(13)	(37)	(82)
Net securities gains	68	88	88	134
Other	64	77	237	243
Total noninterest income	758	720	2,387	2,168
NONINTEREST EXPENSE				
Staff expense	422	419	1,293	1,258
Net occupancy	64	55	181	162
Equipment	68	64	203	181
Marketing	14	13	40	38
Distributions on capital securities	15	15	44	48
Other	194	225	631	679
Total noninterest expense	777	791	2,392	2,366
Income from continuing operations before minority interest and income taxes	436	384	1,424	1,251
Minority interest in income of consolidated entities	4	9	26	25
Income taxes	147	128	476	419
Income from continuing operations	285	247	922	807
Income from discontinued operations (less applicable income taxes of $0)				5
Income before cumulative effect of accounting change	285	247	922	812
Cumulative effect of accounting change (less applicable income tax benefit of $2)				(5)
Net income	$285	$247	$922	$807

EARNINGS PER COMMON SHARE

Continuing operations and net income

Basic	$1.00	$.85	$3.25	$2.76
Diluted	$1.00	$.84	$3.23	$2.73
AVERAGE COMMON SHARES OUTSTANDING				
Basic	284	286	283	288
Diluted	285	289	285	291

</TABLE>

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED BALANCE SHEET
THE PNC FINANCIAL SERVICES GROUP, INC.

<TABLE>
<CAPTION>

In millions, except par value	September 30 2002	December 31 2001
Unaudited		
<S>	<C>	<C>
ASSETS		
Cash and due from banks	$3,403	$4,327
Short-term investments	4,765	1,335
Loans held for sale	1,989	4,189
Securities	12,536	13,908
Loans, net of unearned income of $1,108 and $1,164	35,917	37,974
Allowance for credit losses	(648)	(560)
Net loans	35,269	37,414
Goodwill	2,313	2,036
Other intangible assets	337	337
Other	7,047	6,092
Total assets	$67,659	$69,638
LIABILITIES		
Deposits		
Noninterest-bearing	$10,130	$10,124
Interest-bearing	34,830	37,180
Total deposits	44,960	47,304
Borrowed funds		
Federal funds purchased	35	167
Repurchase agreements	988	954
Bank notes and senior debt	4,962	6,362
Federal Home Loan Bank borrowings	1,270	2,047
Subordinated debt	2,423	2,298
Other borrowed funds	269	

		262
Total borrowed funds	9,947	12,090
Allowance for unfunded loan commitments and letters of credit	79	70
Other	4,853	3,333
Total liabilities	59,839	62,797
Minority interest	255	170
Mandatorily redeemable capital securities of subsidiary trusts	848	848
SHAREHOLDERS' EQUITY		
Preferred stock		1
Common stock - $5 par value		
Authorized 800 shares		
Issued 353 shares	1,764	1,764
Capital surplus	1,103	1,077
Retained earnings	7,062	6,549
Deferred benefit expense	(11)	(16)
Accumulated other comprehensive income	325	5
Common stock held in treasury at cost: 69 and 70 shares	(3,526)	(3,557)
Total shareholders' equity	6,717	5,823
Total liabilities, minority interest, capital securities and shareholders' equity	$67,659	$69,638

</TABLE>

See accompanying Notes to Consolidated Financial Statements.

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

<TABLE>
<CAPTION>

Nine months ended September 30 - in millions Unaudited	2002	2001
<S>	<C>	<C>
OPERATING ACTIVITIES		
Net income	$922	$807
Income from discontinued operations		(5)
Cumulative effect of accounting change		5
Income from continuing operations	922	807
Adjustments to reconcile income from continuing operations to net cash provided by operating activities		
Provision for credit losses	244	

		235
Depreciation, amortization and accretion	65	200
Deferred income taxes	279	245
Securities transactions	(88)	(131)
Valuation adjustments	33	94
Change in		
Loans held for sale	2,497	(104)
Short-term investments	(3,430)	(465)
Other		(513)
Net cash provided by operating activities	522	368
INVESTING ACTIVITIES		
Net change in loans	355	191
Repayment of securities	1,960	1,733
Sales		
Securities	13,689	16,776
Loans	2,712	3,279
Foreclosed assets	8	13
Purchases		
Securities	(13,144)	(20,159)
Loans	(22)	(246)
Net cash (paid) received for divestitures/acquisitions	(1,676)	503
Other	(223)	(57)
Net cash provided by investing activities	3,659	2,033
FINANCING ACTIVITIES		
Net change in		
Noninterest-bearing deposits	6	338
Interest-bearing deposits	(2,350)	(3,084)
Federal funds purchased	(132)	383
Repurchase agreements	34	65
Sales/issuances		
Bank notes and senior debt		1,147
Federal Home Loan Bank borrowings		3,123
Other borrowed funds	16,525	27,606
Common stock	100	154
Repayments/maturities		
Bank notes and senior debt	(1,483)	(1,915)
Federal Home Loan Bank borrowings	(777)	(1,155)
Subordinated debt		(200)
Other borrowed funds	(16,566)	(27,879)
Acquisition of treasury stock	(53)	(608)
Series F preferred stock tender offer		(96)
Cash dividends paid	(409)	(429)

Net cash used by financing activities	(5,105)	(2,550)
DECREASE IN CASH AND DUE FROM BANKS	(924)	(149)
Cash and due from banks at beginning of year	4,327	3,662
Cash and due from banks at end of period	$3,403	$3,513
CASH PAID FOR		
Interest	$800	$1,525
Income taxes	115	105
NON-CASH ITEMS		
Transfer of mortgage loans to securities		4,341
Transfer from loans to loans held for sale, net	266	577
Transfer from loans to other assets	11	5

</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

BASIS OF FINANCIAL STATEMENT PRESENTATION

The unaudited consolidated interim financial statements ("consolidated financial statements") include the accounts of PNC and its subsidiaries, most of which are wholly owned, and entities formed with American International Group, Inc. ("AIG"). 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 consolidated financial condition or results of operations.

Investments that are not consolidated and are less than 50% owned over which the Corporation has the ability to significantly influence operating and financial policies of the investee are accounted for using the equity method.

Equity management assets are included in other assets and are comprised of limited partnerships and direct investments. Investments in limited partnerships are valued based on the financial statements received from the general partner. Direct investments are carried at estimated fair value. Changes in the value of these assets are recognized in noninterest income.

Special Purpose Entities ("SPEs") are broadly defined as legal entities created for a particular purpose. PNC utilizes SPEs in various legal forms to conduct normal business activities including the sale or transfer of assets to third parties. SPEs that meet the criteria for a Qualifying Special Purpose Entity ("QSPE") as defined in Statement of Financial Accounting Standards ("SFAS") No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities" are not required to be consolidated. SPEs that are not QSPEs are reviewed for consolidation based on each SPE's individual structure and operations. General factors to be considered in making this determination include whether the majority owner (or owners) of the SPE are independent of PNC, have made a substantive capital investment in the SPE, have control of the SPE, and possess the substantive risks and rewards of ownership of the SPE.

In June 2002, the Financial Accounting Standards Board ("FASB") issued an exposure draft of a Proposed Interpretation, "Consolidation of Certain Special-Purpose Entities" (an interpretation of Accounting Research Bulletin No. 51, Consolidated Financial Statements) ("Proposed Interpretation"), which addresses issues related to identifying and accounting for SPEs. The Proposed Interpretation would require the consolidation of an SPE in which a business enterprise has a controlling financial interest. In certain situations, changes to contractual relationships that have been customary industry practice may be required to ensure compliance with the non-consolidation provisions of the Proposed Interpretation. The final rules would be effective immediately for new transactions and April 1, 2003 for existing transactions. The effect of the Proposed Interpretation on the Corporation's financial condition or results of operations cannot be determined at this time.

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

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

The 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 on Form 10-K ("2001 Form 10-K").

DEPRECIATION AND AMORTIZATION

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

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

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 Consolidated Statement of Income, is as follows:

INCOME FROM DISCONTINUED OPERATIONS

Nine months ended September 30 - 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 September 30, 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. The transaction was designed to allow PNC to acquire the higher-quality portion of the portfolio, and provide NBOC a means for the orderly liquidation and exit of the remaining portfolio.

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

NBOC retained a portfolio ("Serviced Portfolio") totaling approximately $662 million of credit exposure including $463 million of outstandings, which will be serviced by PNC for an 18-month term unless a different date is mutually agreed upon. In June 2002, NBOC and PNC reached final agreement as to the Serviced Portfolio's financial information. As such, certain financial data previously disclosed with regards to the NBOC Serviced Portfolio has been modified to reflect the terms of this revised agreement. The Serviced Portfolio retained by NBOC primarily represents the portion of NBOC's U.S. asset-based loan portfolio with the highest risk. The loans are either to borrowers with deteriorating trends or with identified weaknesses which if not corrected could jeopardize full satisfaction of the loans or in industries to which PNC Business Credit wants to limit its exposure. Approximately $138 million of the Serviced Portfolio outstandings were nonperforming on the acquisition date. At the end of the servicing term, NBOC has the right to transfer the then remaining Serviced Portfolio to PNC ("Put Option"). NBOC's and PNC's strategy is to aggressively liquidate the Serviced Portfolio during the servicing term. PNC 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 net of recoveries ("Excess Loss Payments"). PNC is to be reimbursed by NBOC for any Excess Loss Payments if the Put Option is not exercised. If the Put Option is exercised, the Put Option purchase price will be reduced by the amount of any Excess Loss Payments.

As part of the allocation of the purchase price for the business acquired, PNC Business Credit established a liability of $112 million to reflect its obligation under the Put Option. An independent third party valuation firm valued the Put Option by estimating the difference between the anticipated fair value of loans from the Serviced Portfolio expected to be outstanding at the put date and the anticipated Put Option purchase price. The Put Option liability will be revalued on a quarterly basis by the independent valuation firm with changes in the value included in earnings. At September 30, 2002 the Put Option liability was approximately $78 million. A $19 million reduction from the acquisition date amount has been recognized in earnings for the first nine months of 2002 as other noninterest income. In addition, $15 million has been paid to NBOC as Excess Loss Payments.

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

At September 30, 2002, the independent valuation firm estimated that loans outstanding in the Serviced Portfolio at the put date would be $214 million. The total credit losses over the 18-month term of the servicing agreement are estimated to be $82 million. Using these and other assumptions, if the Put were exercised at the end of the servicing term, PNC would record the acquired loans at $125 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 $7 million at September 30, 2002 and is included in PNC's nonperforming assets. Excluding these loans, the Serviced Portfolio in January 2002 was $608 million of credit exposure including $414 million of outstandings of which $88 million was nonperforming. At September 30, 2002, comparable amounts were $450 million, $203 million and $66 million, respectively.

NOTE 4 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 indicated no impairment loss as the fair value of the reporting units exceeded the carrying amount of the net assets (including goodwill) in all cases. Fair value was determined by using 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.

GOODWILL

A summary of the changes in goodwill by line of business for the nine months ended September 30, 2002 follows:

In millions	January 1 2002	Goodwill Acquired	Adjustments	Sept. 30 2002
Regional Community Banking	$438			$438
Corporate Banking	39			39
PNC Real Estate Finance	298		$4	302
PNC Business Credit	23	$277	(2)	298
PNC Advisors	151		1	152
BlackRock	175			175
PFPC	912		(3)	909
Total	$2,036	$277		$2,313

OTHER INTANGIBLE ASSETS

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

In millions	September 30 2002	December 31 2001
Customer-related intangibles		
Gross carrying amount	$198	$185
Accumulated amortization	(62)	(47)
Net carrying amount	$136	$138
Mortgage and other loan servicing rights		
Gross carrying amount	$306	$286
Accumulated amortization	(105)	(87)
Net carrying amount	$201	$199

All of the Corporation's other intangible assets have finite lives and are amortized primarily on a straight-line basis or, in the case of mortgage and other loan servicing rights, on an accelerated basis. For customer-related intangibles, the estimated remaining useful lives range from one to sixteen years, with a weighted-average remaining useful life of approximately eight years. The Corporation's mortgage and other loan servicing rights are amortized over a period of seven to ten years using the net present value of the cash flows received from servicing the related loans.

The changes in the carrying amount of goodwill and net other intangible assets for the nine months ended September 30, 2002, are as follows:

CHANGES IN GOODWILL AND OTHER INTANGIBLES

In millions	Goodwill	Customer-Related	Servicing Rights
Balance at December 31, 2001	$2,036	$138	$199
Additions/adjustments	277	13	21
Amortization		(15)	(19)
Balance at September 30, 2002	$2,313	$136	$201

In conjunction with the first quarter 2002 NBOC acquisition, PNC Business Credit recorded a customer-based intangible of $12.4 million that will be amortized over seven years. Goodwill recorded in connection with the NBOC acquisition was approximately $277 million.

Amortization expense on intangible assets for the third quarter and first nine months of 2002 was approximately $12 million and $34 million, respectively. Amortization expense on existing intangible assets for the remainder of 2002 and for 2003, 2004, 2005, 2006 and 2007 is estimated to be $11 million, $45 million, $42 million, $40 million, $38 million and $36 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 September 30 In millions, except per share data	2002	2001
Reported income from continuing operations	$285	$247
Goodwill amortization, net of taxes		24
Pro forma income from continuing operations	$285	$271
Basic earnings per share		
Reported, from continuing operations	$1.00	$.85
Goodwill amortization, net of taxes		.08
Pro forma basic earnings per share	$1.00	$.93
Diluted earnings per share		
Reported, from continuing operations	$1.00	$.84
Goodwill amortization, net of taxes		.08
Pro forma diluted earnings per share	$1.00	$.92

Nine months ended September 30 In millions, except per share data	2002	2001
Reported income from continuing operations	$922	$807
Goodwill amortization, net of taxes		70
Pro forma income from continuing operations	$922	$877
Basic earnings per share		
Reported, from continuing operations	$3.25	$2.76
Goodwill amortization, net of taxes		.24
Pro forma basic earnings per share	$3.25	$3.00
Diluted earnings per share		
Reported, from continuing operations	$3.23	$2.73
Goodwill amortization, net of taxes		.24
Pro forma diluted earnings per share	$3.23	$2.97

NOTE 5 RECENT ACCOUNTING PRONOUNCEMENTS

In October 2002, the FASB issued SFAS No. 147, "Acquisitions of Certain Financial Institutions." This statement clarified that, if certain criteria are met, an acquisition of a less-than-whole financial institution (such as a branch acquisition) should be accounted for as a business combination. SFAS No. 147 states that, in such instances, the excess of the fair value of liabilities assumed over the fair value of tangible and identifiable intangible assets acquired represents goodwill. Prior to SFAS No. 147, such excesses were classified as an unidentifiable intangible asset subject to continuing amortization under SFAS No. 142, "Goodwill and Other Intangible Assets." As a result of SFAS No. 147, entities are required to reclassify and restate both the goodwill asset and amortization expense as of the date SFAS No. 142 was adopted. In addition, SFAS No. 147 amends SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," to include in its scope long-term customer-relationship intangible assets of financial institutions such as depositor- and borrower-relationship intangible assets. As a result, those intangible assets are subject to the same undiscounted cash flow recoverability test and impairment loss recognition and measurement provisions that SFAS No. 144 requires for other long-lived assets that are held and used by a company. SFAS No. 147 became effective October 1, 2002 and will not have a material impact on PNC's consolidated financial statements.

In June 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities," which replaces Emerging Issues Task Force

Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)." SFAS No. 146 addresses the accounting and reporting for one-time employee termination benefits, certain contract termination costs, and other costs associated with exit or disposal activities such as facility closings or consolidations and employee relocations. The standard is effective for exit or disposal activities initiated after December 31, 2002. The Corporation plans to adopt SFAS No. 146 prospectively as of January 1, 2003.

NOTE 6 CASH FLOWS

During the first nine months of 2002, acquisition activity that affected cash flows consisted of $1.736 billion of acquired assets and $60 million of acquired liabilities, resulting in net cash disbursements of $1.676 billion. The 2002 activity consisted solely of the NBOC acquisition as described in Note 3. During the first nine 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 nine months of 2002 totaled $78 million compared with $118 million for the prior-year period and was included in noninterest income as follows:

DETAILS OF TRADING ACTIVITIES

Nine months ended September 30 - in millions	2002	2001
Corporate services	$1	$5
Other noninterest income		
Securities underwriting and trading	39	40
Derivatives trading	19	54
Foreign exchange	19	19
Net trading income	$78	$118

NOTE 8 NONPERFORMING ASSETS

Nonperforming assets were as follows:

In millions	September 30 2002	December 31 2001
Nonperforming loans (a)	$271	$211
Nonperforming loans held for sale (b)	125	169
Foreclosed assets	13	11
Total nonperforming assets (c)	$409	$391

(a) Includes a troubled debt restructured loan of $2 million as of September 30, 2002.
(b) Includes a troubled debt restructured loan held for sale of $11 million and $6 million as of September 30, 2002 and December 31, 2001, respectively.
(c) Excludes $42 million, of which $13 million represented troubled debt restructured assets, and $18 million of equity management assets carried at estimated fair value at September 30, 2002 and December 31, 2001, respectively.

NOTE 9 ALLOWANCES FOR CREDIT LOSSES AND UNFUNDED LOAN COMMITMENTS AND LETTERS OF CREDIT

Changes in the allowance for credit losses were as follows:

In millions	2002	2001
Allowance at January 1	$560	$598
Charge-offs		
Commercial	(167)	(165)
Commercial real estate	(2)	(6)

Consumer	(30)	(31)
Residential mortgage	(5)	(1)
Lease financing	(20)	(16)
Total charge-offs	(224)	(219)
Recoveries		
Commercial	23	13
Commercial real estate		1
Consumer	11	13
Residential mortgage	1	
Lease financing	1	2
Total recoveries	36	29
Net charge-offs		
Commercial	(144)	(152)
Commercial real estate	(2)	(5)
Consumer	(19)	(18)
Residential mortgage	(4)	(1)
Lease financing	(19)	(14)
Total net charge-offs	(188)	(190)
Provision for credit losses	244	235
Acquired allowance (NBOC acquisition)	41	
Net change in allowance for unfunded loan commitments and letters of credit	(9)	(5)
Allowance at September 30	$648	$638

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

In millions	2002	2001
Allowance at January 1	$70	$77
Net change in allowance for unfunded loan commitments and letters of credit	9	5
Allowance at September 30	$79	$82

NOTE 10 LEGAL PROCEEDINGS

The following matters have been described in Note 24 to the Consolidated Financial Statements included in the 2001 Form 10-K, Part I, Item 3 - Legal Proceedings in the 2001 Form 10-K, Note 10 to the Consolidated Financial Statements included in the Quarterly Report on Form 10-Q for the quarter ended June 30, 2002 ("June 2002 10-Q") or Part II, Item 1 - Legal Proceedings in the June 2002 Form 10-Q: 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; regulatory inquiries relating to certain transactions with companies formed with AIG; a shareholder matter; and a Department of Labor inquiry. There were no material developments with respect to any of these matters or in management's assessment of them from the information reported in the 2001 Form 10-K or the June 2002 10-Q except as described in the following paragraphs.

Regarding the putative federal securities law class action litigation, the putative class actions pending against the Corporation were consolidated in an amended complaint filed on October 4, 2002 brought on behalf of purchasers of the Corporation's common stock between July 19, 2001 and July 18, 2002. The Complaint names as defendants the Corporation, the Chairman and Chief Executive Officer, the former Chief Financial Officer, the Controller, and the Corporation's independent auditors for 2001. Management believes there are substantial defenses to this lawsuit and intends to file a motion to dismiss the complaint and otherwise defend it vigorously.

Regarding the dispute over certain closing date purchase price adjustments related to the Corporation's January 2001 sale of its residential mortgage banking business, the Superior Court of the State of California for the County of Los Angeles granted the Corporation's motion to compel arbitration and stay the lawsuit on October 2, 2002 and ordered the parties to use their best efforts to complete the arbitration by March 10, 2003.

Regarding the Department of Labor ("DOL") inquiry, a formal investigation by the DOL is pending. The Corporation is cooperating with the investigation.

The Corporation and persons to whom the Corporation may have indemnification obligations, in the normal course of business, are subject to various other pending and threatened legal proceedings in which claims for monetary damages

and other relief are asserted. Management does not anticipate that the ultimate aggregate liability, if any, arising out of such other legal proceedings will have a material adverse effect on the Corporation's financial position. However, 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

In millions	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
SEPTEMBER 30, 2002				
SECURITIES AVAILABLE FOR SALE				
Debt securities				
U.S. Treasury and government agencies	$839	$10		$849
Mortgage-backed	8,511	185	$(1)	8,695
Asset-backed	1,946	81	(1)	2,026
State and municipal	60	7		67
Other debt	57	3		60
Total debt securities	11,413	286	(2)	11,697
Corporate stocks and other	509	6	(18)	497
Total securities available for sale	$11,922	$292	$(20)	$12,194
SECURITIES HELD TO MATURITY				
Debt securities				
U.S. Treasury and government agencies	$271	$44		$315
Asset-backed	8			8
Other debt	63			63
Total debt securities	342	44		386
Total securities held to maturity	$342	$44		$386
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>

Total securities at September 30, 2002 were $12.5 billion compared with $13.9 billion at December 31, 2001. Securities represented 19% of total assets at September 30, 2002 compared with 20% at December 31, 2001. The decline in total securities compared with December 31, 2001 was primarily due to net sales of mortgage-backed and asset-backed securities during 2002.

The expected weighted-average life of securities available for sale was 2 years and 6 months at September 30, 2002 compared with 4 years at December 31, 2001.

The securities classified as held to maturity are carried at amortized cost and are owned by companies formed with AIG that are consolidated in PNC's financial statements.

The expected weighted-average life of securities held to maturity was 20 years and 3 months at September 30, 2002 and 18 years and 11 months at December 31, 2001.

At September 30, 2002, the securities available for sale balance included a net unrealized gain of $272 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 shareholders' equity as accumulated other comprehensive income or loss, net of tax or, for the portion attributable to changes in a hedged risk as part of a fair value hedge strategy, in net income.

Net securities gains were $88 million for the first nine months of 2002 and $131 million for the first nine months of 2001. Net securities gains in 2001 included $3 million of net securities losses related to commercial mortgage banking activities that were reported in corporate services revenue. There was no comparable amount for the first nine months of 2002.

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

SECURITIES SOLD

Nine months ended September 30 In millions	Proceeds	Gross Gains	Gross Losses	Net Gains	Income Taxes
2002	$13,689	$100	$12	$88	$31
2001	16,776	142	11	131	46

NOTE 12 EARNINGS PER SHARE

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

<TABLE>
<CAPTION>

In millions, except share and per share data	Three months ended September 30 2002	Three months ended September 30 2001	Nine months ended September 30 2002	Nine months ended September 30 2001
<S>	<C>	<C>	<C>	<C>
CALCULATION OF BASIC EARNINGS PER COMMON SHARE				
Income from continuing operations	$285	$247	$922	$807
Less: Preferred dividends declared		3	1	13
Income from continuing operations applicable to basic earnings per common share	285	244	921	794
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	$285	$244	$921	$794
Basic weighted-average common shares outstanding (in thousands)	283,689	286,282	283,195	287,908
Basic earnings per common share from continuing operations	$1.00	$.85	$3.25	$2.76
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	$1.00	$.85	$3.25	$2.76
CALCULATION OF DILUTED EARNINGS PER COMMON SHARE				
Income from continuing operations	$285	$247	$922	$807
Less: Dividends declared on nonconvertible Series F preferred stock and other		3	1	12
Income from continuing operations applicable to diluted earnings per common share	285	244	921	795
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	$285	$244	$921	$795
Basic weighted-average common shares outstanding (in thousands)	283,689	286,282	283,195	287,908
Conversion of preferred stock Series A and B	95	103	99	107
Conversion of preferred stock Series C and D	786	861	803	882
Conversion of debentures	15	17	16	17
Exercise of stock options	207	1,530	654	1,873
Incentive share awards	422	421	426	347
Diluted weighted-average common shares outstanding (in thousands)	285,214	289,214	285,193	291,134
Diluted earnings per common share from continuing operations	$1.00	$.84	$3.23	$2.73
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	$1.00	$.84	$3.23	$2.73

</TABLE>

NOTE 13 SHAREHOLDERS' EQUITY AND COMPREHENSIVE INCOME

The following table sets forth the activity in shareholders' equity for the first nine 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 (a)	Treasury Stock	Total
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Balance at December 31, 2001	$1	$1,764	$1,077	$6,549	$(16)	$5	$(3,557)	$5,823
Net income				922				922
Other comprehensive income, net of tax (a)								
Net unrealized securities gains						263		263
Net unrealized gains on cash flow hedge derivatives						45		45
Other						12		12
Comprehensive income								1,242
Cash dividends declared								
Common ($1.44 per share)				(408)				(408)
Preferred				(1)				(1)
Treasury stock activity (1,177,000 net shares issued)	(1)		16				31	46
Tax benefit of stock option plans			8					8
Subsidiary stock transactions			2					2
Deferred benefit expense					5			5
Balance at September 30, 2002		$1,764	$1,103	$7,062	$(11)	$325	$(3,526)	$6,717

</TABLE>

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

<TABLE>
<CAPTION>

Nine months ended September 30, 2002 In millions	Pretax amount	Tax Benefit (Expense)	After-tax Amount
<S>	<C>	<C>	<C>

Unrealized securities gains	$347	$(121)	$226
Less: Reclassification adjustment for losses realized in net income	(57)	20	(37)
Net unrealized securities gains	404	(141)	263
Unrealized gains on cash flow hedge derivatives	128	(45)	83
Less: Reclassification adjustment for gains realized in net income	59	(21)	38
Net unrealized gains on cash flow hedge derivatives	69	(24)	45
Other (b)	19	(7)	12
Other comprehensive income	$492	$(172)	$320

</TABLE>

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

COMPREHENSIVE INCOME
Comprehensive income from continuing operations was $440 million for the third quarter of 2002 compared with $459 million for the third quarter of 2001. Comprehensive income for the first nine months of 2002 was $1.242 billion compared with $1.002 billion for the first nine months of 2001. The increases in comprehensive income in both 2002 periods are primarily due to net unrealized securities gains in 2002 and higher income from continuing operations compared with the respective prior year periods.

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. Assets, revenue and earnings attributable to foreign activities were not material in the periods presented.

Results of individual businesses are presented based on PNC's management accounting practices and the Corporation's management structure. There is no comprehensive, authoritative body of guidance for management accounting equivalent to generally accepted accounting principles; therefore, the financial results of individual businesses are not necessarily comparable with similar information for any other company. Financial results are presented, to the extent practicable, as if each business operated on a stand-alone basis. Also, certain amounts for 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. The costs incurred by support areas not directly aligned with the businesses are allocated primarily based on the utilization of services.

Total business 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, eliminations and other corporate 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 to mid-sized corporations, government entities and selectively to large corporations primarily within PNC's geographic region.

PNC Real Estate Finance specializes in financial solutions for the acquisition, development, permanent financing and operation of commercial real estate nationally. PNC Real Estate Finance offers treasury and investment management, access to the capital markets, commercial mortgage loan servicing and other products and services to clients that develop, own, manage or invest in commercial real estate. PNC's commercial real estate financial services platform provides processing services through Midland Loan Services, Inc., a leading third-party provider of loan servicing and technology to the commercial real estate finance industry, and national syndication of affordable housing equity through Columbia Housing Partners, LP.

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

PNC Advisors provides a full range of tailored investment 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 $246 billion of assets under management at September 30, 2002. BlackRock manages assets on behalf of institutions and individuals worldwide through a variety of fixed income, liquidity and equity mutual funds, separate accounts and alternative investment products. Mutual funds include the flagship fund families - BlackRock Funds and BlackRock Provident Institutional Funds. In addition, BlackRock provides risk management and investment system services to institutional investors under the BlackRock Solutions brand name.

PFPC is the largest full-service mutual fund transfer agent and second largest provider of mutual fund accounting and administration services in the United States, 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 September 30 In millions	Regional Community Banking	Corporate Banking	PNC Real Estate Finance	PNC Business Credit	PNC Advisors	Black-Rock	PFPC	Other	Total Consolidated
2002 INCOME STATEMENT									
Net interest income	$336	$87	$26	$35	$24	$1	$(19)	$38	$528
Noninterest income	240	89	28	8	126	137	177	(47)	758
Total revenue	576	176	54	43	150	138	158	(9)	1,286
Provision for credit losses	14	44	(2)	15	2				73
Depreciation and amortization	9	3	4	1	2	5	4	17	45
Other noninterest expense	259	86	41	13	114	77	123	19	732

Earnings before minority interest and income taxes	294	43	11	14	32	56	31	(45)	436
Minority interest in income of consolidated entities			(2)					6	4
Income taxes	102	13	(6)	6	12	23	12	(15)	147
Earnings	$192	$30	$19	$8	$20	$33	$19	$(36)	$285
Inter-segment revenue	$8	$1			$8	$4	$2	$(23)	
AVERAGE ASSETS	$39,188	$13,337	$4,892	$3,814	$2,872	$790	$1,893	$(928)	$65,858
2001 INCOME STATEMENT									
Net interest income	$374	$119	$31	$26	$31	$2	$(19)	$1	$565
Noninterest income	210	(12)	26	1	142	135	196	22	720
Total revenue	584	107	57	27	173	137	177	23	1,285
Provision for credit losses	15	41	5	5				44	110
Depreciation and amortization	16	3	5	1	5	7	11	19	67
Other noninterest expense	260	90	36	6	115	85	138	(6)	724
Earnings before minority interest and income taxes	293	(27)	11	15	53	45	28	(34)	384
Minority interest in income of consolidated entities								9	9
Income taxes	107	(11)	(5)	6	19	18	11	(17)	128
Earnings	$186	$(16)	$16	$9	$34	$27	$17	$(26)	$247
Inter-segment revenue	$1	$1			$14	$5	$1	$(22)	
AVERAGE ASSETS	$39,925	$16,317	$5,194	$2,433	$3,358	$644	$1,792	$(607)	$69,056
Nine months ended September 30 In millions									
2002 INCOME STATEMENT									
Net interest income	$1,074	$267	$86	$101	$76	$7	$(55)	$117	$1,673
Noninterest income	593	317	84	32	428	440	573	(80)	2,387
Total revenue	1,667	584	170	133	504	447	518	37	4,060
Provision for credit losses	37	139	(7)	72	3				244
Depreciation and amortization	27	7	6	1	7	15	8	54	125
Other noninterest expense	770	265	113	40	361	265	415	38	2,267
Earnings before minority interest and income taxes	833	173	58	20	133	167	95	(55)	1,424
Minority interest in income of									

consolidated entities			(2)					28	26
Income taxes	288	56	(7)	8	49	68	38	(24)	476
Earnings	$545	$117	$67	$12	$84	$99	$57	$(59)	$922
Inter-segment revenue	$15	$5			$31	$12	$6	$(69)	
AVERAGE ASSETS	$39,010	$14,275	$5,017	$3,870	$2,976	$790	$1,891	$(988)	$66,841
2001 INCOME STATEMENT									
Net interest income	$1,088	$391	$86	$77	$99	$7	$(50)	$(14)	$1,684
Noninterest income	592	98	74	21	463	404	586	(70)	2,168
Total revenue	1,680	489	160	98	562	411	536	(84)	3,852
Provision for credit losses	35	129	12	13	1			45	235
Depreciation and amortization	51	9	16	2	13	19	33	55	198
Other noninterest expense	779	285	102	21	363	258	422	(62)	2,168
Earnings before minority interest and income taxes	815	66	30	62	185	134	81	(122)	1,251
Minority interest in income of consolidated entities								25	25
Income taxes	292	18	(17)	23	68	55	32	(52)	419
Earnings	$523	$48	$47	$39	$117	$79	$49	$(95)	$807
Inter-segment revenue	$3	$3			$49	$13	$4	$(72)	
AVERAGE ASSETS	$40,188	$16,984	$5,288	$2,431	$3,399	$644	$1,759	$(132)	$70,561

</TABLE>

STATISTICAL INFORMATION
THE PNC FINANCIAL SERVICES GROUP, INC.

CONSOLIDATED AVERAGE BALANCE SHEET AND NET INTEREST ANALYSIS

<TABLE>
<CAPTION>

	Nine months ended September 30		
	2002		
Taxable-equivalent basis Dollars in millions	Average Balances	Interest Income/Expense	Average Yields/Rates
<S>	<C>	<C>	<C>
Assets			
Interest-earning assets			
Loans held for sale	$3,204	$117	4.83%
Securities			

Securities available for sale			
U.S. Treasury and government agencies/corporations	3,144	123	5.22
Other debt	7,670	317	5.52
State and municipal	61	4	9.16
Corporate stocks and other	480	11	3.03
Total securities available for sale	11,355	455	5.35
Securities held to maturity	356	13	4.78
Total securities	11,711	468	5.33
Loans, net of unearned income			
Commercial	16,089	719	5.90
Commercial real estate	2,474	99	5.26
Consumer	9,481	474	6.68
Residential mortgage	5,005	254	6.78
Lease financing	4,231	203	6.41
Other	405	13	4.19
Total loans, net of unearned income	37,685	1,762	6.21
Other	3,225	94	3.88
Total interest-earning assets/interest income	55,825	2,441	5.81
Noninterest-earning assets			
Investment in discontinued operations			
Allowance for credit losses	(619)		
Cash and due from banks	2,733		
Other assets	8,902		
Total assets	$66,841		
LIABILITIES, MINORITY INTEREST, CAPITAL SECURITIES AND SHAREHOLDERS' EQUITY			
Interest-bearing liabilities			
Interest-bearing deposits			
Demand and money market	$21,982	185	1.13
Savings	2,037	8	.49
Retail certificates of deposit	10,490	289	3.69
Other time	692	22	4.25
Deposits in foreign offices	468	6	1.53
Total interest-bearing deposits	35,669	510	1.91
Borrowed funds			
Federal funds purchased	721	9	1.61
Repurchase agreements	962	10	1.45
Bank notes and senior debt	5,421	111	2.69
Federal Home Loan Bank borrowings	1,617	4	.33
Subordinated debt	2,210	76	4.60
Other borrowed funds	343	38	14.73
Total borrowed funds	11,274	248	2.92
Total interest-bearing liabilities/interest expense	46,943	758	2.15
Noninterest-bearing liabilities, minority interest, capital securities and shareholders' equity			
Demand and other noninterest-bearing deposits	8,454		
Allowance for unfunded commitments and letters of credit	80		
Accrued expenses and other liabilities	4,157		
Minority interest	196		
Mandatorily redeemable capital securities of subsidiary trusts	848		
Shareholders' equity	6,163		
Total liabilities, minority interest, capital securities and shareholders' equity	$66,841		
Interest rate spread			3.66
Impact of noninterest-bearing sources			.34
Net interest income/margin		$1,683	4.00%

<CAPTION>

	Nine months ended September 30		
	2001		
Taxable-equivalent basis Dollars in millions	Average Balances	Interest Income/Expense	Average Yields/Rates
<S>	<C>	<C>	<C>
Assets			
Interest-earning assets			
Loans held for sale	$1,894	$92	6.38%
Securities			
Securities available for sale			
U.S. Treasury and government			

agencies/corporations	3,846	167	5.77
Other debt	5,878	276	6.27
State and municipal	77	4	7.84
Corporate stocks and other	309	7	3.02
Total securities available for sale	10,110	454	5.99
Securities held to maturity	31	2	6.84
Total securities	10,141	456	5.99
Loans, net of unearned income			
Commercial	20,144	1,130	7.40
Commercial real estate	2,567	146	7.50
Consumer	9,095	563	8.28
Residential mortgage	9,616	522	7.24
Lease financing	4,144	220	7.07
Other	478	25	6.93
Total loans, net of unearned income	46,044	2,606	7.51
Other	1,637	93	7.61
Total interest-earning assets/interest income	59,716	3,247	7.22
Noninterest-earning assets			
Investment in discontinued operations	68		
Allowance for credit losses	(603)		
Cash and due from banks	2,935		
Other assets	8,513		
Total assets	$70,629		
LIABILITIES, MINORITY INTEREST, CAPITAL SECURITIES AND SHAREHOLDERS' EQUITY			
Interest-bearing liabilities			
Interest-bearing deposits			
Demand and money market	$20,994	419	2.66
Savings	1,927	15	1.03
Retail certificates of deposit	12,716	516	5.43
Other time	534	26	6.48
Deposits in foreign offices	948	35	4.86
Total interest-bearing deposits	37,119	1,011	3.64
Borrowed funds			
Federal funds purchased	2,326	85	4.82
Repurchase agreements	1,041	30	3.71
Bank notes and senior debt	5,349	213	5.26
Federal Home Loan Bank borrowings	2,155	74	4.54
Subordinated debt	2,368	110	6.15
Other borrowed funds	398	28	9.11
Total borrowed funds	13,637	540	5.23
Total interest-bearing liabilities/interest expense	50,756	1,551	4.07
Noninterest-bearing liabilities, minority interest, capital securities and shareholders' equity			
Demand and other noninterest-bearing deposits	8,290		
Allowance for unfunded commitments and letters of credit	79		
Accrued expenses and other liabilities	3,839		
Minority interest	126		
Mandatorily redeemable capital securities of subsidiary trusts	848		
Shareholders' equity	6,691		
Total liabilities, minority interest, capital securities and shareholders' equity	$70,629		
Interest rate spread			3.15
Impact of noninterest-bearing sources			.61
Net interest income/margin		$1,696	3.76%

</TABLE>

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

<TABLE>
<CAPTION>

Third Quarter 2002	Second Quarter 2002	Third

Quarter 2001

Average Balances	Interest Income/Expense	Average Yields/Rates	Average Balances	Interest Income/Expense	Average Yields/Rates	Average Balances	Interest Income/Expense	Average Yields/Rates
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
$2,125	$24	4.43%	$3,235	$41	5.07%	$1,955	$24	4.83%
2,962	37	5.07	2,972	39	5.21	3,908	56	5.69
7,205	95	5.27	7,146	99	5.54	6,175	95	6.17
60	1	9.05	61	1	9.33	66	1	8.95
541	4	2.53	492	5	3.63	388	2	2.11
10,768	137	5.10	10,671	144	5.38	10,537	154	5.86
340	4	5.02	364	5	5.70	92	2	6.92
11,108	141	5.10	11,035	149	5.39	10,629	156	5.87
15,698	236	5.89	16,311	243	5.90	19,296	333	6.76
2,501	33	5.16	2,470	33	5.26	2,548	43	6.67
9,649	160	6.56	9,509	158	6.67	9,102	181	7.86
4,296	71	6.63	4,979	85	6.79	7,771	138	7.11
4,124	65	6.31	4,244	68	6.39	4,381	75	6.76
419	5	4.16	402	4	4.26	456	7	6.04
36,687	570	6.13	37,915	591	6.20	43,554	777	7.04
4,324	38	3.46	3,457	26	3.07	1,725	30	6.86
54,244	773	5.64	55,642	807	5.78	57,863	987	6.75
(665)			(625)			(598)		
2,619			2,705			2,921		
9,660			8,738			8,870		
$65,858			$66,460			$69,056		
$21,994	62	1.12	$22,147	63	1.16	$21,559	123	2.25
2,050	2	.50	2,067	3	.50	1,925	4	.84
10,347	92	3.52	10,518	97	3.68	11,785	142	4.79
307	5	6.33	948	8	3.45	501	8	6.26
299	1	1.10	243	1	1.66	357	3	3.54
34,997	162	1.84	35,923	172	1.92	36,127	280	3.07

42	1	2.97	35		1.81	1,457	13	3.55
990	4	1.51	979	4	1.45	893	7	2.90
5,154	35	2.63	5,441	38	2.76	4,973	55	4.33
1,272	(1)	(.15)	1,714	2	.52	2,459	22	3.48
2,210	25	4.61	2,210	25	4.58	2,332	32	5.54
158	15	37.25	483	8	6.66	413	10	8.87
9,826	79	3.16	10,862	77	2.83	12,527	139	4.35
44,823	241	2.13	46,785	249	2.13	48,654	419	3.40
8,665			8,406			8,448		
73			98			80		
4,754			4,027			4,141		
218			192			142		
848			848			848		
6,477			6,104			6,743		
$65,858			$66,460			$69,056		
		3.51			3.65			3.35
		.37			.34			.54
	$532	3.88%		$558	3.99%		$568	3.89%

</TABLE>

Loan fees for the nine months ended September 30, 2002 and September 30, 2001 were $80 million and $89 million, respectively. Loan fees for the three months ended September 30, 2002, June 30, 2002 and September 30, 2001 were $22 million, $29 million and $29 million, respectively.

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 September 30, 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 October 31, 2002 The PNC Financial Services Group, Inc. had 284,634,069 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 and nine months ended September 30, 2002 and 2001	31
	Consolidated Balance Sheet as of September 30, 2002 and December 31, 2001	32
	Consolidated Statement of Cash Flows for the nine months ended September 30, 2002 and 2001	33
	Notes to Consolidated Financial Statements	34 - 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 - 30
Item 3	Quantitative and Qualitative Disclosures About Market Risk	22 - 30
Item 4	Controls and Procedures	28

PART II OTHER FINANCIAL INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The following matters have been described in Note 24 to the Consolidated Financial Statements included in the 2001 Form 10-K, Part I, Item 3 - Legal Proceedings in the 2001 Form 10-K, Note 10 to the Consolidated Financial Statements included in the Quarterly Report on Form 10-Q for the quarter ended June 30, 2002 ("June 2002 10-Q") or Part II, Item 1 - Legal Proceedings in the June 2002 10-Q: 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; regulatory inquiries relating to certain transactions with companies formed with AIG; a shareholder matter; and a Department of Labor inquiry. There were no material developments with respect to any of these matters or in management's assessment of them from the information reported in the 2001 Form 10-K or the June 2002 10-Q except as described in the following paragraphs.

Regarding the putative federal securities law class action litigation, the putative class actions pending against the Corporation were consolidated in an amended complaint filed on October 4, 2002 brought on behalf of purchasers of the Corporation's common stock between July 19, 2001 and July 18, 2002. The Complaint names as defendants the Corporation, the Chairman and Chief Executive Officer, the former Chief Financial Officer, the Controller, and the Corporation's independent auditors for 2001. Management believes there are substantial defenses to this lawsuit and intends to file a motion to dismiss the complaint and otherwise defend it vigorously.

Regarding the dispute over certain closing date purchase price adjustments related to the Corporation's January 2001 sale of its residential mortgage banking business, the Superior Court of the State of California for the County of Los Angeles granted the Corporation's motion to compel arbitration and stay the lawsuit on October 2, 2002 and ordered the parties to use their best efforts to complete the arbitration by March 10, 2003.

Regarding the Department of Labor ("DOL") inquiry, a formal investigation by the DOL is pending. The Corporation is cooperating with the investigation.

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

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

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

10.16	BlackRock, Inc. 2002 Long Term Retention and Incentive Plan (a)
10.17	Share Surrender Agreement, dated October 10, 2002, among BlackRock, Inc., PNC Asset Management, Inc., and The PNC Financial Services Group, Inc. (a)
10.18	Initial Public Offering Agreement, dated September 30, 1999, among BlackRock, Inc., The PNC Financial Services Group, Inc., formerly PNC Bank Corp., and PNC Asset Management, Inc. (b)
10.19	Amendment No. 1 to the Initial Public Offering Agreement, dated October 10, 2002, among The PNC Financial Services Group, Inc., PNC Asset Management, Inc. and BlackRock, Inc. (a)
10.20	Amended and Restated Stockholders Agreement, dated September 30, 1999, by and among BlackRock, Inc., PNC Asset Management, Inc. and certain employees of BlackRock, Inc. and its affiliates (b)
10.21	Amendment No. 1 to the Amended and Restated Stockholders Agreement, dated October 10, 2002, by and among BlackRock, Inc., PNC Asset Management, Inc. and certain employees of BlackRock, Inc., and its affiliates (a)
12.1	Computation of Ratio of Earnings to Fixed Charges
12.2	Computation of Ratio of Earnings to Fixed Charges and Preferred Stock Dividends

- ---

(a) Incorporated by reference to BlackRock, Inc.'s Quarterly Report on Form 10-Q (Commission File No. 001-15305) for the quarter ended September 30, 2002.
(b) Incorporated by reference to BlackRock, Inc.'s Registration Statement on Form S-1 (Registration No. 333-78367), as amended, originally filed with the SEC on May 13, 1999.

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.

On July 18, 2002, the Corporation filed a Current Report on Form 8-K ("Form 8-K") in connection with the Corporation's announcement on that date that it had entered into a written agreement with the Federal Reserve Bank of Cleveland and that its principal subsidiary, PNC Bank, National Association, had entered into a written agreement with the Office of the Comptroller of the Currency, (together, the "Regulatory Agreements"). This Form 8-K also disclosed that the SEC, with the Corporation's consent, entered an Order Instituting Public Administrative Proceedings Pursuant to Section 8A of the Securities Act of 1933 and 21C of the Securities Exchange Act of 1934, Making Findings and Imposing Cease-and-Desist Order ("Commission Order"). The Regulatory Agreements and the Commission Order were filed as Exhibits with this Form 8-K filing.

On August 7, 2002, the Corporation filed a Form 8-K to disclose the resignation of one of the members of the Corporation's Board of Directors and an executive promotion.

On August 14, 2002, the Corporation filed a Form 8-K which included information under Item 9 Regulation FD Disclosure related to certifications of the Corporation's Chairman and Chief Executive Officer ("CEO") and then current Senior Vice President and Chief Financial Officer ("former CFO") pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, and in connection with sworn written statements executed and delivered by the Corporation's CEO and former CFO in accordance with the Order issued by the SEC on June 27, 2002. Conformed copies of such certifications and sworn written statements were filed as Exhibits with this Form 8-K filing.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on November 14, 2002, on its behalf by the undersigned thereunto duly authorized.

THE PNC FINANCIAL SERVICES GROUP, INC.
By: /s/William S. Demchak

- ------------------------------

William S. Demchak
Vice Chairman and Chief Financial Officer

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, James E. Rohr, certify that:

1. I have reviewed this quarterly report on Form 10-Q of The PNC Financial Services Group, Inc.:

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

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

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

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

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

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

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors:

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

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

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: November 14, 2002

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

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, William S. Demchak, certify that:

1. I have reviewed this quarterly report on Form 10-Q of The PNC Financial Services Group, Inc.:

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

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

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

    a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us

by others within those entities, particularly during the period in which this quarterly report is being prepared;

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

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

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors:

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

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

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: November 14, 2002

/s/ William S. Demchak

- ----------------------

William S. Demchak
Vice Chairman and 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
PNC is subject to the reporting requirements of the Securities Exchange Act of 1934 and as such files annual, quarterly and current reports as well as proxy materials with the Securities and Exchange Commission ("SEC"). Copies of these and other filings, including exhibits thereto, may be obtained electronically at the SEC's home page at www.sec.gov. 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, Director of Investor Relations, at (412) 762-8257 or via e-mail at investor.relations@pnc.com.

News media representatives and others seeking general information should contact R. Jeep Bryant, Senior Vice President, Corporate Communications, at (412) 762-4550 or via e-mail at corporate.communications@pnc.com.

COMMON STOCK PRICES/DIVIDENDS DECLARED

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

	High	Low	Close	Cash Dividends Declared
2002 QUARTER				
First	$62.800	$52.500	$61.490	$.48
Second	60.400	49.120	51.770	.48
Third	52.750	32.700	42.170	.48
Total				$1.44
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 12.1

THE PNC FINANCIAL SERVICES GROUP, INC. AND SUBSIDIARIES
COMPUTATION OF RATIO OF EARNINGS
TO FIXED CHARGES

<TABLE>
<CAPTION>

	Nine months ended September 30	Year ended December 31				
Dollars in millions	2002	2001	2000	1999	1998	1997
<S>	<C>	<C>	<C>	<C>	<C>	<C>
EARNINGS						
Income from continuing operations before taxes	$ 1,398	$ 564	$ 1,848	$ 1,788	$ 1,651	$ 1,595
Fixed charges excluding interest on deposits	336	763	1,033	980	1,159	1,080
Subtotal	1,734	1,327	2,881	2,768	2,810	2,675
Interest on deposits	510	1,229	1,653	1,369	1,471	1,457
Total	$ 2,244	$ 2,556	$ 4,534	$ 4,137	$ 4,281	$ 4,132
FIXED CHARGES						
Interest on borrowed funds	$ 248	$ 646	$ 915	$ 870	$ 1,065	$ 1,010
Interest component of rentals	43	53	50	44	33	26
Amortization of notes and debentures	1	1	1	1	1	1
Distributions on Mandatorily Redeemable Capital Securities of Subsidiary Trusts	44	63	67	65	60	43
Subtotal	336	763	1,033	980	1,159	1,080
Interest on deposits	510	1,229	1,653	1,369	1,471	1,457
Total	$ 846	$ 1,992	$ 2,686	$ 2,349	$ 2,630	$ 2,537
RATIO OF EARNINGS TO FIXED CHARGES						
Excluding interest on deposits	5.16 x	1.74 x	2.79 x	2.82 x	2.42 x	2.48 x
Including interest on deposits	2.65	1.28	1.69	1.76	1.63	1.63

</TABLE>

EXHIBIT 12.2

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

<TABLE>
<CAPTION>

	Nine months ended September 30	Year ended December 31				
Dollars in millions	2002	2001	2000	1999	1998	1997
EARNINGS						
Income from continuing operations before taxes	$ 1,398	$ 564	$ 1,848	$ 1,788	$ 1,651	$ 1,595
Fixed charges and preferred stock dividends excluding interest on deposits	337	783	1,063	1,010	1,188	1,110
Subtotal	1,735	1,347	2,911	2,798	2,839	2,705
Interest on deposits	510	1,229	1,653	1,369	1,471	1,457
Total	$ 2,245	$ 2,576	$ 4,564	$ 4,167	$ 4,310	$ 4,162
FIXED CHARGES						
Interest on borrowed funds	$ 248	$ 646	$ 915	$ 870	$ 1,065	$ 1,010
Interest component of rentals	43	53	50	44	33	26
Amortization of notes and debentures	1	1	1	1	1	1
Distributions on Mandatorily Redeemable Capital Securities of Subsidiary Trusts	44	63	67	65	60	43
Preferred stock dividend requirements	1	20	30	30	29	30
Subtotal	337	783	1,063	1,010	1,188	1,110
Interest on deposits	510	1,229	1,653	1,369	1,471	1,457
Total	$ 847	$ 2,012	$ 2,716	$ 2,379	$ 2,659	$ 2,567
RATIO OF EARNINGS TO FIXED CHARGES AND PREFERRED STOCK DIVIDENDS						
Excluding interest on deposits	5.15 x	1.72 x	2.74 x	2.77 x	2.39 x	2.44 x
Including interest on deposits	2.65	1.28	1.68	1.75	1.62	1.62

</TABLE>