Manually signed

FORM D

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM D

NOTICE OF SALE OF SECURITIES
PURSUANT TO REGULATION D,
SECTION 4(6), AND/OR
UNIFORM LIMITED OFFERING EXEMPTION

OMB APPROVAL
[redacted]ber: 3235-0076
[redacted] 2002
[redacted]
02050974
Prefix
DATE RECEIVED
912253

Name of Offering (☐ check if this is an amendment and name has changed, and indicate change.)
The Vittoria Fund, L.P.: Offering of Limited Partnership Interests ( )

Filing Under (Check box(es) that apply): ☐ Rule 504 ☐ Rule 505 ☒ Rule 506 ☐ Section 4(6) ☐ ULOE

Type of Filing: ☐ New Filing ☒ Amendment

SEC MAIL PROCESSING RECEIVED AUG 0 2 2002 WASH. D.C. TOC SECTION

A. BASIC IDENTIFICATION DATA

Enter the information requested about the issuer

Name of Issuer (☐ check if this is an amendment and name has changed, and indicate change.)
The Vittoria Fund, L.P. ( )

Address of Executive Offices (Number and Street, City, State, Zip Code)	Telephone Number (Including Area Code)
6022 West Chester Pike, Edgemont, PA 19028	**610-640-9551**
Address of Principal Business Operations (Number and Street, City, State, Zip Code) (if different from Executive Offices) **Same as above**	Telephone Number (Including Area Code)

Brief Description of Business
To seek capital appreciation by investing primarily in securities of non-U.S. companies (i) through the direct management of a portion of its assets by one or more selected investment managers specializing in the securities of non-U.S. companies and (ii) by the investment of a portion of its assets in one or more investment funds that invest or trade primarily in the securities of non-U.S. companies.

Type of Business Organization
☐ corporation ☒ limited partnership, already formed ☐ other (please specify):
☐ business trust ☐ limited partnership, to be formed

PROCESSED
AUG 1 3 2002
THOMSON FINANCIAL

Actual or Estimated Date of Incorporation or Organization: Month/Date/Year **9/93** ☒ Actual ☐ Estimated

Jurisdiction of Incorporation or Organization: (Enter two-letter U.S. Postal Service abbreviation for State: CN for Canada; FN for other foreign jurisdiction) **DE**

GENERAL INSTRUCTIONS

Federal:

Who Must File: All issuers making an offering of securities in reliance on an exemption under Regulation D or Section 4(6), 17 CFR 230.501 et seq. or 15 U.S.C. 77d(6).

When To File: A notice must be filed no later than 15 days after the first sale of securities in the offering. A notice is deemed filed with the U.S. Securities and Exchange Commission (SEC) on the earlier of the date it is received by the SEC at the address given below or, it received at that address after the date on which it is due, on the date it was mailed by United States registered or certified mail to that address.

Where to File: U.S. Securities and Exchange Commission, 450 Fifth Street, N.W., Washington, D.C. 20549.

Copies Required: Five (5) copies of this notice must be filed with the SEC, one of which must be manually signed. Any copies not manually signed must be photocopies of the manually signed copy or bear typed or printed signatures.

Information Required: A new filing must contain all information requested. Amendments need only report the name of the issuer and offering, any changes thereto, the information requested in Part C, and any material changes from the information previously supplied in Parts A and B and the Appendix need not be filed with the SEC.

Filing Fee: There is no federal filing fee.

State:

This notice shall be used to indicate reliance on the Uniform Limited Offering Exemption (ULOE) for sales of securities in those states that have adopted ULOE and that have adopted this form. Issuers relying on ULOE must file a separate notice with the Securities Administrator in each state where sales are to be, or have been made. If a state requires the payment of a fee as a precondition to the claim for exemption, a fee in the proper amount shall accompany this form. This notice shall be filed in the appropriate states in accordance with state law. The Appendix to the notice constitutes a part of this notice and must be completed.

ATTENTION
Failure to file notice in the appropriate states will not result in a loss of the federal exemption. Conversely, failure to file the appropriate federal notice will not result in a loss of an available state exemption unless such exemption is predicated on the filing of a federal notice.

Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

A. BASIC IDENTIFICATION DATA

2. Enter the information requested for the following:
   - Each promoter of the issuer, if the issuer has been organized within the past five years;
   - Each beneficial owner having the power to vote or dispose, or direct the vote or disposition of, 10% or more of a class of equity securities of the issuer;
   - Each executive officer and director of corporate issuers and of corporate general and managing partners of partnership issuers; and
   - Each general and managing partner of partnership issuers.

Check Box(es) that Apply: ☐ Promoter ☐ Beneficial Owner ☐ Executive Officer ☐ Director ☒ General and/or Managing Partner

Full Name (Last name first, if individual)
PNC GPI, Inc.

Business or Residence Address (Number and Street, City, State, Zip Code)
222 Delaware Avenue, Wilmington, Delaware 19801

Check Box(es) that Apply: ☐ Promoter ☐ Beneficial Owner ☒ Executive Officer ☐ Director ☐ General and/or Managing Partner

Full Name (Last name first, if individual)
Stolper, Michael A.

Business or Residence Address (Number and Street, City, State, Zip Code)
6022 West Chester Pike, Edgemont, Pennsylvania 19028-0419

Check Box(es) that Apply: ☐ Promoter ☐ Beneficial Owner ☒ Executive Officer ☐ Director ☐ General and/or Managing Partner

Full Name (Last name first, if individual)
Bowman, Edward F.

Business or Residence Address (Number and Street, City, State, Zip Code)
6022 West Chester Pike, Edgemont, Pennsylvania 19028-0419

Check Box(es) that Apply: ☐ Promoter ☐ Beneficial Owner ☒ Executive Officer ☐ Director ☐ General and/or Managing Partner

Full Name (Last name first, if individual)
Scott, Jonathan D.

Business or Residence Address (Number and Street, City, State, Zip Code)
6022 West Chester Pike, Edgemont, Pennsylvania 19028-0419

Check Box(es) that Apply: ☐ Promoter ☐ Beneficial Owner ☐ Executive Officer ☐ Director ☐ General and/or Managing Partner

Full Name (Last name first, if individual)

Business or Residence Address (Number and Street, City, State, Zip Code)

Check Box(es) that Apply: ☐ Promoter ☐ Beneficial Owner ☐ Executive Officer ☐ Director ☐ General and/or Managing Partner

Full Name (Last name first, if individual)

Business or Residence Address (Number and Street, City, State, Zip Code)

(Use blank sheet, or copy and use additional copies of this sheet, as necessary.)

B. INFORMATION ABOUT OFFERING

		Yes	No
1.	Has the issuer sold, or does the issuer intend to sell, to non-accredited investors in this offering? Answer also in Appendix, Column 2, if filing under ULOE.	☒	☐
2.	What is the minimum investment that will be accepted from any individual? **(* Subject to the waiver of the General Partner.)**	**$ 1,000,000***	
3.	Does the offering permit joint ownership of a single unit?	☒	☐

4. Enter the information requested for each person who has been or will be paid or given, directly or indirectly, any commission or similar remuneration for solicitation of purchasers in connection with sales of securities in the offering. If a person to be listed is an associated person or agent of a broker or dealer registered with the SEC and/or with a state or states, list the name of the broker or dealer. If more than five (5) persons to be listed are associated persons of such a broker or dealer, you may set forth the information for that broker or dealer only.

Full Name (Last name first, if individual)

Business or Residence Address (Number and Street, City, State, Zip Code)
6022 West Chester Pike, Edgemont, PA 19028-0419

Name of Associated Broker or Dealer
PNC Capital Markets, Inc.

States in Which Person Listed Has Solicited or Intends to Solicit Purchasers
(Check "All States" or check individual States) ☒ All States

[AL]	[AK]	[AZ]	[AR]	[CA]	[CO]	[CT]	[DE]	[DC]	[FL]	[GA]	[HI]	[ID]
[IL]	[IN]	[IA]	[KS]	[KY]	[LA]	[ME]	[MD]	[MA]	[MI]	[MN]	[MS]	[MO]
[MT]	[NE]	[NV]	[NH]	[NJ]	[NM]	[NY]	[NC]	[ND]	[OH]	[OK]	[OR]	[PA]
[RI]	[SC]	[SD]	[TN]	[TX]	[UT]	[VT]	[VA]	[WA]	[WV]	[WI]	[WY]	[PR]

Full Name (Last name first, if individual)

Business or Residence Address (Number and Street, City, State, Zip Code)

Name of Associated Broker or Dealer

States in Which Person Listed Has Solicited or Intends to Solicit Purchasers
(Check "All States" or check individual States) ☐ All States

[AL]	[AK]	[AZ]	[AR]	[CA]	[CO]	[CT]	[DE]	[DC]	[FL]	[GA]	[HI]	[ID]
[IL]	[IN]	[IA]	[KS]	[KY]	[LA]	[ME]	[MD]	[MA]	[MI]	[MN]	[MS]	[MO]
[MT]	[NE]	[NV]	[NH]	[NJ]	[NM]	[NY]	[NC]	[ND]	[OH]	[OK]	[OR]	[PA]
[RI]	[SC]	[SD]	[TN]	[TX]	[UT]	[VT]	[VA]	[WA]	[WV]	[WI]	[WY]	[PR]

Full Name (Last name first, if individual)

Business or Residence Address (Number and Street, City, State, Zip Code)

Name of Associated Broker or Dealer

States in Which Person Listed Has Solicited or Intends to Solicit Purchasers
(Check "All States" or check individual States) ☐ All States

[AL]	[AK]	[AZ]	[AR]	[CA]	[CO]	[CT]	[DE]	[DC]	[FL]	[GA]	[HI]	[ID]
[IL]	[IN]	[IA]	[KS]	[KY]	[LA]	[ME]	[MD]	[MA]	[MI]	[MN]	[MS]	[MO]
[MT]	[NE]	[NV]	[NH]	[NJ]	[NM]	[NY]	[NC]	[ND]	[OH]	[OK]	[OR]	[PA]
[RI]	[SC]	[SD]	[TN]	[TX]	[UT]	[VT]	[VA]	[WA]	[WV]	[WI]	[WY]	[PR]

(Use blank sheet, or copy and use additional copies of this sheet, as necessary.)

C. OFFERING PRICE, NUMBER OF INVESTORS, EXPENSES AND USE OF PROCEEDS

1. Enter the aggregate offering price of securities included in this offering and the total amount already sold. Enter "0" if answer is "none" or "zero." If the transaction is an exchange offering, check this box ☐ and indicate the columns below the amounts of the securities offered for exchange and already exchanged.

Type of Security	Aggregate Offering Price	Amount Already Sold
Debt	$ 0	$ 0
Equity: ☐ Common ☐ Preferred	$ 0	$ 0
Convertible Securities (including warrants):	$ 0	$ 0
Partnership Interests	$ 1,000,000,000	$ 345,965,691
Other (Specify _____)	$ 0	$ 0
Total	$ 1,000,000,000	$ 345,965,691

Answer also in Appendix, Column 4, if filing under ULOE.

2. Enter the number of accredited and non-accredited investors who have purchased securities in this offering and the aggregate dollar amounts of their purchases. For offerings under Rule 504, indicate the number of persons who have purchased securities and the aggregate dollar amount of their purchases on the total lines. Enter "0" if answer is "none" or "zero."

	Number Investors	Aggregate Dollar Amount of Purchases
Accredited Investors	200	$ 345,965,691
Non-accredited Investors		$
Total (for filings under Rule 504 only)	N/A	$ N/A

Answer also in Appendix, Column 3, if filing under ULOE.

3. If this filing is for an offering under Rule 504 or 505, enter the information requested for all securities sold by the issuer, to date, in offerings of the types indicated, in the twelve (12) months prior to the first sale of securities in this offering. Classify securities by type listed in Part C – Question 1.

Type of offering	Type of Security	Dollar Amount Sold
Rule 505	None	$ 0
Regulation A	None	$ 0
Rule 504	None	$ 0
Total	None	$ 0

4. a. Furnish a statement of all expenses in connection with the issuance and distribution of the securities in this offering. Exclude amounts relating solely to organization expenses of the issuer. The information may be given as subject to future contingencies. If the amount of an expenditure is not known, furnish an estimate and check the box to the left of the estimate.

Transfer Agent's Fees	☒	$ 0
Printing and Engraving Costs	☒	$ 0
Legal Fees	☒	$ 45,000
Accounting Fees	☒	$ 0
Engineering Fees	☒	$ 0
Sales Commissions (specify finders' fees separately)	☒	$ 0
Other Expenses (identify Blue Sky)	☒	$ 5,000
Total	☒	$ 50,000

C. OFFERING PRICE, NUMBER OF INVESTORS, EXPENSES AND USE OF PROCEEDS

4. b. Enter the difference between the aggregate offering price given in response to Part C - Question 1 and total expenses furnished in response to Part C - Question 4.a. This difference is the "adjusted gross proceeds to the issuer." ..... $ 999,950,000

5. Indicate below the amount of the adjusted gross proceeds to the issuer used or proposed to be used for each of the purposes below. If the amount for any purpose is not known, furnish an estimate and check the box to the left of the estimate. The total of the payments listed must equal the adjustment gross proceeds to the issuer set forth in response to Part C - Question 4.b above.

		Payments to Officers, Directors, & Affiliates		Payments to Others
Salaries and fees	☒	$ 0	☒	$ 0
Purchase of real estate	☒	$ 0	☒	$ 0
Purchase, rental or leasing and installation of machinery and equipment	☒	$ 0	☒	$ 0
Construction or leasing of plant buildings and facilities	☒	$ 0	☒	$ 0
Acquisition of other businesses (including the value of securities involved in this offering that may be used in exchange for the assets or securities of another issuer pursuant to a merger)	☒	$ 0	☒	$ 0
Repayment of indebtedness	☒	$ 0	☒	$ 0
Working capital	☒	$ 0	☒	$ 0
Other (specify): Investment Program/Securities	☒	$ 0	☒	$ 999,950,000
Column Totals	☒	$ 0	☒	$ 999,950,000
Total Payments Listed (column totals added)	☒	$ 999,950,000		

D. FEDERAL SIGNATURE

The issuer has duly caused this notice to be signed by the undersigned duly authorized person. If this notice is filed under Rule 505, the following signature constitutes an undertaking by the issuer to furnish to the U.S. Securities and Exchange Commission, upon written request of its staff, the information furnished by the issuer to any non-accredited investor pursuant to paragraph (b)(2) of Rule 502.

Issuer (Print or Type)	Signature	Date
The Vittoria Fund, L.P.	Edward F. Bowman	**August 1, 2002**
Name (Print or Type) **Edward F. Bowman**	Title of Signer (Print or Type) **President of PNC GPI, Inc., the General Partner of the Issuer**	

ATTENTION

Intentional misstatements or omissions of fact constitute federal criminal violations. (See 18 U.S.C. 1001.)

Schedule A

Page 6, Item 1. Explanation:

On July 18, 2002, The PNC Financial Services Group, Inc. ("PNC"), the parent of the general partner of the Issuer, agreed to the entry by the Securities and Exchange Commission (the "SEC") of an administrative order in connection with three 2001 transactions transferring certain PNC assets to companies formed with a third-party financial institution. The SEC found that PNC violated certain provisions of the federal securities laws, including Section 17(a)(2) and (3) of the Securities Act of 1933, as amended, Sections 10(b), 13(a) and 13(b)(2)(A) of the Securities Act of 1934, as amended (the "Exchange Act") and Exchange Act Rules 10b-5, 12b-20, 13a-1 and 13a-13. The specific transactions gave rise to a restatement of PNC's financial statements, which was announced by PNC on January 29, 2002. PNC settled the matter without admitting or denying any of the SEC's findings and consented to the issuance of a cease-and-desist order (the "SEC Order"). PNC has also entered into a related agreement with the Federal Reserve Bank of Cleveland, and PNC Bank, N.A., PNC's principal bank subsidiary and the Manager of the Fund, has entered into a related agreement with the Office of the Comptroller of the Currency ("Regulatory Agreements"). The Regulatory Agreements, which address issues including risk, management and financial controls, follow the conclusion of scheduled regulatory examinations.

The SEC Order, the Regulatory Agreements and PNC's press release relating to the execution of the Regulatory Agreements and the entry of the SEC Order were filed as exhibits to PNC's Current Report on Form 8-K dated July 18, 2002 (the "8-K"). The 8-K and such other exhibits are attached hereto. The foregoing information is qualified in its entirety by reference to the text of the 8-K and the exhibits thereto.

02731.0001 #295295

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

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

JULY 18, 2002
DATE OF REPORT (DATE OF EARLIEST EVENT REPORTED)

THE PNC FINANCIAL SERVICES GROUP, INC.
(Exact name of registrant as specified in its charter)

COMMISSION FILE NUMBER 1-9718

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

ONE PNC PLAZA
249 FIFTH AVENUE
PITTSBURGH, PENNSYLVANIA 15222-2707
(Address of principal executive offices)
(Zip Code)

(412) 762-1553
(Registrant's telephone number, including area code)

(Former name or former address, if changed since last report)

ITEM 5. OTHER EVENTS AND REGULATION FD DISCLOSURE.

On July 18, 2002, The PNC Financial Services Group, Inc. ("PNC") announced that it had entered into a written agreement with the Federal Reserve Bank of Cleveland ("Federal Reserve") and that its principal subsidiary, PNC Bank, National Association ("PNC Bank"), had entered into a written agreement with the Office of the Comptroller of the Currency ("OCC"). These agreements (together, the "Regulatory Agreements") address such issues as risk, management and financial controls.

On the same date, the Securities and Exchange Commission ("SEC"), with PNC'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") in connection with three 2001 transactions that gave rise to a financial statement restatement announced by PNC on January 29, 2002. In consenting to the entry of the Commission Order and the SEC's jurisdiction, PNC did not admit or deny the SEC's findings.

The Regulatory Agreements are filed herewith as Exhibits 99.1 and 99.2, the Commission Order is filed herewith as Exhibit 99.3 and these three exhibits are incorporated herein by reference. The foregoing description of the Regulatory Agreements and the Commission Order is qualified in its entirety by reference to the text of the Regulatory Agreements and the Commission Order. PNC's press release relating to the execution of the Regulatory Agreements and the entry of the Commission Order is filed herewith as Exhibit 99.4.

As described under the caption "Supervision and Regulation" in Item 1 of PNC's Annual Report on Form 10-K for the year ended December 31, 2001 ("2001 Form 10-K"), PNC is registered with the Board of Governors of the Federal Reserve System ("FRB") as a financial holding company and PNC Bank has filed a financial subsidiary certification with the OCC, which registration and certification provide PNC and PNC Bank with certain advantages in regulatory procedures and powers pursuant to provisions of the Gramm-Leach-Bliley Act (the "GLB Procedures and Powers"). As a result of regulatory, supervisory and examination activities, PNC and PNC Bank have been advised by the FRB and the OCC, respectively, that PNC and PNC Bank no longer satisfy financial holding company and financial subsidiary requirements for purposes of the GLB Procedures and Powers. Applicable regulations contemplate that PNC and PNC Bank will enter into agreements with the Federal Reserve and the OCC, respectively, that require that certain corrective actions be taken within a 180 day period from receipt of the notices or such longer period as may be permitted by the applicable agency. During the interim, PNC is unable to engage in new activities or make new investments in reliance on the GLB Procedures and Powers without prior approval of the FRB, and PNC and PNC Bank may be subject to limitations on the conduct of their activities. The failure to satisfy the requirements of the anticipated agreements could result in PNC's loss of the GLB Procedures and Powers and additional consequences described in the 2001 Form 10-K. The potential impact of these consequences is primarily on the conduct of existing merchant banking, securities underwriting and dealing, and insurance activities that in large part can be addressed through alternative means of conducting these activities and that in any event is not expected to be material to PNC's consolidated business.

As a result of entering into the Regulatory Agreements, PNC and PNC Bank are required to obtain approval of the Federal Reserve and the OCC, respectively, prior to adding new directors or employing new senior executive officers, and are prohibited from making "golden parachute payments" as defined in applicable regulations without prior regulatory approval. PNC also will be subject to increases in deposit insurance premium assessments and regulatory examination fees payable by PNC Bank and in noninterest expenses for the cost of compliance with the Regulatory Agreements.

There also are collateral consequences from entry of the Commission Order, including the loss of "safe harbor" protection for forward-looking statements under the Private Securities Litigation Reform Act, the need to disclose the existence of the Commission Order to customers, regulators, investors and other constituencies, and the potential for restrictions upon the licenses, registrations, and regulatory approvals of PNC's subsidiaries engaged in broker-dealer and other regulated financial businesses and to impact the status of PNC's subsidiaries as government contractors. The potential restrictions are considered unlikely to be imposed. Nonetheless, the Regulatory Agreements, the Commission Order and the applicable provisions of law and regulation related to the GLB Procedures and Powers, together with the reputational impact and increased litigation risks created by these matters, could have a material adverse effect on the conduct, growth and profitability of PNC's operations, as well

as consequences to PNC in such areas as business generation and retention, the ability to attract and retain management, funding and liquidity that cannot be predicted at this time.

This Form 8-K and other statements by PNC contain forward-looking statements with respect to the impact of the legal, regulatory and supervisory matters described above on PNC's business operations and performance. Forward-looking statements are based on PNC's current expectations and are subject to numerous assumptions, risks and uncertainties. Forward-looking statements speak only as of the date they are made, and PNC assumes no duty to update them. In addition to factors mentioned in this Form 8-K or previously disclosed in PNC's SEC reports (accessible on the SEC's website at http://www.sec.gov), the following factors, among others, could cause actual results to differ materially from forward-looking statements or historical performance: (1) the examination process and regulators' future use of associated supervisory tools; (2) PNC's failure to satisfy the requirements of the recent and anticipated agreements with the Federal Reserve and the OCC; (3) the impact of reputational risk created by the developments on such matters as business generation and retention, funding and liquidity; and (4) further supervisory or enforcement actions of government agencies.

ITEM 7. FINANCIAL STATEMENTS AND EXHIBITS.

(c) Exhibits.

The exhibits listed on the Exhibit Index on page 5 of this Form 8-K are filed herewith.

SIGNATURES

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

THE PNC FINANCIAL SERVICES GROUP, INC.
(Registrant)

Date: July 18, 2002

By: /s/ ROBERT L. HAUNSCHILD

Robert L. Haunschild
Senior Vice President
and Chief Financial Officer

EXHIBIT INDEX

EXHIBIT NUMBER	DESCRIPTION
99.1	Agreement between The PNC Financial Services Group, Inc. and Federal Reserve Bank of Cleveland. Filed herewith.
99.2	Form of Agreement between PNC Bank, National Association and Office of the Comptroller of the Currency. Filed herewith.
99.3	Form of Order of the Securities and Exchange Commission 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. Filed herewith.
99.4	Press Release dated July 18, 2002. Filed herewith.

Exhibit 99.1

UNITED STATES OF AMERICA
BEFORE THE
BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

Written Agreement by and between THE PNC FINANCIAL SERVICES GROUP, INC. Pittsburgh, Pennsylvania and FEDERAL RESERVE BANK OF CLEVELAND Cleveland, Ohio	Docket No. 02-011-WA/RB-HC

WHEREAS, the Board of Governors of the Federal Reserve System (the "Board") seeks to address matters at The PNC Financial Services Group, Inc., Pittsburgh, Pennsylvania ("PNC"), a bank holding company, relating to compliance with generally accepted accounting principles ("GAAP"); consolidation of assets of special purpose entities on PNC's regulatory reports and public financial statements; corporate governance policies and practices; and provision of sufficient and timely information to bank holding company supervisors;

WHEREAS, in furtherance of the common goal of the Board and PNC to ensure that PNC has implemented all necessary risk management systems, internal controls, and compliance procedures to assure the continued safe and sound operation of PNC and its nonbank subsidiaries and to comply with all applicable laws, rules, and regulations, PNC's board of directors has adopted an Action Plan designed to improve PNC's management structure, corporate governance, risk management practices, regulatory communications, and internal controls;

WHEREAS, PNC and the Federal Reserve Bank of Cleveland (the "Reserve Bank") have mutually agreed to enter into this Written Agreement (the "Board Agreement"); and

WHEREAS, on July 2, 2002, the board of directors of PNC adopted a resolution authorizing and directing James E. Rohr to enter into the Board Agreement on behalf of PNC and consenting to compliance by the board of directors of PNC and PNC's institution-affiliated parties, as defined in sections 3(u) and 8(b)(3) of the Federal

Deposit Insurance Act (the "FDI Act") (12 U.S.C. 1813(u) and 1818(b)(3)), to comply with each and every provision of the Board Agreement.

NOW, THEREFORE, the Reserve Bank and PNC agree as follows:

MANAGEMENT

1. (a) Within 10 days of the Board Agreement, to the extent not already provided, PNC shall provide to the Reserve Bank for its review copies of PNC's engagement letters with the consultants hired prior to the date of the Board Agreement to address the areas of risk management, capital planning, corporate governance, and internal controls.

(b) Within 30 days of the Board Agreement, PNC's board of directors shall engage an independent consultant (the "Corporate Consultant") acceptable to the Reserve Bank to conduct a review of 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 (the "Corporate Consultant's Report") that includes findings, conclusions, and written descriptions of any management or operational changes recommended as a result of the Corporate Review. The board of directors may engage a consultant(s) who has been previously retained to conduct the review required by this paragraph. The primary purpose of the Corporate Review shall be to assist the board of directors in the development of a management structure that is adequately staffed by qualified and trained personnel suitable to PNC's needs. The Corporate Review shall, at a minimum, address, consider, and include:

(i) Board of directors' oversight of management activities and major operations of PNC, and the information provided to the board of directors in conducting its oversight;

(ii) services rendered to PNC by independent advisers in all areas with respect to audit services and advice on complex financial transactions and the controls in place for hiring and retaining such advisers to ensure that PNC receives competent, independent services; and

(iii) compliance with PNC's policies and procedures relating to internal reporting and approval protocols and relations with bank holding company supervisors as it relates to the three PAGIC transactions in 2001, in which PNC transferred certain loans and other assets to special purpose entities.

(c) Within 10 days of the engagement of the Corporate Consultant, but prior to the commencement of the Corporate Review, PNC shall submit to the Reserve Bank for approval an engagement letter that delineates: (i) the scope of the Corporate

Review; (ii) the date of submission of the Corporate Consultant's Report, not to exceed 90 days after the date of the Reserve Bank's approval of the engagement letter; and (iii) the proposed resources to be dedicated to the Corporate Review.

(d) PNC shall fully cooperate with the Corporate Consultant and agrees that the Corporate Consultant will have complete access to all employees, books, records, documents, and communications necessary to conduct the Corporate Review. A copy of the Corporate Consultant's Report shall be provided to the Reserve Bank at the same time that it is provided to PNC, and all information including, but not limited to, work papers, programs and procedures related to the Corporate Review shall be made available to the Reserve Bank by the Corporate Consultant upon request.

(e) Within 60 days after PNC's receipt of the Corporate Consultant's Report, PNC shall submit a written management plan to the Reserve Bank describing specific actions that the board of directors proposes to take to fully address the findings and recommendations of the Corporate Consultant's Report.

2. Within 180 days of completion of the Corporate Consultant's Report, and thereafter not less frequently than semi-annually, the board of directors shall review management's adherence to PNC's written policies and procedures in the areas of risk management, internal controls, corporate governance, financial and regulatory reporting, and compliance, and shall prepare written findings and conclusions of this review along with written descriptions of any management or operational changes that are made as a result of the review. These written findings shall be included in the minutes of the board of directors meetings and maintained for subsequent review by bank holding company supervisors.

REGULATORY COMMUNICATIONS AND COOPERATION

3. Within 90 days of the Board Agreement, PNC shall submit to the Reserve Bank an acceptable written plan designed to ensure the continued improvement and ongoing effectiveness of communications with bank holding company supervisors. The plan shall, at a minimum, address, consider, and include:

(a) Identification of the individuals at PNC who will have primary responsibility for ensuring full cooperation between PNC and the Reserve Bank, and the scope of duties of each such individual;

(b) complete and prompt access to all documentation requested by the Reserve Bank as needed to fulfill regulatory and supervisory responsibilities;

(c) complete and prompt access to all PNC staff and management upon request by the Reserve Bank;

(d) meetings with the board of directors or committees thereof upon the request of the Reserve Bank;

(e) regular meetings with the Reserve Bank to ensure that new business initiatives, proposed complex transactions involving third party advisers, and other material events are disclosed and discussed; and

(f) training for PNC personnel designed to improve communication and cooperation with the Reserve Bank.

RISK MANAGEMENT

4. Within 90 days of the Board Agreement, PNC shall submit to the Reserve Bank an acceptable written plan designed to strengthen and improve management of the overall risk exposures of the consolidated organization. The plan shall, at a minimum, address, consider, and include:

(a) Enhanced policies and procedures designed to identify, assess, manage, and monitor risk exposures of the consolidated organization, including but not limited to, the areas of market, credit, operational, liquidity, legal and reputational risks;

(b) board of directors and management oversight designed to ensure adherence to risk management policies and procedures;

(c) management information systems and reporting procedures designed to ensure that appropriate management personnel, the board of directors, and its committees receive timely and accurate reports necessary to effectively manage risks and correct weaknesses and deficiencies;

(d) internal controls designed to effectively manage risks and observe acceptable risk parameters;

(e) capital maintenance policies that include, at a minimum, (i) cash flow guidelines; (ii) guidelines for minimum and maximum levels of retained earnings, dividend payments, and repurchases of treasury stock; and (iii) guidelines for levels of debt throughout the consolidated organization that take into consideration the terms of existing borrowings, any anticipated future borrowings, and planned sources for repayment; and

(f) enhanced policies and procedures for compliance with all applicable banking and securities laws and regulations, including but not limited to,

(i) restrictions on holding property under section 4(c)(2) of the Bank Holding Company Act; (ii) sections 23A and 23B of the Federal Reserve Act; and (iii) any commitments or conditions imposed by the Board in connection with the granting of any application or other request by PNC.

INTERNAL CONTROLS

5. Within 90 days of the Board Agreement, PNC shall submit to the Reserve Bank acceptable written procedures designed to enhance and maintain PNC's internal controls. These procedures shall, at a minimum, address, consider, and include:

(a) The completeness and accuracy of books and records of PNC, including consistent application of GAAP;

(b) appropriate segregation of duties in PNC's operations;

(c) public financial disclosures as required by applicable banking and securities laws and regulations; and

(d) full reports to the board of directors or the appropriate committee thereof on any material transaction.

FINANCIAL STATEMENTS AND REGULATORY REPORTS

6. PNC shall take actions designed to ensure that all balance sheet and income statements are reconciled on at least a monthly basis and reflect all transactions as necessary to ensure accurate regulatory reporting and disclosures required under banking and securities laws. Records of such reconcilements shall be maintained for internal and external audit review and for subsequent supervisory review.

7. PNC shall ensure that all regulatory reports, including Forms Y-9C, accurately reflect PNC's condition on the date for which it is filed and all material transactions undertaken by the bank holding company and its subsidiaries, and that all records indicating how the report was prepared are maintained for subsequent supervisory review.

NONBANK SUBSIDIARY POLICIES

8. Within 60 days of the Board Agreement, PNC shall submit to the Reserve Bank an acceptable revised written policy for any extension of credit by a nonbank subsidiary of PNC. The policy shall, at a minimum, address, consider and include:

(a) The establishment of reporting, review, and approval procedures to and by the appropriate board of directors;

(b) required documentation and procedures, including pricing support, repayment analysis, collateral analysis, obligor and facility risk ratings, and loan agreement covenant requirements; and

(c) ongoing maintenance of credit quality support information, including minimum time frames for risk rating reviews, for updating financial information and for inclusion in all corporate loan loss reserve analyses.

EFFECT AND TERMS OF BOARD AGREEMENT

9. The written plans, policies, and procedures and the engagement letter required by paragraphs 1(c), 3, 4, 5, and 8 of the Board Agreement shall be submitted to the Reserve Bank for review and approval. Acceptable plans, policies, and procedures and an acceptable engagement letter shall be submitted within the time periods set forth in the Board Agreement. PNC shall adopt the approved plans, policies, and procedures and the approved engagement letter within 10 days of approval by the Reserve Bank and then shall fully comply with them. During the term of the Board Agreement, the approved plans, policies, and procedures and the engagement letter shall not be amended or rescinded without the prior written approval of the Reserve Bank.

10. Within 30 days after the end of each calendar quarter (September 30, December 31, March 31, and June 30) following the date of the Board Agreement, PNC shall furnish a written progress report detailing the form and manner of all actions taken to secure compliance with the provision of the Board Agreement, and the results thereof, to the Reserve Bank.

11. All communications regarding the Board Agreement shall be sent to:

(a) Thomas Whitford
The PNC Financial Services Group, Inc.
249 Fifth Avenue
One PNC Plaza
Pittsburgh, PA 15222-2707

(b) R. Chris Moore
Senior Vice President
Federal Reserve Bank of Cleveland
P.O. Box 6387
Cleveland, OH 44101-1387

12. The provisions of the Board Agreement shall be binding on PNC and each of its institution-affiliated parties in their capacities as such, and their successors and assigns.

13. Each provision of the Board Agreement shall remain effective and enforceable until stayed, modified, terminated, or suspended by the Reserve Bank.

14. Notwithstanding any provision of the Board Agreement, the Reserve Bank may, in its discretion, grant written extensions of time to PNC to comply with any provision of the Board Agreement.

15. The provisions of the Board Agreement shall not bar, estop or otherwise prevent the Board, the U.S. Securities and Exchange Commission or any other federal or state agency or department from taking any other action affecting PNC or any of its current or former institution-affiliated parties and their successors and assigns.

16. The Board Agreement is a "written agreement" for the purposes of, and is enforceable by the Board as an order issued under, section 8 of the FDI Act (12 U.S.C. 1818).

IN WITNESS WHEREOF, the parties have caused the Board Agreement to be executed as of the 12th day of July , 2002.

The PNC Financial Services Group, Inc.	Federal Reserve Bank of Cleveland
By: /s/James E. Rohr	/s/ R. Chris Moore
	R. Chris Moore Senior Vice President

Exhibit 99.2

AGREEMENT BY AND BETWEEN
PNC BANK, NATIONAL ASSOCIATION
PITTSBURGH, PENNSYLVANIA
AND
THE OFFICE OF THE COMPTROLLER OF THE CURRENCY

PNC Bank, National Association, Pittsburgh, Pennsylvania (Bank) and the Comptroller of the Currency of the United States of America (Comptroller) wish to protect the interests of the depositors, other customers, and shareholders of the Bank, and, toward that end, wish the Bank to continue to operate safely and soundly and in accordance with all applicable laws, rules and regulations.

The Comptroller, through his National Bank Examiner, has examined the Bank, and the findings are contained in the Report of Examination, dated December 31, 2001 (ROE).

In consideration of the above premises, and in consideration of the actions that the Bank has voluntarily taken to date to address the matters set forth in the ROE, it is agreed, between the Bank, by and through its duly elected and acting Board of Directors (Board), and the Comptroller, through his authorized representative, that the Bank shall operate at all times in compliance with the articles of this Agreement.

ARTICLE I

(1) This Agreement shall be construed to be a "written agreement entered into with the agency" within the meaning of 12 U.S.C. ss. 1818(b)(1).

(2) This Agreement shall be construed to be a "written agreement between such depository institution and such agency" within the meaning of 12 U.S.C. ss. 1818(e)(1) and 12 U.S.C. ss. 1818(i)(2).

(3) This Agreement shall be construed to be a "formal written agreement" within the meaning of 12 C.F.R. ss. 5.51(c)(6)(ii). See 12 U.S.C. ss. 1831i.

(4) This Agreement shall be construed to be a "written agreement or other written statement for which a violation may be enforced" within the meaning of 12 U.S.C. ss. 1818(u).

(5) All reports or plans which the Bank or Board has agreed to submit to the Deputy Comptroller pursuant to this Agreement shall be forwarded by overnight delivery to:

Grace E. Dailey
Deputy Comptroller
for Large Bank Supervision
Office of the Comptroller of the Currency
250 E Street, S.W.
Mail Stop 6-1
Washington, D.C. 20219

with a copy hand delivered to:

Linda S. Cunningham
Examiner-in-Charge
Office of the Comptroller of the Currency
Two PNC Plaza
Mail Stop P2-PTPP-20-3
620 Liberty Avenue
Pittsburgh, PA 15222-2719

ARTICLE II

STATUS REPORTS

(1) The Board shall submit status reports to the Deputy Comptroller. These reports shall set forth in detail:

(a) actions taken to comply with each Article of this Agreement;

(b) the results of those actions; and

(c) a description of the actions needed to achieve full compliance with each Article of this Agreement.

(2) The status reports should also include any actions initiated by the Board and the Bank in response to the comments contained in the ROE. Prior to the implementation of the requirements of each Article of this Agreement, the Board shall cause to be submitted a copy of

the respective program to the Deputy Comptroller for written determination of no supervisory concern.

(3) The first status report shall be submitted for the period ending September 30, 2002, and will be due within fifteen (15) days of that date. Thereafter, progress reports will be due within ten (10) days after the end of each calendar quarter.

ARTICLE III
MANAGEMENT

(1) Within ninety (90) days after the effective date of this Agreement, the Board shall ensure that the Bank has satisfactory senior managers in place on a full-time basis to carry out the Board's policies, ensure compliance with this Agreement, applicable laws, rules and regulations, and to manage the day-to-day operations of the Bank in a safe and sound manner. Not later than one hundred eighty (180) days after the Bank receives the ROE, the Board shall take all steps necessary to ensure that the Bank is deemed to be "well managed" as that term is defined in 12 C.F.R. ss. 5.39. For purposes of this Agreement, senior managers of the Bank shall be defined as the Bank's Chairman, the Vice Chairman, all Group Executives, the Chief Credit Policy Officer, and the Chief Financial Officer.

(2) If any position mentioned in Paragraph 1 of this Article is vacant now or in the future, including if the Board alters an existing senior manager's authority and/or responsibilities, and a position mentioned in Paragraph 1 of this Article becomes vacant, the Board shall, within ninety (90) days of such vacancy, submit to the Deputy Comptroller for a written determination of no supervisory objection a capable person for the vacant position who shall be vested with sufficient executive authority to ensure the Bank's compliance with this

Agreement and the safe and sound operation of functions within the scope of that position's responsibility. Prior to the appointment of any individual to a senior manager's position, the Bank shall secure the written determination of no supervisory objection from the Deputy Comptroller regarding such appointment, unless the Deputy Comptroller provides a written waiver of this requirement.

(3) The requirement to submit information and the obligation to secure a written determination of no supervisory objection are based on the authority of 12 U.S.C. ss. 1818(b) and do not require the Comptroller to complete his review and act on any such information or authority within ninety (90) days.

ARTICLE IV

RISK MANAGEMENT

(1) Within sixty (60) days after the effective date of this Agreement, Bank management shall submit to the Board for its review and approval a written plan to enhance the overall risk exposure of the Bank and risk management culture of the Bank. The Board and management shall take all necessary steps designed to ensure the implementation of and compliance with this plan. The risk management plan shall include or provide for, at a minimum, the following:

(a) Development of a desired risk profile, consistent with the Bank's overall strategic plan and financial condition, for: (i) the Bank as a whole; (ii) by risk type; and (iii) for all corporate and business line levels.

(b) Enhanced policies and procedures consistent with the Bank's desired risk profile to identify, assess, manage and monitor risk exposures of the Bank,

including risks associated with any new lines of business or significant acquisitions. The procedures shall ensure that strategic direction and risk tolerances are communicated throughout the Bank.

(c) Creation and implementation of a formal written plan to align the Bank with its desired risk profile, including the development of written plans with time frames addressing how the Bank will mitigate risks where exposure is high.

(d) Enhancements in management information systems, so that all material changes in corporate and business line risk profiles are apparent to, and can be addressed by, both the Board and senior management. Each business line must quantitatively and/or qualitatively measure and monitor risk, so that risk levels can be aggregated for the corporation, and reported to management and the Board.

(e) Establishment of risk-return metrics (benchmarks) for each corporate and business line of the Bank to provide pertinent parties within the Bank, including the Board, with prior notice and a reasonable opportunity to review whatever appropriate action should be taken when a metric(s) is at risk of being transgressed.

(f) Revisions to the Bank's performance management and compensation systems to reflect accountability for compliance with the Bank's risk management objectives.

(g) Formalization and implementation of an enhanced Key Business Initiative (KBI) process designed to ensure compliance with the KBI and to ensure

that the risks for a contemplated new product or service are commensurate with the risk profile for: (i) the Bank as a whole; (ii) all pertinent risk categories; and (iii) for the pertinent corporate or business line.

ARTICLE V

CREDIT ADMINISTRATION AND CREDIT RISK

(1) Within sixty (60) days after the effective date of this Agreement, Bank management shall submit to the Board for its review and approval, and the Board shall ensure Bank adherence to a written program designed to enhance the credit administration and management of the credit risk of the Bank. The program shall include, but not be limited to:

(a) Development of a well-defined, long-term written strategy for the Bank's future lending activities.

(b) Implementation of procedures designed to ensure the use of available portfolio management tools in credit decisions and credit reviews.

(c) Refinement of the Bank's valuation model to include industry risk in the pricing of individual credits.

(d) Execution of a strategic initiative designed to reduce troubled assets on the Bank's books.

(e) Implementation of enhanced procedures that result in accurate risk ratings being assigned to existing and future credit relationships and that enable the Bank to identify and correct deficiencies in the risk rating process.

(f) Enhancements to the Bank's independent loan review system to review the Bank's loan and lease portfolios designed to ensure that the Bank is identifying and categorizing its problem credits on a timely basis.

(2) Within sixty (60) days after the effective date of this Agreement, Bank management shall submit to the Board for review and approval, and the Board shall implement and thereafter ensure Bank adherence to a written program that provides timely updates and appropriate revisions to the Bank's Allowance for Loan and Lease Losses (ALLL) model, and the maintenance by the Bank at all times of an adequate ALLL.

ARTICLE VI

FINANCIAL SUBSIDIARIES SAFEGUARDS

(1) Not later than sixty (60) days after the effective date of this Agreement, the Bank shall have in place all necessary policies, procedures and practices to ensure that the Bank is appropriately insulated from any financial or operational risks associated with the Bank's establishment of financial subsidiary(ies).

(2) Not later than sixty (60) days after the effective date of this Agreement, the Bank shall have in place all necessary policies, procedures and practices to ensure that the Bank's separate corporate identity and limited liability are preserved vis-a-vis its financial subsidiaries.

ARTICLE VII

CONCLUDING PROVISIONS

(1) It is expressly and clearly understood that if, at any time, the Comptroller deems it appropriate in fulfilling the responsibilities placed upon him by the several laws of the United

States of America to undertake any action affecting the Bank, nothing in this Agreement shall in any way inhibit, estop, bar, or otherwise prevent the Comptroller from so doing.

(2) Any time limitations imposed by this Agreement shall begin to run from the effective date of this Agreement. Such time requirements may be extended in writing by the Comptroller or his duly authorized representative for good cause upon written application by the Board.

(3) The provisions of this Agreement shall be effective upon execution by the parties hereto and its provisions shall continue in full force and effect unless or until such provisions are amended in writing by mutual consent of the parties to the Agreement or excepted, waived, or terminated in writing by the Comptroller.

(4) To the extent that any of the provisions of this Agreement conflict with the terms found in any existing agreement between the Comptroller and the Bank, including the Decision of the Office of the Comptroller of the Currency on the Application to Charter the Bank, the provisions of this Agreement shall control.

(5) In each instance in this Agreement in which the Board is required to ensure adherence to, and undertake to perform certain obligations of the Bank, it is intended to mean that the Board shall: (i) authorize and adopt such actions on behalf of the Bank as may be necessary for the Bank to perform its obligations and undertakings under the terms of this Agreement; (ii) require the timely reporting by Bank management of such actions directed by the Board to be taken under the terms of this Agreement; (iii) follow-up on any non-compliance with such actions in a timely and appropriate manner; and (iv) require corrective action be taken in a timely manner of any non-compliance with such actions.

(6) This Agreement does not form, and may not be construed to form, a contract binding on the OCC or the United States. Notwithstanding the absence of mutuality of obligation, or of consideration, or of a contract, the OCC may enforce any of the commitments or obligations herein undertaken by the Bank under its supervisory powers, including 12 U.S.C. ss. 1818(i), and not as a matter of contract law. The Bank expressly acknowledges that neither the Bank nor the OCC has any intention to enter into a contract. The Bank also expressly acknowledges that no OCC officer or employee has statutory or other authority to bind the United States, the U.S. Treasury Department, the OCC, or any other federal bank regulatory agency or entity, or any officer or employee of any of those entities to a contract affecting the OCC's exercise of its supervisory responsibilities. The terms of this Agreement, including this paragraph, are not subject to amendment or modification by any extraneous expression, prior agreements or arrangements, or negotiations between the parties, whether oral or written.

IN TESTIMONY WHEREOF, the undersigned, authorized by the Comptroller, has hereunto set his hand on behalf of the Comptroller.

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Grace E. Dailey Deputy Comptroller for Large Bank Supervision Office of the Comptroller of the Currency	Date

IN TESTIMONY WHEREOF, the undersigned, as the duly elected and acting Board of Directors of the Bank, have hereunto set their hands on behalf of the Bank.

James E. Rohr Chairman of the Board and Chief Executive Officer	Date
Paul W. Chellgren Director	Date
Robert N. Clay Director	Date
George A. Davidson, Jr. Director	Date
David F. Girard di-Carlo Director	Date
Walter E. Gregg, Jr. Director	Date
William R. Johnson Director	Date

Bruce C. Lindsay Director	Date
Thomas H. O'Brien Director	Date
Jane G. Pepper Director	Date
Lorene K. Steffes Director	Date
Dennis F. Strigl Director	Date
Thomas J. Usher Director	Date
Milton A. Washington Director	Date
Helge H. Wehmeier Director	Date

Exhibit 99.3

UNITED STATES OF AMERICA
BEFORE THE
SECURITIES AND EXCHANGE COMMISSION

SECURITIES ACT OF 1933
Release No.

SECURITIES EXCHANGE ACT OF 1934
Release No.

Accounting and Auditing Enforcement
Release No.

ADMINISTRATIVE PROCEEDING
File No.

In the Matter of	
THE PNC FINANCIAL SERVICES GROUP, INC.,	ORDER INSTITUTING PUBLIC ADMINISTRATIVE PROCEEDINGS PURSUANT TO SECTION 8A OF THE SECURITIES ACT OF 1933 AND SECTION 21C OF THE SECURITIES EXCHANGE ACT OF 1934, MAKING FINDINGS AND IMPOSING CEASE AND DESIST ORDER
Respondent	

I.

The Securities and Exchange Commission ("Commission") deems it appropriate that public administrative proceedings be, and hereby are, instituted pursuant to Section 8A of the Securities Act of 1933 ("Securities Act") and Section 21C of the Securities Exchange Act of 1934 (the "Exchange Act") to determine whether The PNC Financial Services Group, Inc., Pittsburgh, Pennsylvania, a bank holding company ("PNC"), violated or caused violations of Sections 17(a)(2) and 17(a)(3) of the Securities Act, Sections 10(b), 13(a) and 13(b)(2)(A) of the Exchange Act and Exchange Act Rules 10b-5, 12b-20, 13a-1 and 13a-13.

II.

In anticipation of the institution of these administrative proceedings, PNC has submitted to the Commission an Offer of Settlement of The PNC Financial Services Group, Inc. ("Offer") that the Commission has determined to accept.

Solely for the purposes of these proceedings, and for any other proceeding brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings set forth below, except as to the jurisdiction of the Commission over it and over the subject matter of these proceedings, which PNC admits, PNC consents to the entry by the Commission of the Order Instituting Public Administrative Proceedings Pursuant to Section 8A of the Securities Act of 1933 and Section 21C of the Exchange Act of 1934, Making Findings and Imposing Cease-and-Desist Order (the "Commission Order"). The Commission has determined that it is appropriate to accept the Offer and accordingly is issuing this Commission Order.

III.

Accordingly, IT IS HEREBY ORDERED, that administrative proceedings pursuant to Section 8A of the Securities Act and Section 21C of the Exchange Act be, and they hereby are, instituted.

IV.

COMMISSION FINDINGS

On the basis of the Commission Order and PNC's Offer, the Commission finds that:

A. SUMMARY

In 2001, PNC endeavored to remove certain loans and venture capital investments from its financial statements by transferring them to certain entities that were specially created to receive these assets and in which PNC held a substantial interest. PNC made these transfers in order to reduce its exposure to loan losses and venture capital investment losses. PNC intended that the entities receiving these assets be regarded as "special purpose entities" under generally accepted accounting principles ("GAAP") that would not have to be consolidated with PNC. For the second and third quarters of 2001, PNC filed regulatory reports and financial statements with the Board of Governors of the Federal Reserve System ("Board") and with the Commission that did not consolidate these entities. PNC also made statements in its filings with the Commission and in certain press releases that described a strategy of

turning its corporate focus away from commercial lending, and reducing its loan exposure.

PNC's accounting with respect to these entities was improper under GAAP, and PNC made materially false and misleading disclosures in its filings with the Commission and in press releases about its financial condition and performance, including, among other things, a material overstatement of its 2001 earnings. PNC's failure to account properly for these transactions, and its false and misleading disclosures, created a materially inaccurate picture that it was reducing its exposure to commercial lending and venture capital activities, and the risks attendant thereto, when in fact it remained exposed to the risks presented by the assets transferred to the special purpose entities. Further, PNC's books and records were inaccurately maintained in connection with these transactions. Accordingly, PNC violated the financial reporting, recordkeeping and antifraud provisions of the federal securities laws.

B. RESPONDENT

The PNC Financial Services Group, Inc. is a Pennsylvania corporation, with its principal place of business in Pittsburgh, Pennsylvania. PNC is a bank holding company and is the holding company for PNC Bank, National Association ("PNC Bank") and other bank and nonbank subsidiaries. PNC operates community banking, corporate banking, real estate finance, asset-based lending, wealth management, asset management and global fund services businesses. PNC's primary geographic markets are in Pennsylvania, New Jersey, Delaware, Ohio and Kentucky. Certain of PNC's securities are registered with the Commission pursuant to Section 12(b) of the Exchange Act and listed on the New York Stock Exchange.

C. FACTS

1. STRUCTURE AND ACCOUNTING TREATMENT OF SPECIAL PURPOSE ENTITY TRANSACTIONS

During 2001, PNC entered into three transactions (each a "PAGIC transaction") intended to transfer certain loans and venture capital assets from its balance sheet to other entities (each a "PAGIC entity"). These transactions were sponsored by an insurance company. Each PAGIC transaction involved the creation of two limited liability companies, one of which sold a substantial ownership interest to PNC and a minority ownership interest to the insurance company. With funds received in exchange for its shares, each PAGIC entity purchased loans or venture capital assets from PNC; some assets were acquired directly in exchange for shares. Many of the loans and assets transferred by PNC were volatile, troubled or nonperforming.

In each of the second, third and fourth quarters of 2001, PNC entered into a PAGIC transaction. In its original regulatory and financial reports filed with the Board

and the Commission for the second and third quarters of 2001, PNC treated the loans and other assets transferred to PAGIC entities as if they were no longer assets of PNC, that is, no longer held anywhere within PNC, as a consolidated bank holding company. PNC intended that, as a result of the PAGIC transactions, PNC's balance sheet would reflect a reduction in exposure to troubled loans and volatile assets. PNC also intended, as a result of the PAGIC transactions, not to charge losses on the loans and other assets transferred to the PAGIC entities against its income. In addition, the PAGIC transactions were structured to allow PNC to benefit over a period of time from any improvement in the value of the transferred assets. Thus, the PAGIC transactions were an effort to eliminate PNC's risk of loss on the transferred loans and other assets, while allowing it to benefit from any long-term improvement in their values. Had PNC continued to include these transferred assets in its financial statements, it would have been required to reflect in its financial statements any losses incurred and the benefit of any improvement in the value of these assets.

In sum, PNC transferred a total of approximately $762 million in loan and venture capital assets to the PAGIC entities, and PNC received preferred stock from the three PAGIC entities in exchange. PNC continued to service the loans and other assets transferred to the PAGIC entities. A substantial portion of the loans and other assets were volatile, troubled or nonperforming, and PNC would otherwise have had to evaluate them periodically and potentially re-value them with consequent effects on PNC's earnings.

The PAGIC entities were specifically created for the purposes of the PAGIC transactions and were intended to be treated by PNC as off-balance sheet "special purpose entities" under GAAP. PNC's ability under GAAP to account for its financial condition as if it no longer owned the assets transferred to the PAGIC entities depended upon whether or not the transactions complied with the GAAP requirements for nonconsolidation of special purpose entities. As is discussed in greater detail below, at the times PNC entered into the PAGIC transactions, GAAP required that an independent third party be the majority owner of each PAGIC entity, that the independent third party provide a substantive capital investment in and have control of the PAGIC entity, and that the majority owner have substantive risks and rewards of ownership of the PAGIC entity.

In fact, none of the PAGIC transactions complied with these GAAP requirements for nonconsolidation of special purpose entities. Therefore, PNC's second and third quarter 2001 regulatory reports and financial statements were not presented in conformity with GAAP. In short, PNC improperly treated the transfers of assets to the PAGIC entities as sales, when it should have consolidated the assets of the PAGIC entities in its regulatory reports and financial statements. This failure to consolidate resulted, among other things, in (a) a material overstatement of PNC's earnings per share for the third quarter of 2001 by 21.4%, (b) a material understatement of PNC's fourth quarter 2001 loss per share of 25% in a press release, (c) material understatements

of the amounts of PNC's nonperforming loans and nonperforming assets, and (d) material overstatements of the amounts of reductions in loans held for sale and overstatements in the amounts of securities available for sale. A further consequence of PNC's improper accounting was that PNC materially overstated 2001 earnings per share in a press release issued on January 17, 2002 by 52%.

In connection with its improper accounting, PNC also made materially false and misleading disclosures in certain press releases and in Forms 10-Q filed with the Commission for the second and third quarters of 2001, concerning aspects of its financial condition affected by the PAGIC transactions. These disclosures created a picture that materially overstated the extent to which PNC was moving its corporate focus away from commercial lending and reducing its exposure to the risks attendant to commercial lending and venture capital activities. In early 2002, PNC decided to restate its financial statements for the second and third quarters of 2001, and to revise its earnings for the fourth quarter of and full year 2001. PNC thereafter filed amended Forms 10-Q for the second and third quarters of 2001, and a Form 10-K for 2001.

2. PAGIC I

In the first PAGIC transaction ("PAGIC I"), which closed on June 28, 2001,(1) the insurance company, through a subsidiary, organized the special purpose entity as a Delaware limited liability company ("PAGIC I LLC"). At closing, the insurance company received $36,576 of PAGIC I LLC's Class B common stock and $11,558,940 of its Class B preferred stock in exchange for a cash contribution of $11,595,517. PNC, through a nonbank subsidiary, contributed $365.8 million in cash to PAGIC I LLC and received $365.8 million of Class A preferred stock.

PNC's Class A preferred stock was noncumulative, nonvoting, and convertible, and was mandatorily redeemable at its face amount of $365.8 million in 30 years. No Class A common stock was issued at the closing of PAGIC I, but PNC could convert its Class A preferred stock at any time into Class A common stock. The Class A common stock, if issued, would confer on PNC 99.99% of the common shares, but those Class A common shares could only be voted to cause an orderly liquidation of PAGIC I LLC.

The cash contributed by the insurance company to PAGIC I LLC in exchange for shares was used to purchase investment grade assets, primarily bonds. The insurance company's Class B preferred stock was entitled to a variable dividend, which consisted of the cash earnings of the investment grade securities purchased with the insurance company's contribution. If PNC converted its Class A preferred stock to Class A common stock and then voted to liquidate PAGIC I LLC, the insurance company's Class B preferred stock was entitled to a liquidation preference up to $11,463,424.

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(1) PAGIC I was the prototype for the two subsequent PAGIC transactions. Although there were some minor variations in the deals, the terms and the accounting results were essentially the same.

The insurance company's Class B common stock purported to give it control over the affairs of PAGIC I LLC (except for a decision to liquidate PAGIC I LLC once PNC converted its Class A preferred stock to Class A common stock), including among other things the authority to decide whether or not to declare dividends on the Class A preferred stock held by PNC. The insurance company could not liquidate PAGIC I LLC during the first five years of its existence, except with PNC's consent. PNC, on the other hand, could cause a liquidation of PAGIC I LLC at any time, and without penalty after five years, by converting its Class A preferred stock to Class A common stock and voting this common stock in favor of liquidation.

PNC's cash contribution to PAGIC I LLC was used as follows: (a) approximately $285 million was used to purchase troubled commercial loans and unfunded commitments from PNC Bank, (b) approximately $78 million was used to purchase a zero-coupon U.S. Treasury security that would mature in 30 years in its face amount of $365 million, and (c) approximately $3 million was used as an expense account and to pay a $2.7 million management fee to the insurance company at the closing of PAGIC I. While the Class A preferred stock held by PNC bore a dividend, that dividend was noncumulative, had to be paid from the cash (if any) derived from the loans held by PAGIC I LLC, and was payable only if there were sufficient funds available after, among other things, the annual payment of the management fee to the insurance company, and then only if the insurance company declared dividends on it. If the loans PNC had transferred to PAGIC I LLC improved in value, PNC could recapture the benefit of that improvement by converting its Class A preferred stock to Class A common stock and voting to liquidate PAGIC I LLC.2

PAGIC I LLC was required to pay the insurance company a management fee of approximately $2.7 million per year for the first five years of PAGIC I LLC's existence, and 75 basis points (i.e., 0.75%) of the total assets of PAGIC I LLC (excluding the investment grade securities underlying the insurance company's Class B preferred) per year thereafter. As legally required by the closing documents for PAGIC I, PAGIC I LLC paid the insurance company the first year's management fee in advance, on the date of closing of PAGIC I, June 28, 2001. In addition to the up-front management fee for the first year, PAGIC I LLC was obligated to pay at the beginning of each of the succeeding four years to the insurance company an annual management fee equal to the amount of the up-front fee. This feature of the transaction enabled the insurance company to receive back more than the amount of its initial capital investment within four years.

Although a subsidiary of the insurance company was the managing member of PAGIC I LLC, the insurance company's involvement in the business and management

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2 In a PNC-triggered liquidation, the insurance company would receive up to $11,463,424. PNC would hold only Class A common stock and would receive 99.99% of the residual value of PAGIC I LLC, including the increased value of the loans it had transferred to PAGIC I LLC. During the existence of PAGIC I LLC, PNC had a right of first refusal as to any loans that PAGIC I LLC sold.

of PAGIC I LLC was mostly passive. PNC Bank, PNC's principal banking subsidiary, serviced the loans transferred to PAGIC I LLC for a loan servicing fee of 50 basis points (i.e., 0.5%) of the aggregate loan amounts, or approximately $1.5 million per year. PNC Bank retained the relevant loan records and established bank accounts for loan collections. As the loan servicer, PNC Bank received payments, was responsible for valuing the loans on an annual basis, and developed action plans for managing the workout of the loans. The insurance company's actual management of PAGIC I LLC was limited, at best.

PAGIC I LLC's initial structure immediately after closing was as follows:

PAGIC I LLC'S INITIAL STRUCTURE

ASSETS	EQUITY
$11,595,517 investment grade securities	$365,800,000 Class A Pref. (PNC)
$284,531,570 commercial loans (unfunded commitments and principal)	$11,558,940 Class B Pref. (Ins. Co.)
$78,425,539 30-yr. zero-coupon Treasury	$36,576 common (Ins. Co.)
$2,842,891 (cash used to pay management fee and expenses)	
$377,395,516 TOTAL	$377,395,516 TOTAL

On its financial statements, PNC recorded the Class A preferred stock received from PAGIC I LLC as debt securities available for sale, while removing from the loan portfolio of PNC Bank the loans that were transferred to PAGIC I LLC.

PNC intended that the structure of the PAGIC I transaction would allow it not to recognize losses from the loans and other assets it had transferred to PAGIC I LLC. PNC understood that, had those loans remained on its books, it would have had to recognize such losses in its earnings.

3. PAGICS II AND III

On September 27, 2001 and November 30, 2001, PNC entered into similar transactions ("PAGIC II" and "PAGIC III") with two other special purpose entities ("PAGIC II LLC" and "PAGIC III LLC"). These two special purposes entities were also established by a subsidiary of the insurance company and issued shares in exchange for contributions.

In PAGIC II, PAGIC II LLC received from PNC Bank a total of $538,816,528: $326,896,933 in loans and $211,919,595 in cash. In exchange, PAGIC II LLC issued to PNC Bank shares of Class A preferred stock in PAGIC II LLC. PNC Bank immediately assigned these shares to the same nonbank subsidiary of PNC that held shares of PAGIC I LLC, and the shares were maintained on PNC's books as debt securities available for sale. The terms of the Class A preferred stock in PAGIC II LLC were very similar to the terms of the PAGIC I LLC Class A preferred, and PNC Bank entered into an agreement to continue to service the transferred loans. The cash contribution was used to cover unfunded commitments and letters of credit with respect to the loans ($89,493,162), the purchase of a zero-coupon Treasury bond ($118,493,760), expenses, and the first year's management fee ($3,682,672, payable at closing to the insurance company).

The insurance company contributed $16,918,904 in cash to PAGIC II LLC and received Class B common stock and Class B preferred stock, which had terms very similar to those of the PAGIC I LLC Class B stock. PAGIC II LLC used the insurance company's cash contribution to purchase investment grade securities. The insurance company was the managing member of PAGIC II LLC, and PAGIC II LLC was required to pay the insurance company a management fee at the closing and periodically thereafter.

In PAGIC III, PNC nonbank subsidiaries contributed approximately $252 million in cash and equity assets (including venture capital investments and related commitments) to PAGIC III LLC in exchange for Class A preferred stock. PNC recorded the Class A shares as debt securities available for sale. A nonbank subsidiary of PNC was retained to service the venture capital assets. PNC's cash contribution was used to cover certain unfunded commitments, to purchase a Treasury zero-coupon bond, and to cover expenses, including the first year's management fee of $1,716,950 payable at closing to the insurance company. PAGIC III LLC also purchased a guaranteed investment contract from the insurance company, which could be drawn upon to satisfy unfunded commitments.

The insurance company contributed $8,021,417 in cash to PAGIC III LLC in exchange for Class B common and preferred stock. The cash contribution was used to purchase investment grade securities, as in PAGICs I and II. As in the earlier PAGIC transactions, the insurance company was the managing member of PAGIC III LLC, and

PAGIC III LLC was required to pay the insurance company a management fee at the closing and periodically thereafter.

4. PNC'S FORM 10-Q FOR THE QUARTER ENDED JUNE 30, 2001

In a Form 10-Q filed with the Commission on August 14, 2001, PNC disclosed its financial performance and financial condition for the second quarter of 2001. PNC did not include on its balance sheet, as set forth in this Form 10-Q, the assets it transferred to PAGIC I LLC, but did include its holdings of PAGIC I LLC Class A preferred stock on its balance sheet, in the line item entry for securities available for sale. The PNC Form 10-Q for the quarter ended June 30, 2001 stated:

> During the first quarter of 2001, the Corporation announced the decision to downsize the communications portfolio and certain portions of the energy, metals and mining and large corporate portfolios. The designated loans are included in Corporate Banking business results in both periods presented. Management continues to evaluate opportunities to reduce lending exposure and improve the risk/return characteristics of this business.
>
> ...
>
> Loans were $44.2 billion at June 30, 2001, a $6.4 billion decrease from year-end 2000 primarily due to residential mortgage loan securitizations and reductions in most commercial loan categories as a result of continuing efforts to reduce balance sheet leverage.

The second quarter Form 10-Q also stated that PNC had $374 million in nonperforming loans and $390 million in total nonperforming assets. These figures did not include $84 million in nonperforming assets among the $257 million of loans that PNC had transferred to PAGIC I LLC.

PNC's second quarter Form 10-Q did not provide any disclosure concerning the PAGIC I transaction.

5. PNC'S SEPTEMBER 18, 2001 REGISTRATION STATEMENT

On September 18, 2001, PNC filed with the Commission a registration statement on Form S-3 (the "September 18, 2001 registration statement") that would allow it to offer and sell approximately $4 billion of common stock, preferred stock, warrants, guarantees, depositary shares and debt securities. This filing was for a shelf registration of these securities, such that PNC could offer and sell the registered securities from time to time pursuant to applicable rules of the Commission. The September 18, 2001

registration statement incorporated by reference, among other things, the Form 10-Q filed with the Commission by PNC for the second quarter of 2001.

6. PNC'S PRESS RELEASE AND FORM 10-Q FOR THE QUARTER ENDED SEPTEMBER 30, 2001

In a press release issued on October 18, 2001 and in a Form 10-Q filed with the Commission on November 14, 2001, PNC disclosed its financial performance and financial condition for the third quarter of 2001. In both the press release and the Form 10-Q, PNC did not include on its balance sheet the assets it transferred to PAGIC I LLC and PAGIC II LLC, but did include its holdings of PAGIC I LLC and PAGIC II LLC Class A preferred stock in its line item entry for securities available for sale.

a. THE OCTOBER 18, 2001 PRESS RELEASE

In the October 18, 2001 press release, PNC announced that its earnings per share for the third quarter of 2001 were $1.02. The press release noted, "Loans declined $8.5 billion from December 31, 2000 to $42.1 billion at September 30, 2001 as a result of ongoing efforts to reduce lending leverage." The press release later noted, "Total assets were $71.9 billion at September 30, 2001 compared with $69.9 billion at September 30, 2000. Average interest-earning assets were $57.9 billion for the third quarter of 2001 compared with $59.7 billion for the third quarter of 2000. The decrease was primarily due to a $2.5 billion decrease in commercial loans related to initiatives to downsize certain higher-risk, non-strategic portfolios."

The October 18, 2001 press release further stated that PNC had $361 million in nonperforming loans and $374 million in total nonperforming assets. These figures did not include a total of $207 million in nonperforming assets among the assets that PNC had transferred to PAGIC I LLC and PAGIC II LLC.

This release made no mention of any of the PAGIC transactions into which PNC had entered by October 18, 2001 (i.e., PAGICs I and II).

b. PNC'S OCTOBER 25, 2001 PROSPECTUS

Certain financial results set forth in the October 18, 2001 press release were also set forth in a prospectus relating to an offering made pursuant to the September 18, 2001 registration statement, which prospectus was filed with the Commission on October 25, 2001 and utilized in the offer and sale of approximately $1 billion of debt securities on or about October 29, 2001. In particular, the prospectus announced that PNC's earnings per share for the third quarter of 2001 were $1.02.

C. THE THIRD QUARTER FORM 10-Q

The PNC Form 10-Q for the quarter ended September 30, 2001 reported that PNC's earnings per share for that quarter were $1.02 per share. The Form 10-Q also stated:

> Loans were $42.1 billion at September 30, 2001, a decrease of $8.5 billion from year-end 2000 primarily due to residential mortgage loan securitizations and reductions in most commercial loan categories as a result of continuing efforts to reduce balance sheet leverage.
> ...
>
> At September 30, 2001, the securities available for sale balance included a net unrealized gain of $79 million, which represented the difference between fair value and amortized cost. The comparable amount at December 31, 2000 was a net unrealized loss of $54 million. Net unrealized gains and losses in the securities available for sale portfolio are included in accumulated other comprehensive income or loss, net of tax or, for the portion attributable to changes in a hedged risk as part of a fair value hedge strategy, in net income.

The third quarter Form 10-Q stated that PNC had $361 million in nonperforming loans and $374 million in total nonperforming assets. These figures did not include a total of $207 million in nonperforming assets among the $592 million of troubled assets that PNC had transferred to PAGIC I LLC and PAGIC II LLC.

This Form 10-Q did not provide any disclosure concerning the PAGIC transactions into which PNC had entered by the date the Form 10-Q was filed, November 14, 2001 (i.e., PAGIC I and PAGIC II).

7. BANK HOLDING COMPANY SUPERVISORS RAISE CONCERNS ABOUT PAGIC TRANSACTIONS

During the summer and fall of 2001, PNC had incomplete communications about the PAGIC transactions with the Board, and the Federal Reserve Bank of Cleveland (the "Reserve Bank"). On October 23, 2001, the staff of the Reserve Bank sent PNC a letter raising various accounting issues and requesting additional information about the PAGIC I transaction. PNC responded in writing to this letter on December 12, 2001. The response addressed only the PAGIC I transaction. Shortly before sending the response, PNC informed the Reserve Bank that it previously had closed the PAGIC III transaction.

8. PNC'S DECEMBER 6, 2001 REGISTRATION STATEMENT

On December 6, 2001, PNC filed with the Commission a registration statement on Form S-8, in order to register the offer and sale of certain shares of common stock. This registration statement incorporated by reference the Forms 10-Q filed by PNC with the Commission for the second and third quarters of 2001.

9. PNC'S JANUARY 17, 2002 PRESS RELEASE

On January 11, 2002, Board staff directed PNC to consolidate PAGIC I LLC, PAGIC II LLC, and PAGIC III LLC on its bank holding company regulatory reports for 2001. On January 15, 2002, a meeting was held with senior management of PNC and staff of the Board to further explain in detail the basis of the Board's directive to consolidate PAGIC I LLC, PAGIC II LLC, and PAGIC III LLC. The Board advised PNC that nonconsolidation was not appropriate.

On January 17, 2002, PNC issued a press release announcing its fourth quarter and full-year 2001 financial results. In this release, PNC stated that its earnings per share for 2001 were $1.91, and that its fourth quarter loss would be ($1.15) per share. PNC also stated that it had reduced its institutional loan portfolio through, among other things, "sales of institutional loans to subsidiaries of a third party financial institution." The release went on to note that, "[v]enture capital assets were reduced to $424 million through a sale to a subsidiary of the same institution . . . ."

The January 17, 2002 press release also presented a table setting forth PNC's nonperforming assets by type, which included a total of $268 million in nonperforming assets as of December 31, 2001. The release went on to state that "[e]xcluded from the above table and reflected below are . . . certain assets sold to subsidiaries of a third party financial institution. These assets will be included in nonperforming assets in PNC's bank holding company regulatory filings." The filings to which this release referred were filings to be made by PNC with the Board as required by the federal banking laws. The release continued by disclosing that the amounts of nonperforming assets sold to the subsidiaries of the third party financial institution were $84 million as of June 30, 2001, $207 million as of September 30, 2001 and $172 million as of December 31, 2001. This was the first time that PNC publicly disclosed the amounts of the nonperforming assets among the assets it had transferred to the PAGIC entities, although it did not incorporate them into the table for nonperforming assets.

The January 17, 2002 press release did not consolidate the assets of the three PAGIC special purpose entities into PNC's financial statements. It also did not set forth any explanation why consolidation might be appropriate for PNC's bank regulatory filings but not for filings made with the Commission. Furthermore, it did not disclose the impact consolidation might have on PNC's announced 2001 earnings of $1.91 per share.

10. PNC ANNOUNCES A RESTATEMENT WITH RESPECT TO PAGIC ENTITIES

On the morning of January 29, 2002, PNC announced that it would revise its fourth quarter financial results and restate its second and third quarter 2001 financial statements to reflect the consolidation of PAGIC I LLC, PAGIC II LLC, and PAGIC III LLC. It also disclosed that consolidation would result in a reduction of 2001 income by $155 million, equivalent to a drop of earnings per share of 38%, from $1.91 per share to $1.38 per share.(3) After PNC made this announcement, the market price of PNC common stock fell from a closing price of $61.87 on January 28, 2002 to $56.08 on January 29, 2002 (equivalent to a 9.4% drop), with a further drop the next day, January 30, 2002, to a closing price of $55.71 (equivalent to a two-day drop of 10%).

11. PNC FILES ITS RESTATED FINANCIAL RESULTS

On March 29, 2002, PNC filed amended Forms 10-Q for the quarters ended June 30, 2001 and September 30, 2001 that included restated financial results. The amended Form 10-Q for the quarter ended September 30, 2001 set forth PNC's restated financial results for the third quarter of 2001, including, among other things, PNC's earnings per share for this quarter, which were $0.84 per share (approximately 18% less than the $1.02 per share reported in PNC's original Form 10-Q for this quarter).

Also on March 29, 2002, PNC filed its Form 10-K for the full year 2001. This filing revealed that PNC's earnings per share for the year were $1.26, (which meant that the $1.91 per share figure originally announced by PNC on January 17, 2002 was overstated by 52%, and that the $1.38 per share figure announced by PNC on January 29, 2002 was 10% overstated). This filing also revealed that the actual fourth quarter loss for PNC was ($1.52) per share, or 25% greater than the ($1.14) per share loss for the fourth quarter originally disclosed in PNC's January 3, 2002 press release and 24% greater than the ($1.15) per share fourth quarter loss announced in PNC's January 17, 2002 press release. Furthermore, the Form 10-K disclosed that PNC had charged $240 million against pre-tax income as a result of valuation write-downs relating to consolidation of the PAGIC entities.

D. DISCUSSION

Section 10(b) of the Exchange Act and Rule 10b-5 thereunder prohibit, among other things, the making of material misrepresentations or omissions, with scienter, in connection with the purchase or sale of any security. Section 10(b) of the Exchange Act and Rule 10b-5 thereunder also make it unlawful to make any untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements

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(3) PNC subsequently disclosed in its Form 10-K for 2001 that its earnings per share for the full year 2001 were $1.26.

made, in the light of the circumstances under which they were made, not misleading. A statement is deemed material if there is a "substantial likelihood that a reasonable investor would consider it important" in deciding whether to purchase or sell securities or that a reasonable investor would have viewed disclosure of the omitted fact as altering the "total mix" of information available. Basic Inc. v. Levinson, 485 U.S. 224, 231-32 (1988). Sections 17(a)(2) and 17(a)(3) of the Securities Act make it unlawful, in the offer or sale of securities, by the use of any means or instruments of transportation or communication in interstate commerce, or the mails, to obtain money or property by means of an untrue statement of a material fact or any omission to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading, or to engage in any transaction, practice, or course of business which operates or would operate as a fraud or deceit upon the purchaser.

Section 13(a) of the Exchange Act requires issuers of registered securities to file periodic reports with the Commission containing information prescribed by specific Commission rules. Rule 13a-1 requires the filing of annual reports on Form 10-K. Rule 13a-13 requires the quarterly filing of a Form 10-Q. Rule 12b-20 requires, in addition to information required by Commission rules to be included in periodic reports, such further material information as may be necessary to make the required statements not misleading. These reports are required to be complete and accurate. See SEC v. Savoy Industries, 587 F.2d 1149, 1165 (D.C. Cir. 1978). Under both the federal banking laws(4) and the federal securities laws,(5) PNC is, and was at all relevant times, required to comply with GAAP in its filings with the Board and with the Commission.

Section 13(b)(2)(A) of the Exchange Act requires issuers to "make and keep books, records, and accounts, which in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the issuer." "A company's `books and records' include not only general ledgers and accounting entries, but also memoranda and internal corporate reports." In the Matter of Gibson Greetings, Inc., Ward A. Cavanaugh, and James H. Johnsen, Admin. Proc. File No. 3-8866, Release No. 34-36357, 60 SEC Docket 1401 (Oct. 11, 1995).

PNC's accounting for the PAGIC transactions did not conform to GAAP. PNC's failure to account properly for the PAGIC transactions resulted in a material overstatement of its earnings for the third quarter of 2001, among other things. The false and misleading disclosures it made in its Forms 10-Q for the second and third quarters of 2001 created a materially inaccurate picture of the extent to which it was reducing its exposure to commercial lending activities, and the risks attendant thereto. As is discussed below, GAAP required PNC to consolidate the assets of the PAGIC

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(4) See, instructions to Form Y-9C.
(5) 17 C.F.R.ss.210.4-01(a)(1).

entities. This meant PNC remained exposed to the risks presented by the assets transferred to the PAGIC entities, and to the possibility of charges against its earnings for losses arising from those assets. Furthermore, PNC offered and sold securities in the fall of 2001 by means of registration statements that incorporated by reference one or both of its Forms 10-Q for the second and third quarters of 2001 and a prospectus that materially overstated its third quarter earnings and otherwise inaccurately portrayed its financial performance.

In addition, PNC recklessly made materially false and misleading disclosures in its January 17, 2002 press release about its financial condition, including, among other things, a material overstatement of its 2001 earnings.

PNC also failed to maintain accurate books and records because it did not consolidate on its balance sheet the assets held by the PAGIC entities or record the impact of losses on those assets on PNC's 2001 earnings.

1. PNC'S ACCOUNTING FOR THE PAGIC TRANSACTIONS DID NOT CONFORM WITH GAAP

Topic D-14, Transactions Involving Special Purpose Entities, addresses whether, under GAAP, transfers of assets to special purpose entities should be treated as sales and whether or not it is appropriate for sponsoring companies to consolidate the financial statements of special purpose entities. For nonconsolidation and sales recognition by the sponsor or transferor to be appropriate, the majority owner of the special purpose entity must be an independent third party who has made a substantive capital investment in the special purpose entity, has control of the special purpose entity, and has substantive risks and rewards of ownership of the assets of the special purpose entity. Conversely, nonconsolidation and sales recognition are not appropriate by the sponsor or transferor when the majority owner of the special purpose entity makes only a nominal capital investment, the activities of the special purpose entity are virtually all on the sponsor's or transferor's behalf, and the substantive risks and rewards of the assets or the debt of the special purpose entity rest directly or indirectly with the sponsor or transferor.(6) At the time of the PAGIC transactions, three percent was the minimally acceptable amount under GAAP to indicate a substantive capital investment sufficient for nonconsolidation, though a greater investment may be necessary depending on the facts and circumstances.(7) The PAGIC transactions did not satisfy these criteria.

The provisions of the agreements for each PAGIC transaction provided that the insurance company's investment was substantially protected from loss by the

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(6) Emerging Issues Task Force, Topic D-14, Transactions Involving Special Purpose Entities.

(7) Emerging Issues Task Force, Issue No. 90-15, Impact of Nonsubstantive Lessors, Residual Value Guarantees, and Other Provisions in Leasing Transactions, Response to Question No. 3.

investment grade assets purchased with the proceeds of that investment (to which the insurance company had priority in the event of a liquidation of a PAGIC entity).(8) The insurance company, on the other hand, did not effectively enjoy any gains from the loans and other assets transferred by PNC to the PAGIC entities, because PNC had effective control over the liquidation of the PAGIC entities. As noted above, PNC could decide at any time to liquidate the PAGIC entities by converting its Class A preferred stock to Class A common stock and voting to liquidate, whereupon it would be able to capture the benefit of any improvement in the value of the assets that it had transferred to the liquidating entity. The insurance company, however, did not have the ability to benefit from an improvement in the value of these assets. PNC also bore substantial risk on the loans because the dividends on its preferred stock were noncumulative and payable only if those loans performed or were sold and after payment of, among other things, the management fee to the insurance company, and even then only with the approval of the insurance company. As a result of the foregoing, PNC, and not the insurance company, had substantive risks and rewards of ownership.

The PAGIC transactions also did not satisfy the requirement that the majority owner (in this case, the insurance company) make a substantive investment. As required by the documentation for each PAGIC transaction, the first year's management fee owed to the insurance company was paid on the date that PNC and the insurance company entered into the transactions. These advance payments of the first year's management fees had the substantive effect of making the investment actually made by the insurance company effectively less than the three percent benchmark.(9) Thus, the insurance company did not make a sufficiently large investment in the PAGIC entities to be substantive under GAAP.

Because the PAGIC transactions did not satisfy the criteria for nonconsolidation of special purpose entities, PNC should have consolidated the PAGIC entities in its financial statements. PNC's accounting for the PAGIC entities as reported in its filings with the Board and with the Commission for the second and third quarters of 2001 thus did not conform to GAAP. PNC improperly excluded the PAGIC entities' assets from its balance sheet for the quarters ended June 30 and September 30, 2001, materially overstated the amounts of securities available for sale by improperly including the

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(8) Furthermore, the PAGIC transaction agreements provided that the insurance company would have preferences to and reserves taken from the income of the PAGIC entities to secure payment of its management fees, the result of which was to allow the insurance company to effectively more than recoup its investment in the PAGIC entities in four years. The fact that the insurance company received an annual management fee of 0.75% of assets for doing very little, while PNC conducted the principal activities of the PAGIC entities by servicing the loans and other assets they held for an annual servicing fee of 0.5%, suggests that the annual management fee was a means of effectively returning capital to the insurance company prior to any liquidation of the PAGIC entities.

(9) Emerging Issues Task Force Issue No. 96-21, Response to Question No. 6, states in relevant part, "To the extent that the fees reduce the equity capital investment below the minimum amount required, the owners of record would not be considered to have a substantive residual equity capital investment that is at risk...."

PAGIC preferred stock in this line item and materially overstated its earnings for the third quarter of 2001. In addition, the amounts of nonperforming assets were also materially understated in these filings.

2. PNC'S FALSE AND MISLEADING PORTRAYAL OF ITS REDUCTION OF LOAN PORTFOLIO EXPOSURE AND OF THE IMPACT OF THE PAGIC TRANSACTIONS ON ITS FINANCIAL CONDITION FOR THE SECOND AND THIRD QUARTERS OF 2001

In the above-described press releases and Forms 10-Q for the second and third quarters of 2001, PNC depicted itself as implementing a corporate strategy of reducing its exposure to commercial lending and the risks attendant thereto. PNC entered into the PAGIC transactions as part of this strategy. However, as noted above, PNC's accounting for the PAGIC transactions did not conform to GAAP for several reasons including the fact that payment of the first year's management fee to the insurance company was made in advance, on the date of the closing of the transaction. This advance payment had the substantive effect of immediately reducing the insurance company's investment in the PAGIC entities below the three percent threshold. Because of the structure of the PAGIC transactions PNC continued to bear the risk of loss as to troubled or non-performing loans and venture capital assets transferred by PNC to the PAGIC entities. Those losses, if and when incurred, should have been charged against current earnings. In addition, various other line items and other figures noted above, including the amounts of nonperforming loans, nonperforming assets, securities available for sale, and reductions in loans held for sale, were all materially inaccurate, in that they were improperly recorded on the assumption that the assets transferred to PAGIC I LLC and PAGIC II LLC had been removed from PNC's financial statements. In fact, PNC's nonperforming assets and loans were materially greater than disclosed, because they should have included certain assets transferred to PAGIC I LLC and PAGIC II LLC, and its reductions in loans were materially overstated. Moreover, PNC materially overstated earnings per share for the third quarter of 2001 because it did not include write-downs that it should have taken with respect to assets transferred to PAGIC I LLC. Thus, the press releases and Forms 10-Q materially overstated the extent to which PNC was reducing its exposure to its loan portfolio in the second and third quarters of 2001, and the press release and Form 10-Q in the third quarter of 2001 materially overstated PNC's income for that quarter.

PNC's recordation of its interests in the PAGIC entities as "securities available for sale" was also materially misleading. Unrealized gains and losses on the assets properly recorded in this category do not have an impact on current earnings, except for a circumstance inapplicable in this instance. However, PNC's actual interests in the PAGIC entities were, for financial reporting purposes, the underlying assets and not the preferred stock that the PAGIC entities issued to PNC. Thus, by recording its interests in the PAGIC entities as "securities available for sale," PNC inaccurately represented that unrealized losses and gains on its interest in the PAGIC entities would not affect current earnings.

PNC's Form 10-Q for the second quarter of 2001 was incorporated by reference into its Forms S-3 and S-8 filed in September and December of 2001, respectively. Its Form 10-Q for the third quarter of 2001 was incorporated by reference into its Form S-8 filed in December 2001. Furthermore, certain materially inaccurate financial results for the third quarter, including an inaccurate figure for earnings per share, were included in its prospectus filed on October 25, 2001. PNC should have known that its improper accounting and disclosures would make these filings, used in the offer or sale of securities, materially inaccurate.

3. OBLIGATIONS TO MAKE FULL DISCLOSURE

Issuers engaged in transactions with special purpose entities, or in other transactions, particularly where the attainment of a particular financial reporting result is a primary purpose, must be mindful that, even if the transactions comply with GAAP, the issuer is required to evaluate the material accuracy and completeness of the presentation made by its financial statements,(10) as well as its disclosure obligations under the Commission's rules and regulations, including, among other things, the rules and regulations concerning Management's Discussion and Analysis of Financial Condition and Results of Operations(11) and Quantitative and Qualitative Disclosures About Market Risk.(12)

In addition, issuers must consider the economic and business realities and risks of their corporate structures and affiliations, their financial structures and financing methods, their lines of business and operational activities, and ensure that the way they publicly portray themselves discloses, as required, the material elements of those economic and business realities and risks.

The structure of the PAGIC entities raises significant disclosure issues. PNC transferred troubled or non-performing loans and venture capital assets to the PAGIC entities, which then purchased zero-coupon Treasury securities that eventually, after 30 years, would mature in the face amount of the preferred stock issued to PNC. Although this structure purportedly would prevent PNC from having to write down the value of the preferred stock because it would ultimately not suffer any loss of its face value, the structure camouflaged significant economic risk. While the insurance company's interest was substantially protected from loss by virtue of its priority to the income and principal of the investment grade securities purchased with the proceeds of the insurance company's investment, PNC's preferred stock had no such protection. In the event that a PAGIC entity were to be liquidated before the preferred stock matured after 30 years, the actual amount that PNC would recover on the preferred stock might

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(10) See, e.g.,In the Matter of Caterpillar Inc., 51 S.E.C. Docket 147 (Admin. Proc. File No. 3-7692, March 31, 1992). See also Exchange Act Rule 12b-20.
(11) 17 C.F.R.ss.229.303.
(12) 17 C.F.R.ss.229.305.

be substantially less than the carrying value of the preferred stock. The recoverable value of the zero-coupon Treasury security would, for much of the 30 years preceding its maturity, be substantially less than its face amount. Thus, the actual recoverable value of the loans and other assets transferred to the PAGIC entities in a liquidation process might be well below their value on the dates they were transferred to the PAGIC entities.(13) Required portrayal would entail going beyond merely disclosing the possibility of loss, and would include describing in all material aspects what losses might occur and the circumstances under which they could occur. In this regard, PNC should have, for the second and third quarters of 2001, disclosed its use of the PAGIC entities, described the structure of these transactions, disclosed the risks that these transactions presented, and described what losses might occur and the circumstances under which those losses could occur. These disclosures should have been made regardless of whether or not PNC believed that the PAGIC transactions had complied with GAAP.

Another example of disclosure that would be necessary to illuminate the risks of the PAGIC transactions arises from the dividend feature of the preferred stock held by PNC. The dividends on its preferred stock were noncumulative and payable only if those loans performed or were sold and after payment of, among other things, the management fee to the insurance company, and even then, only if the insurance company approved the payment of dividends to PNC. Since some of the loans and other assets were troubled, payment of dividends to PNC was by no means assured. Thus, PNC continued to bear substantial risks with respect to the troubled loans and other troubled assets transferred to the PAGIC entities. While a purpose of PNC's entering into the PAGIC transactions was to reduce volatility in its earnings caused by changes in the quality of its loan portfolio, the potentially irregular nature of the dividends payable on the preferred stock would have a counteractive effect on this effort to reduce volatility in earnings, whether or not the PAGIC transactions complied with GAAP. In light of PNC's statements in its press releases and Forms 10-Q that it was reducing balance sheet leverage and lending exposure, this information about the volatility of dividends was material and PNC's omission of this information from the documents rendered the documents materially misleading.(14)

In light of the matters discussed in sections IV.D. 1, 2 and 3 above, PNC violated Sections 17(a)(2) and 17(a)(3) of the Securities Act, Sections 13(a) and 13(b)(2)(A) of the Exchange Act, and Exchange Act Rules 12b-20, 13a-1 and 13a-13.

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(13) The potential for such loss is illustrated by the $240 million charge against income that PNC took for the full year 2001's income when it consolidated the PAGIC entities onto its financial statements. As a matter of economic reality, the zero-coupon Treasury securities did not insulate PNC from loss.

(14) Even though the PAGIC entities each held a 30-year zero-coupon Treasury security in an amount sufficient at maturity to redeem the preferred stock at face value, the zero-coupon, which by definition did not pay dividends, would not insulate PNC from volatility in dividend payments on the preferred stock.

4. PNC'S MATERIALLY FALSE AND MISLEADING JANUARY 17, 2002 PRESS RELEASE

PNC's January 17, 2002 press release concerning its fourth quarter and full year 2001 financial performance was materially false and misleading. By January 17, 2002, PNC was already aware that it would be required to restate its 2001 bank holding company regulatory reports to the Board to show consolidation of the PAGIC entities. Nevertheless, notwithstanding that the federal banking laws and the federal securities laws both require compliance with GAAP, PNC recklessly presented its financial condition in the January 17, 2002 press release without consolidating the PAGIC entities, in contravention of GAAP. In the course of doing so, PNC, among other things, overstated its 2001 earnings by 52% (i.e., PNC's actual earnings per share were $1.26, but were disclosed in the January 17, 2002 press release as $1.91). It also continued to understate its fourth quarter loss, by 24% in this press release. The release announced the loss as ($1.15) per share, when, as disclosed in PNC's Form 10-K for 2001, it was actually ($1.52) per share. When PNC announced on January 29, 2002 that it was restating its financial statements and disclosed that its 2001 earnings per share would be $1.38,(15) its stock price fell approximately 10%. The January 17, 2002 press release was materially false and misleading because it failed to disclose that the financial information it set forth did not comply with GAAP, nor did it explain how and to what extent this financial information differed from GAAP.

In the January 17, 2002 press release, PNC also stated that it had reduced its institutional loan portfolio through, among other things, "sales of institutional loans to subsidiaries of a third party financial institution." The release went on to note that, "[v]enture capital assets were reduced to $424 million through a sale to a subsidiary of the same institution . . . ." These statements were references to PNC's transfers of troubled assets to the PAGIC entities, and were materially false and misleading, in that these statements implied that those transfers were effective for financial reporting purposes and allowed PNC to remove these assets from its financial statements. In fact, PNC had not effectively removed these assets from its financial statements and continued to bear the risks associated with these assets, including material charges against 2001 earnings that were improperly omitted from the January 17, 2002 press release.

As previously noted, the January 17, 2002 press release included a table depicting "Nonperforming Assets Data," which presented amounts of nonperforming assets by type that did not include nonperforming assets held by the PAGIC entities. Immediately below this table was a note stating that "[e]xcluded from the above table and reflected below are equity management assets that are carried at fair value and certain assets sold to subsidiaries of a third party financial institution. These assets will be included in nonperforming assets in PNC's bank holding company regulatory

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(15) As noted above, PNC's 2001 earnings were per share were ultimately reported as $1.26 in its Form 10-K filed on March 29, 2002.

filings." The release next presented data that included the amounts of nonperforming assets held by the PAGIC entities. This separate presentation of some of the PAGIC assets did not rectify PNC's false and misleading statements elsewhere in the press release because: (a) it did not disclose that PNC's presentation of nonperforming assets in this manner did not conform to GAAP, (b) it did not disclose that compliance with GAAP would involve consolidation of these assets, and other assets, on PNC's financial statements, and (c) it did not disclose that consolidation as required by GAAP would result in a charge to earnings that would render the disclosed earnings per share to be 52% overstated. It was also materially incomplete and misleading, in that it omitted to disclose that several hundreds of millions of dollars worth of other troubled assets would have to be incorporated back onto PNC's balance sheet, together with significant write-downs that, as disclosed in PNC's Form 10-K for 2001, totaled $240 million.

In light of the matters discussed in section IV.D. 4 above, PNC violated Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder.

V.

In view of the foregoing, it is appropriate to impose the sanction specified in PNC's Offer of Settlement.

VI.

ORDER

ACCORDINGLY, THE COMMISSION HEREBY ORDERS THAT, pursuant to Section 8A of the Securities Act and Section 21C of the Exchange Act, PNC cease and desist from committing or causing any violations of, and committing or causing any future violations of, Sections 17(a)(2) and 17(a)(3) of the Securities Act, Sections 10(b), 13(a) and 13(b)(2)(A) of the Exchange Act, and Exchange Act Rules 10b-5, 12b-20, 13a-1 and 13a-13.

By the Commission.

Jonathan G. Katz
Secretary

Exhibit 99.4

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PNC ANNOUNCES AGREEMENTS WITH REGULATORS

PITTSBURGH, July 18, 2002 - The PNC Financial Services Group, Inc. (NYSE: PNC) announced today that it has 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 consented to an SEC cease and desist order to settle the matter and neither admitted nor denied the SEC's findings regarding disclosure, accounting and recordkeeping violations. PNC restated earnings on January 29, 2002 to reflect the consolidation of the companies formed with AIG in PNC's financial statements.

"We're pleased to bring closure to this matter as to the company," said James E. Rohr, chairman, president and chief executive officer for PNC. "We've learned from it, and we're moving forward in our effort to build a stronger company."

PNC also announced that it has entered into an agreement with the Federal Reserve Bank of Cleveland, and that PNC Bank, N.A., PNC's principal bank subsidiary, has entered into an agreement with the Office of the Comptroller of Currency. These agreements, which address issues including risk, management and financial controls, follow the conclusion of scheduled regulatory examinations.

No fines or monetary penalties will be assessed against the company as a result of the bank regulatory or SEC actions, and no further adjustments to any PNC financial statements are required in connection with any of these matters.

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"Working with the bank regulators, we have developed a detailed action plan over the past several months to address areas needing enhancement, and implementation of that plan is underway," said Rohr. "The action plan and the bank regulatory agreements include many of the steps we are taking to enhance our risk management processes and our financial controls, as well as other actions designed to create a stronger company.

"We are also reporting second quarter earnings of $320 million today which build upon the success we achieved in the first quarter," Rohr said. "We remain focused on our customers, and committed to delivering high-quality products and services moving forward."

In addition, the company stated that customer assets are not affected by the SEC or bank regulatory actions, and it does not expect the actions to affect customer service.

PNC has taken the following actions in recent months to enhance its internal controls and processes and its risk management platform:

- In February, PNC hired the consulting firm McKinsey and Company to assist an internal task force in evaluating PNC's risk management structure and processes. The results of the study have served as a framework for enhancing PNC's organizational structure, regulatory relations and financial controls.

- During the first quarter, PNC asked its new independent auditor, Deloitte & Touche, to accelerate a thorough review of the company's internal accounting processes surrounding financial statement closing and preparation. Many of the recommendations from that review have been implemented or are in the process of being integrated into PNC's financial organization.

- In April, PNC consolidated its risk management activities under the direction of Chief Risk Officer Thomas K. Whitford, who reports to the CEO and the Audit Committee of the Board of Directors.

- PNC has named John J. ("Jack") Wixted, formerly a senior vice president with the Federal Reserve Bank of Chicago, to the newly-created position of Chief Regulatory Officer, pending regulatory approval. He will coordinate all of PNC's regulatory and compliance activities.

- PNC's board of directors is in the process of engaging an independent consultant to assist the board in reviewing the company's senior management function, structure and performance.

As a result of the bank regulatory actions, PNC will need prior regulatory approval to engage in certain new activities or make new investments subject to provisions of the Gramm-Leach-Bliley Act. PNC will also need prior regulatory approval to add new directors or to employ new senior executive officers, or pay certain severance or related compensation.

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The bank regulatory agreements and the administrative order will be filed with the SEC as exhibits to PNC's Current Report on Form 8-K, which also will contain a discussion of other potential implications of these matters. The Form 8-K can be accessed at www.sec.gov. A copy of the Federal Reserve agreement will be available at www.federalreserve.gov, and a copy of the OCC agreement will be available at www.occ.treas.gov.

Rohr, along with Chief Financial Officer Robert L. Haunschild and Chief Risk Officer Thomas K. Whitford, will hold a conference call for investors at 10:30 a.m. EST today regarding the topics addressed in this release. Investors should call 5-10 minutes before the start of the conference at 1-888-665-4799 (domestic) and 706-645-0410 (international). A taped replay of the call will be available through midnight July 25, 2002 at 800-642-1687 (domestic) and 706-645-9291 (international), enter Conference ID: 4734760.

The PNC Financial Services Group, Inc., headquartered in Pittsburgh, is one of the nation's largest diversified financial services organizations, providing regional community banking, corporate banking, real estate finance, asset-based lending, wealth management, asset management and global fund services.

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