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WACHOVIA CORP/ NC  
Form 425  
July 12, 2001

Filed by First Union Corporation

Pursuant to Rule 425 under the Securities Act of 1933 and deemed filed pursuant to Rule 14a-6(b) under the Securities Exchange Act of 1934

Subject Company: Wachovia Corporation  
Commission File No. 333-59616

Date: July 12, 2001

This filing contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements include, but are not limited to, (i) statements about the benefits of the merger between First Union Corporation and Wachovia Corporation, including future financial and operating results, cost savings, enhanced revenues, and accretion to reported earnings that may be realized from the merger; (ii) statements with respect to First Union's and Wachovia's plans, objectives, expectations and intentions and other statements that are not historical facts; and (iii) other statements identified by words such as "believes", "expects", "anticipates", "estimates", "intends", "plans", "targets", "projects" and similar expressions. These statements are based upon the current beliefs and expectations of First Union's and Wachovia's management and are subject to significant risks and uncertainties. Actual results may differ from those set forth in the forward-looking statements.

The following factors, among others, could cause actual results to differ materially from the anticipated results or other expectations expressed in the forward-looking statements: (1) the risk that the businesses of First Union and Wachovia will not be integrated successfully or such integration may be more difficult, time-consuming or costly than expected; (2) expected revenue synergies and cost savings from the merger may not be fully realized or realized within the expected time frame; (3) revenues following the merger may be lower than expected; (4) deposit attrition, operating costs, customer loss and business disruption following the merger, including, without limitation, difficulties in maintaining relationships with employees, may be greater than expected; (5) the ability to obtain governmental approvals of the merger on the proposed terms and schedule; (6) the failure of First Union's and Wachovia's stockholders to approve the merger; (7) competitive pressures among depository and other financial institutions may increase significantly and have an effect on pricing, spending, third-party relationships and revenues; (8) the strength of the United States economy in general and the strength of the local economies in which the combined company will conduct operations may be different than expected resulting in, among other things, a

deterioration in credit quality or a reduced demand for credit, including the resultant effect on the combined company's loan portfolio and allowance for loan losses; (9) changes in the U.S. and foreign legal and regulatory framework; and (10) adverse conditions in the stock market, the public debt market and other capital markets (including changes in interest rate conditions) and the impact of such conditions on the combined company's capital markets and asset management activities. Additional factors that could cause First Union's and Wachovia's results to differ materially from those described in the forward-looking statements can be found in First Union's and Wachovia's reports (such as Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current

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Reports on Form 8-K) filed with the Securities and Exchange Commission and available at the SEC's Internet site (<http://www.sec.gov>). All subsequent written and oral forward-looking statements concerning the proposed transaction or other matters attributable to First Union or Wachovia or any person acting on their behalf are expressly qualified in their entirety by the cautionary statements above. First Union and Wachovia do not undertake any obligation to update any forward-looking statement to reflect circumstances or events that occur after the date the forward-looking statements are made.

The proposed transaction will be submitted to First Union's and Wachovia's stockholders for their consideration. Stockholders are urged to read the definitive joint proxy statement/prospectus regarding the proposed transaction and any other relevant documents filed with the SEC, as well as any amendments or supplements to those documents, because they contain (or will contain) important information. You will be able to obtain a free copy of the joint proxy statement/prospectus, as well as other filings containing information about First Union and Wachovia, at the SEC's Internet site (<http://www.sec.gov>). Copies of the joint proxy statement/prospectus and the SEC filings that have been or will be incorporated by reference in the joint proxy statement/prospectus can also be obtained, without charge, by directing a request to First Union, Investor Relations, One First Union Center, Charlotte, North Carolina 28288-0206 (704-374-6782), or to Wachovia, Investor Relations, 100 North Main Street, Winston-Salem, North Carolina 27150 (888-492-6397).

THE FOLLOWING NEWS RELEASE RELATING TO FIRST UNION'S SECOND QUARTER RESULTS WAS ISSUED BY FIRST UNION

### NEWS

[First Union  
logo appears here]

Thursday  
July 12, 2001

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FIRST UNION REPORTS OPERATING EARNINGS OF \$649 MILLION, OR 66 CENTS  
PER SHARE IN 2nd QUARTER 2001  
CEO Thompson says First Union has momentum and proposed First Union-Wachovia  
merger will leverage strengths to continue building value for shareholders

### SECOND QUARTER 2001 OVERVIEW

- o Cash operating earnings of 73 cents per share; operating earnings of 66 cents, exceeding market expectations.
- o Outstanding results in the General Bank, with revenue up 9 percent and operating earnings up 28 percent from second quarter 2000.
- o Core deposits grew 4 percent, excluding divested businesses.
- o Operating expense decreased 8 percent from second quarter 2000.
- o Net charge-offs of 0.52 percent declined 17 basis points from second quarter 2000.

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- o Tier 1 capital ratio improved for the fourth consecutive quarter, to 7.40 percent.

| Earnings Highlights  | Three Months Ended |           |          |
|--|--------------------|-----------|----------|
|  | June 30,           | March 31, | June 30, |
| (In millions, except per share data)   | 2001               | 2001      | 2000     |
| <b>Earnings</b>  |                    |           |          |
| Operating earnings (a)   | \$ 649             | 610       | 714      |
| Diluted earnings per share (Operating earnings)                                    | 0.66               | 0.62      | 0.73     |
| Net income (As reported)   | 633                | 584       | (2,199)  |
| Diluted earnings per share (As reported)   | \$ 0.64            | 0.59      | (2.27)   |
| <b>Financial ratios (Operating earnings)</b>                                       |                    |           |          |
| Return on average stockholders' equity   | 16.19 %            | 15.64     | 17.74    |
| Overhead efficiency ratio  | 64.34              | 65.18     | 64.36    |
| Net interest margin  | 3.41               | 3.42      | 3.51     |
| Fee and other income as % of total revenue   | 48.32              | 47.13     | 47.50    |
| Dividend payout ratio  | 36.36 %            | 38.71     | 65.75    |
| <b>Cash operating earnings</b>   |                    |           |          |
| Net income   | \$ 723             | 684       | 807      |
| Diluted earnings per share   | \$ 0.73            | 0.69      | 0.82     |
| Return on average tangible stockholders' equity                                    | 23.35 %            | 22.91     | 30.18    |
| Overhead efficiency ratio  | 62.06 %            | 62.80     | 61.64    |
| <b>Asset quality</b>   |                    |           |          |
| Allowance as % of nonaccrual and restructured loans                                | 144 %              | 143       | 215      |
| Net charge-offs as % of average loans, net   | 0.52               | 0.53      | 0.69     |
| Nonperforming assets to loans, net, foreclosed properties and assets held for sale | 1.23 %             | 1.30      | 0.87     |

(a) Operating earnings are reported net income excluding after tax net restructuring, merger-related and other charges and gains.

Note: The first half of 2000 included the results of businesses that were divested in connection with the strategic repositioning announced in June 2000, as well as extraordinarily strong principal investing revenue.

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FIRST UNION REPORTS 2ND QUARTER EARNINGS/Page 2

CHARLOTTE, N.C. - First Union (NYSE:FTU) today reported second quarter 2001 cash operating earnings of \$723 million, or 73 cents per share; operating earnings of \$649 million, or 66 cents per share; and net income of \$633 million, or 64 cents per share. Highlights of the quarter included broad revenue growth, solid expense control, strengthened capital ratios and improved loan losses.

In the six months ended June 30, 2001, cash operating earnings were \$1.4 billion, or \$1.43 per share; operating earnings were \$1.3 billion, or \$1.28 per share; and net income was \$1.2 billion, or \$1.23 per share.

The cash operating return on average tangible stockholders' equity was 23.35 percent in the second quarter of 2001. Cash operating earnings are operating

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earnings before goodwill and other intangible amortization. Based on second quarter 2001 operating earnings, First Union's return on average stockholders' equity was 16.19 percent.

"These strong operating results underscore First Union's momentum. We are extremely pleased with the revenue growth in all of our businesses this year, particularly the excellent results from our General Bank," said Ken Thompson, First Union chairman and CEO. "In addition, capital ratios improved, credit quality was stable and expenses decreased as expense management becomes more and more a part of our culture.

"With our restructuring now complete, we are seeing the results, which we believe provide us a firm foundation for continued growth. We achieved these solid results while continuing to make excellent progress on planning for a smooth integration with our merger partner, Wachovia. This is exactly the right platform to leverage our strengths, and continue building value for shareholders. We have enormous optimism about our future together," he said.

### Net Interest Income

Net interest income on a tax-equivalent basis was \$1.7 billion in the second quarter of 2001, a 10 percent decline from \$1.9 billion in the second quarter of 2000, largely due to the reduction in earning assets related to the sale of loans and securities in connection with First Union's strategic repositioning announced in June 2000. The net interest margin was 3.41 percent in the second quarter of 2001 and 3.51 percent in the second quarter of 2000.

### Fee and Other Income

On an operating basis, fee and other income in the second quarter of 2001 was \$1.6 billion, down 7 percent from the second quarter of 2000, attributable to a \$263 million decline in principal investing revenue, partially offset by across-the-board growth in other fee income categories. On an operating basis, fee and other income as a percentage of total revenue was 48 percent in the second quarter of 2001 and 47 percent in the second quarter of 2000.

### Provision for Loan Losses

The loan loss provision was \$223 million in the second quarter of 2001, a decline of \$5 million from the second quarter of 2000. The provision exceeded net charge-offs by \$66 million. At June 30, 2001, the ratio of allowance to net loans increased to 1.44 percent from 1.33 percent at June 30, 2000.

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### Noninterest Expense

On an operating basis, noninterest expense was \$2.2 billion in the second quarter of 2001, down 8 percent from the second quarter of 2000, reflecting the winding down of divested businesses and solid expense control.

### Restructuring and Other Charges and Gains

Restructuring and other charges and gains in the second quarter of 2001,

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primarily related to the 2000 strategic repositioning, amounted to a pre-tax charge of \$27 million (\$16 million after-tax) or 2 cents per share.

### Net Charge-offs and Nonperforming Assets

Net charge-offs amounted to \$157 million in the second quarter of 2001, a decrease of \$71 million from the second quarter of 2000. This represented 0.52 percent of average net loans, down 17 basis points from the second quarter of 2000.

At June 30, 2001, nonperforming assets were \$1.6 billion, or 1.23 percent of net loans, foreclosed properties and assets held for sale, an increase of 30 percent from June 30, 2000. Second quarter 2001 nonperforming assets included \$250 million of nonperforming assets classified as held for sale.

### Lines of Business

#### General Bank Highlights

|                           | June 30, | Three Months Ended |               |
|---------------------------|----------|--------------------|---------------|
|                           | 2001     | March 31, 2001     | June 30, 2000 |
| (In millions)             |          |                    |               |
| Total revenue             | \$ 1,545 | 1,453              | 1,412         |
| Provision for loan losses | 98       | 101                | 51            |
| Noninterest expense       | 935      | 908                | 966           |
| Operating earnings        | 343      | 295                | 268           |
| Average loans, net        | 65,501   | 63,771             | 58,105        |
| Average core deposits     | 99,424   | 98,415             | 97,499        |
| Economic capital          | \$ 3,744 | 3,618              | 3,555         |

The General Bank has three major business lines: Consumer, Commercial and Small Business. General Bank total revenue increased 9 percent from the second quarter of 2000. The General Bank produced record consumer loan volume and solid deposit growth in the second quarter of 2001, reflecting improved sales production, a beneficial rate environment and a renewed focus on attracting low cost core deposits. Fee and other income grew 30 percent year over year, led by higher mortgage-related income, service charges and other fee income. The Consumer provision increased \$31 million, of which \$18 million was related to a market valuation adjustment on nonperforming assets moved to assets held for sale and increased charge-offs on a more seasoned First Union Home Equity portfolio.

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FIRST UNION REPORTS 2ND QUARTER EARNINGS/Page 4

The Commercial and Small Business provisions increased \$16 million. The impact of expense control initiatives was reflected in a 3 percent decline in noninterest expense from the second quarter of 2000 and an operating overhead efficiency ratio that improved from 67 percent in the second quarter of 2000 to 59 percent in the second quarter of this year.

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Average loans increased 13 percent from the second quarter of 2000, with across-the-board strength in consumer lending, while commercial real estate and small business lending drove commercial lending growth. Average core deposits grew 2 percent from the second quarter of 2000, primarily in low cost interest checking, savings and money market accounts.

Overall customer satisfaction scores as measured by Gallup improved for the ninth consecutive quarter. Household retention also remained strong. Online customer growth continued to be rapid, with a 55 percent increase from June 30, 2000, to 2.9 million enrollments at June 30, 2001. This included 130,000 online wholesale enrollments, which grew 136 percent from June 30, 2000.

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Capital Management Highlights

|                           | June 30, | Three Months Ended |          |
|---------------------------|----------|--------------------|----------|
|                           | June 30, | March 31,          | June 30, |
|                           | 2001     | 2001               | 2000     |
| -----                     |          |                    |          |
| (In millions)             |          |                    |          |
| Total revenue             | \$ 838   | 831                | 829      |
| Provision for loan losses | -        | -                  | -        |
| Noninterest expense       | 667      | 659                | 624      |
| Operating earnings        | 113      | 113                | 135      |
| Average loans, net        | 4,559    | 4,497              | 4,250    |
| Average core deposits     | 7,976    | 8,003              | 7,888    |
| Economic capital          | \$ 986   | 985                | 972      |

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Capital Management includes Retail Brokerage Services, Asset Management, and Wealth and Trust Services. These businesses, with their balanced approach and multiple channels of distribution, performed solidly in the second quarter of 2001 as mutual fund assets and annuity sales through the bank channel reached an all-time high. Total revenue increased modestly from the second quarter of 2000 primarily due to increased brokerage production largely related to annuity sales, as well as the impact of the acquisitions since the second quarter of 2000. Noninterest expense increased 7 percent from the second quarter of 2000, primarily due to increased corporate allocations and these acquisitions.

In partnership with the General Bank, bank channel annuity sales reached a quarterly record of \$717 million in the second quarter of 2001, a 54 percent increase from the second quarter of 2000. Mutual fund assets grew to a quarter-end record \$90 billion, up 6 percent from year-end 2000, driven by strong money market inflows.

Assets under management increased modestly from year-end 2000 to \$172 billion at June 30, 2001. Assets under management include \$82 billion in trust assets in addition to the \$90 billion in mutual fund assets.

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### Corporate and Investment Banking Highlights

|                           | June 30, | Three Months Ended |          |
|---------------------------|----------|--------------------|----------|
|                           | -----    | March 31,          | June 30, |
|                           | 2001     | 2001               | 2000     |
| -----                     |          |                    |          |
| (In millions)             |          |                    |          |
| Total revenue             | \$ 773   | 725                | 897      |
| Provision for loan losses | 93       | 70                 | 126      |
| Noninterest expense       | 490      | 467                | 509      |
| Operating earnings        | 153      | 150                | 199      |
| Average loans, net        | 41,145   | 42,511             | 42,787   |
| Average core deposits     | 10,202   | 9,465              | 8,928    |
| Economic capital          | \$ 6,112 | 6,278              | 5,940    |

Our Corporate and Investment Banking businesses offer a range of fixed income products, debt and equity products, structured products and advisory services for corporate and institutional clients. Total revenue declined 14 percent from the second quarter of 2000, primarily related to anticipated lower principal investing revenue, which was down \$263 million from a strong second quarter of 2000. Excluding principal investing, revenue increased 21 percent and operating earnings were up 200 percent from the second quarter of 2000, reflecting broad line of business growth. Fixed income fee and other income increased 53 percent from the second quarter of 2000, primarily driven by fixed income sales and trading. The agency businesses, primarily merger and acquisition advisory services, loan syndications and equity capital markets, grew 3 percent from the second quarter of 2000. Noninterest expense decreased 4 percent from the second quarter of 2000.

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First Union (NYSE:FTU), with \$246 billion in assets and stockholders' equity of \$16 billion at June 30, 2001, is a leading provider of financial services to 15 million retail and corporate customers throughout the East Coast and the nation. The company operates full-service banking offices in 11 East Coast states and Washington, D.C., and full-service brokerage offices in 47 states. Online banking and brokerage products and services can be accessed through [www.firstunion.com](http://www.firstunion.com).

#### Earnings Conference Call

First Union Chairman and CEO Ken Thompson and CFO Bob Kelly will review First Union's second quarter results in a conference call and audio webcast beginning at 9 a.m. today. Supplemental materials relating to the second quarter results are available on the Internet at [www.ftuinvestor.com](http://www.ftuinvestor.com), and investors are encouraged to access such materials.

**Webcast Instructions:** To gain access to the webcast, which will be "listen-only," go to [www.ftuinvestor.com](http://www.ftuinvestor.com) and click on the link First Union Second Quarter Earnings Audio Webcast. In order to listen to the webcast, you will need to download Real Player Basic 8.

**Teleconference Instructions:** The telephone number for the conference call is 888-606-7037 for U.S. callers or 415-228-4891 for international callers. You will be asked to tell the answering coordinator your name and the name of your firm. Mention the conference Access Code: 33345.

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Replay: Thursday, July 12, from noon until 5 p.m. EDT on Monday, July 23. Replay telephone number is 402-220-3026.

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FIRST UNION REPORTS 2ND QUARTER EARNINGS/Page 6

This news release and the conference call may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including, without limitation, (i) statements about the benefits of the merger between First Union

Corporation and Wachovia Corporation, including future financial and operating results, cost savings, enhanced revenues, and accretion to reported earnings that may be realized from the merger; (ii) statements with respect to First Union's plans, objectives, expectations and intentions and other statements that are not historical facts; and (iii) other statements identified by words such as "believes", "expects", "anticipates", "estimates", "intends", "plans", "targets", "projects" and similar expressions. These statements are based upon the current beliefs and expectations of First Union's management and are subject to significant risks and uncertainties. Actual results may differ from those set forth in the forward-looking statements.

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### Additional Information

The proposed merger between First Union and Wachovia will be submitted to First Union's and Wachovia's stockholders for their consideration. Stockholders are urged to read the definitive joint proxy statement/prospectus regarding the proposed transaction and any other relevant documents filed with the SEC, as well as any amendments or supplements to those documents, because they contain (or will contain) important information. You will be able to obtain a free copy of the joint proxy statement/prospectus, as well as other filings containing information about First Union and Wachovia, at the SEC's Internet site (<http://www.sec.gov>). Copies of the joint proxy statement/prospectus and the SEC filings that have been or will be incorporated by reference in the joint proxy statement/prospectus can also be obtained, without charge, by directing a request to First Union, Investor Relations, One First Union Center, Charlotte, North Carolina 28288-0206 (704-374-6782), or to Wachovia, Investor Relations, 100 North Main Street, Winston-Salem, North Carolina 27150 (888-492-6397).

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 FIRST UNION CORPORATION  
 FINANCIAL HIGHLIGHTS  
 (Unaudited)

|  | 2001              |                  |
|--|-------------------|------------------|
| (Dollars in millions, except per share data)   | Second<br>Quarter | First<br>Quarter |
| <hr style="border-top: 1px dashed black;"/>  |                   |                  |
| FINANCIAL HIGHLIGHTS   |                   |                  |
| Operating Earnings   |                   |                  |
| Net interest income - tax-equivalent   | \$ 1,742          | 1,734            |
| Fee and other income   | 1,629             | 1,546            |
| <hr style="border-top: 1px dashed black;"/>  |                   |                  |
| Total revenue - tax-equivalent   | 3,371             | 3,280            |
| Provision for loan losses  | 223               | 219              |
| Noninterest expense  | 2,169             | 2,138            |
| Income taxes - tax-equivalent  | 330               | 313              |
| <hr style="border-top: 1px dashed black;"/>  |                   |                  |
| Income before restructuring, merger-related and other charges and cumulative effect of a change in accounting principle (Operating earnings) | 649               | 610              |
| After-tax restructuring, merger-related and other charges  | (16)              | (26)             |
| <hr style="border-top: 1px dashed black;"/>  |                   |                  |
| Income (loss) before cumulative effect of a change in accounting principle   | 633               | 584              |
| Cumulative effect of a change in the accounting for beneficial interests, net of tax   | -                 | -                |
| <hr style="border-top: 1px dashed black;"/>  |                   |                  |
| Net income (loss) (As reported)  | \$ 633            | 584              |

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DILUTED EARNINGS PER SHARE

|   |    |      |      |
|---|----|------|------|
| Income before restructuring, merger-related and other charges and cumulative effect of a change in accounting principle | \$ | 0.66 | 0.62 |
| Income (loss) before cumulative effect of a change in accounting principle  |    | 0.64 | 0.59 |
| Net income (loss)   | \$ | 0.64 | 0.59 |

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PROFITABILITY (Operating earnings)

|  |         |       |
|--|---------|-------|
| Return on average stockholders' equity     | 16.19 % | 15.64 |
| Net interest margin                        | 3.41    | 3.42  |
| Fee and other income as % of total revenue | 48.32   | 47.13 |
| Overhead efficiency ratio                  | 64.34   | 65.18 |
| Effective income tax rate                  | 31.54 % | 31.54 |

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CASH OPERATING EARNINGS

|   |         |       |      |
|---|---------|-------|------|
| Net income                                      | \$      | 723   | 684  |
| Diluted earnings per share                      | \$      | 0.73  | 0.69 |
| Return on average tangible stockholders' equity | 23.35 % | 22.91 |      |
| Return on average stockholders' equity          | 18.04   | 17.52 |      |
| Overhead efficiency ratio                       | 62.06 % | 62.80 |      |
| Operating leverage                              | \$      | 59    | (67) |

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FIRST UNION CORPORATION

OTHER FINANCIAL DATA

(Unaudited)

|  | 2001           |               |
|--|----------------|---------------|
| (Dollars in millions, except per share data)                                       | Second Quarter | First Quarter |
| =====  |                |               |
| CAPITAL ADEQUACY (a)   |                |               |
| Tier I capital ratio   | 7.40 %         | 7.18          |
| Total capital ratio  | 11.48          | 11.33         |
| Leverage ratio   | 6.01 %         | 5.88          |
| =====  |                |               |
| ASSET QUALITY  |                |               |
| Allowance as % of loans, net   | 1.44 %         | 1.43          |
| Allowance as % of nonperforming assets   | 133            | 132           |
| Net charge-offs as % of average loans, net   | 0.52           | 0.53          |
| Nonperforming assets to loans, net, foreclosed properties and assets held for sale | 1.23 %         | 1.30          |
| =====  |                |               |
| OTHER DATA   |                |               |
| Employees  | 67,420         | 69,362        |
| Branches   | 2,162          | 2,164         |
| ATMs   | 3,419          | 3,676         |
| Shares outstanding (In thousands)  | 979,205        | 981,268       |

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|                                  |    |        |        |
|----------------------------------|----|--------|--------|
| Common stock price               | \$ | 34.94  | 33.00  |
| Book value per common share      | \$ | 16.49  | 16.39  |
| Common stock price to book value |    | 212 %  | 201    |
| Market capitalization            | \$ | 34,213 | 32,382 |
| Dividends paid per common share  | \$ | 0.24   | 0.24   |

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AVERAGE BALANCE SHEET DATA

|                              |    |         |         |
|------------------------------|----|---------|---------|
| Commercial loans, net        | \$ | 76,378  | 77,270  |
| Consumer loans, net          |    | 42,834  | 42,580  |
| Loans, net                   |    | 119,212 | 119,850 |
| Earning assets               |    | 204,673 | 203,720 |
| Total assets                 |    | 247,254 | 245,469 |
| Core deposits                |    | 119,035 | 118,192 |
| Total deposits               |    | 136,979 | 137,282 |
| Interest-bearing liabilities |    | 185,224 | 183,995 |
| Stockholders' equity         | \$ | 16,026  | 15,846  |

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PERIOD END BALANCE SHEET DATA

|                                      |    |         |         |
|--------------------------------------|----|---------|---------|
| Commercial loans, net                | \$ | 79,529  | 80,470  |
| Consumer loans, net                  |    | 42,963  | 42,383  |
| Loans, net                           |    | 122,492 | 122,853 |
| Goodwill and other intangible assets |    |         |         |
| Goodwill                             |    | 3,476   | 3,524   |
| Deposit base premium                 |    | 140     | 157     |
| Other                                |    | 9       | 9       |
| Total assets                         |    | 245,941 | 252,949 |
| Core deposits                        |    | 121,022 | 120,786 |
| Total deposits                       |    | 138,567 | 140,795 |
| Stockholders' equity                 | \$ | 16,144  | 16,081  |

(a) The second quarter of 2001 is based on estimates.

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 FIRST UNION CORPORATION  
 CONSOLIDATED CONDENSED STATEMENTS OF INCOME  
 (Unaudited)

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Three Months Ended June 30, 2001

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| (In millions, except per share data)                     | Operating Earnings | Restructuring and Other Charges/Gains | As Reported | Op E |
|--|--------------------|---------------------------------------|-------------|------|
| Net interest income                                      | \$ 1,711           | -                                     | 1,711       |      |
| Provision for loan losses                                | 223                | -                                     | 223         |      |
| Net interest income after provision for loan losses      | 1,488              | -                                     | 1,488       |      |
| Fee and other income                                     |                    |                                       |             |      |
| Service charges and fees                                 | 486                | -                                     | 486         |      |
| Advisory, underwriting and other investment banking fees | 238                | -                                     | 238         |      |

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|                                       |         |        |       |
|---------------------------------------|---------|--------|-------|
| Other income                          |         |        |       |
| Security transactions - portfolio     | -       | -      | -     |
| Asset sales and securitization        | 64      | (8)    | 56    |
| Gain on sale of branches              | -       | -      | -     |
| Other income                          | 841     | 9      | 850   |
| -----                                 |         |        |       |
| Total fee and other income            | 1,629   | 1      | 1,630 |
| -----                                 |         |        |       |
| Noninterest expense                   |         |        |       |
| Restructuring charges                 | -       | (69)   | (69)  |
| Other noninterest expense             | 2,169   | 97     | 2,266 |
| -----                                 |         |        |       |
| Total noninterest expense             | 2,169   | 28     | 2,197 |
| -----                                 |         |        |       |
| Income before income taxes (benefits) | 948     | (27)   | 921   |
| Income taxes (benefits)               | 299     | (11)   | 288   |
| -----                                 |         |        |       |
| Net income                            | \$ 649  | (16)   | 633   |
| =====                                 |         |        |       |
| Diluted earnings per share            | \$ 0.66 | (0.02) | 0.64  |
| =====                                 |         |        |       |

PAGE 10  
FIRST UNION CORPORATION  
CONSOLIDATED STATEMENTS OF OPERATING EARNINGS (a)  
(Unaudited)

|   |    |         |         |
|---|----|---------|---------|
|   |    | 2001    |         |
|   |    | -----   | -----   |
|   |    | Second  | First   |
| (In millions, except per share data)                |    | Quarter | Quarter |
| -----   |    |         |         |
| INTEREST INCOME                                     |    |         |         |
| Interest and fees on loans                          | \$ | 2,420   | 2,526   |
| Interest and dividends on securities                |    | 881     | 925     |
| Trading account interest                            |    | 198     | 204     |
| Other interest income                               |    | 321     | 370     |
| -----   |    |         |         |
| Total interest income                               |    | 3,820   | 4,025   |
| -----   |    |         |         |
| INTEREST EXPENSE                                    |    |         |         |
| Interest on deposits                                |    | 1,192   | 1,253   |
| Interest on short-term borrowings                   |    | 454     | 493     |
| Interest on long-term debt                          |    | 463     | 577     |
| -----   |    |         |         |
| Total interest expense                              |    | 2,109   | 2,323   |
| -----   |    |         |         |
| Net interest income                                 |    | 1,711   | 1,702   |
| Provision for loan losses                           |    | 223     | 219     |
| -----   |    |         |         |
| Net interest income after provision for loan losses |    | 1,488   | 1,483   |
| -----   |    |         |         |
| FEE AND OTHER INCOME                                |    |         |         |
| Service charges and fees                            |    | 486     | 468     |

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|  |         |       |
|--|---------|-------|
| Commissions  | 389     | 375   |
| Fiduciary and asset management fees                      | 384     | 381   |
| Advisory, underwriting and other investment banking fees | 238     | 198   |
| Principal investing                                      | (58)    | (43)  |
| Other income   | 190     | 167   |
| -----  |         |       |
| Total fee and other income                               | 1,629   | 1,546 |
| -----  |         |       |
| NONINTEREST EXPENSE                                      |         |       |
| Salaries and employee benefits                           | 1,363   | 1,329 |
| Occupancy  | 155     | 163   |
| Equipment  | 198     | 205   |
| Advertising  | 11      | 9     |
| Communications and supplies                              | 111     | 110   |
| Professional and consulting fees                         | 69      | 73    |
| Goodwill and other intangible amortization               | 77      | 78    |
| Sundry expense   | 185     | 171   |
| -----  |         |       |
| Total noninterest expense                                | 2,169   | 2,138 |
| -----  |         |       |
| Income before income taxes                               | 948     | 891   |
| Income taxes   | 299     | 281   |
| -----  |         |       |
| Net operating earnings                                   | \$ 649  | 610   |
| =====  |         |       |
| Diluted earnings per share                               | \$ 0.66 | 0.62  |
| =====  |         |       |

(a) Operating earnings exclude restructuring, merger-related and other changes and gains and cumulative accounting principle.

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FIRST UNION CORPORATION  
CONSOLIDATED STATEMENTS OF OPERATING EARNINGS (a)  
(Unaudited)

|                                      | Six Months Ended<br>June 30, |       |
|--------------------------------------|------------------------------|-------|
|                                      | -----                        |       |
| (In millions, except per share data) | 2001                         | 2000  |
| -----                                |                              |       |
| INTEREST INCOME                      |                              |       |
| Interest and fees on loans           | \$ 4,946                     | 5,777 |
| Interest and dividends on securities | 1,806                        | 1,989 |
| Trading account interest             | 402                          | 409   |
| Other interest income                | 691                          | 630   |
| -----                                |                              |       |
| Total interest income                | 7,845                        | 8,805 |
| -----                                |                              |       |
| INTEREST EXPENSE                     |                              |       |
| Interest on deposits                 | 2,445                        | 2,480 |
| Interest on short-term borrowings    | 947                          | 1,389 |
| Interest on long-term debt           | 1,040                        | 1,065 |
| -----                                |                              |       |
| Total interest expense               | 4,432                        | 4,934 |
| -----                                |                              |       |
| Net interest income                  | 3,413                        | 3,871 |
| Provision for loan losses            | 442                          | 420   |

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|  |          |       |
|--|----------|-------|
| Net interest income after provision for loan losses      | 2,971    | 3,451 |
| FEE AND OTHER INCOME                                     |          |       |
| Service charges and fees                                 | 954      | 977   |
| Commissions  | 764      | 843   |
| Fiduciary and asset management fees                      | 765      | 740   |
| Advisory, underwriting and other investment banking fees | 436      | 391   |
| Principal investing                                      | (101)    | 404   |
| Other income   | 357      | 233   |
| Total fee and other income                               | 3,175    | 3,588 |
| NONINTEREST EXPENSE                                      |          |       |
| Salaries and employee benefits                           | 2,692    | 2,825 |
| Occupancy  | 318      | 312   |
| Equipment  | 403      | 424   |
| Advertising  | 20       | 61    |
| Communications and supplies                              | 221      | 247   |
| Professional and consulting fees                         | 142      | 153   |
| Goodwill and other intangible amortization               | 155      | 202   |
| Sundry expense   | 356      | 529   |
| Total noninterest expense                                | 4,307    | 4,753 |
| Income before income taxes                               | 1,839    | 2,286 |
| Income taxes   | 580      | 734   |
| Net operating earnings                                   | \$ 1,259 | 1,552 |
| Diluted earnings per share                               | \$ 1.28  | 1.58  |

(a) Operating earnings exclude restructuring, merger-related and other changes and gains.

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FIRST UNION CORPORATION  
CONSOLIDATED STATEMENTS OF INCOME (LOSS)  
(Unaudited)

|                                      | 2001           |               |
|--------------------------------------|----------------|---------------|
| (In millions, except per share data) | Second Quarter | First Quarter |
| INTEREST INCOME                      |                |               |
| Interest and fees on loans           | \$ 2,420       | 2,526         |
| Interest and dividends on securities | 881            | 925           |
| Trading account interest             | 198            | 204           |
| Other interest income                | 321            | 370           |
| Total interest income                | 3,820          | 4,025         |
| INTEREST EXPENSE                     |                |               |
| Interest on deposits                 | 1,192          | 1,253         |
| Interest on short-term borrowings    | 454            | 493           |

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|  |         |         |
|--|---------|---------|
| Interest on long-term debt   | 463     | 577     |
| -----  |         |         |
| Total interest expense   | 2,109   | 2,323   |
| -----  |         |         |
| Net interest income  | 1,711   | 1,702   |
| Provision for loan losses  | 223     | 219     |
| -----  |         |         |
| Net interest income after provision for loan losses  | 1,488   | 1,483   |
| -----  |         |         |
| FEE AND OTHER INCOME   |         |         |
| Service charges and fees   | 486     | 468     |
| Commissions  | 389     | 375     |
| Fiduciary and asset management fees  | 384     | 381     |
| Advisory, underwriting and other investment banking fees   | 238     | 198     |
| Principal investing  | (58)    | (43)    |
| Other income   | 191     | 195     |
| -----  |         |         |
| Total fee and other income   | 1,630   | 1,574   |
| -----  |         |         |
| NONINTEREST EXPENSE  |         |         |
| Salaries and employee benefits   | 1,400   | 1,373   |
| Occupancy  | 180     | 164     |
| Equipment  | 207     | 211     |
| Advertising  | 16      | 14      |
| Communications and supplies  | 111     | 110     |
| Professional and consulting fees   | 84      | 83      |
| Goodwill and other intangible amortization   | 77      | 78      |
| Restructuring and merger-related charges   | (69)    | 2       |
| Sundry expense   | 191     | 174     |
| -----  |         |         |
| Total noninterest expense  | 2,197   | 2,209   |
| -----  |         |         |
| Income (loss) before income taxes (benefits) and cumulative effect of a change in accounting principle | 921     | 848     |
| Income taxes (benefits)  | 288     | 264     |
| -----  |         |         |
| Income (loss) before cumulative effect of a change in accounting principle                             | 633     | 584     |
| Cumulative effect of a change in the accounting for beneficial interests, net of tax                   | -       | -       |
| -----  |         |         |
| Net income (loss)  | \$ 633  | 584     |
| =====  |         |         |
| PER SHARE DATA   |         |         |
| Basic  |         |         |
| Income (loss) before change in accounting principle  | \$ 0.65 | 0.60    |
| Net income (loss)  | 0.65    | 0.60    |
| Diluted  |         |         |
| Income (loss) before change in accounting principle  | 0.64    | 0.59    |
| Net income (loss)  | 0.64    | 0.59    |
| Cash Dividends   | \$ 0.24 | 0.24    |
| AVERAGE SHARES (In thousands)  |         |         |
| Basic  | 969,333 | 967,671 |
| Diluted  | 978,185 | 975,847 |
| =====  |         |         |

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### CONSOLIDATED STATEMENTS OF INCOME (LOSS) (Unaudited)

|  | Six Months Ended<br>June 30, |         |
|--|------------------------------|---------|
| (In millions, except per share data)                     | 2001                         | 2000    |
| <b>INTEREST INCOME</b>                                   |                              |         |
| Interest and fees on loans                               | \$ 4,946                     | 5,777   |
| Interest and dividends on securities                     | 1,806                        | 1,989   |
| Trading account interest                                 | 402                          | 409     |
| Other interest income                                    | 691                          | 630     |
| Total interest income                                    | 7,845                        | 8,805   |
| <b>INTEREST EXPENSE</b>                                  |                              |         |
| Interest on deposits                                     | 2,445                        | 2,480   |
| Interest on short-term borrowings                        | 947                          | 1,389   |
| Interest on long-term debt                               | 1,040                        | 1,065   |
| Total interest expense                                   | 4,432                        | 4,934   |
| Net interest income                                      | 3,413                        | 3,871   |
| Provision for loan losses                                | 442                          | 1,222   |
| Net interest income after provision for loan losses      | 2,971                        | 2,649   |
| <b>FEE AND OTHER INCOME</b>                              |                              |         |
| Service charges and fees                                 | 954                          | 933     |
| Commissions  | 764                          | 843     |
| Fiduciary and asset management fees                      | 765                          | 740     |
| Advisory, underwriting and other investment banking fees | 436                          | 391     |
| Principal investing                                      | (101)                        | 404     |
| Other income   | 386                          | (535)   |
| Total fee and other income                               | 3,204                        | 2,776   |
| <b>NONINTEREST EXPENSE</b>                               |                              |         |
| Salaries and employee benefits                           | 2,773                        | 2,825   |
| Occupancy  | 344                          | 312     |
| Equipment  | 418                          | 424     |
| Advertising  | 30                           | 61      |
| Communications and supplies                              | 221                          | 248     |
| Professional and consulting fees                         | 167                          | 153     |
| Goodwill and other intangible amortization               | 155                          | 202     |
| Restructuring and merger-related charges                 | (67)                         | 2,105   |
| Sundry expense   | 365                          | 555     |
| Total noninterest expense                                | 4,406                        | 6,885   |
| Income (loss) before income taxes (benefits)             | 1,769                        | (1,460) |
| Income taxes (benefits)                                  | 552                          | (101)   |
| Net income (loss)  | \$ 1,217                     | (1,359) |
| <b>PER SHARE DATA</b>                                    |                              |         |
| Basic earnings   | \$ 1.24                      | (1.41)  |
| Diluted earnings   | 1.23                         | (1.41)  |
| Cash dividends   | \$ 0.48                      | 0.96    |



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|                               |         |         |
|-------------------------------|---------|---------|
| AVERAGE SHARES (In thousands) |         |         |
| Basic                         | 968,502 | 970,940 |
| Diluted                       | 976,978 | 983,147 |

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 FIRST UNION CORPORATION  
 CONSOLIDATED BALANCE SHEETS  
 (Unaudited)

|   | 2001              |                  |
|---|-------------------|------------------|
| (In millions, except per share data)  | Second<br>Quarter | First<br>Quarter |
| <b>ASSETS</b>   |                   |                  |
| Cash and due from banks   | \$ 8,665          | 7,857            |
| Interest-bearing bank balances  | 1,666             | 2,971            |
| Federal funds sold and securities purchased under resale agreements (carrying amount of collateral \$2,255 at June 30,2001, \$819 replledged) | 9,161             | 11,866           |
| <b>Total cash and cash equivalents</b>  | <b>19,492</b>     | <b>22,694</b>    |
| Trading account assets  | 23,181            | 20,431           |
| Securities (carrying amount of collateral \$21,674 at June 30,2001)   | 48,055            | 51,528           |
| Loans, net of unearned income   | 122,492           | 122,853          |
| Allowance for loan losses   | (1,760)           | (1,759)          |
| <b>Loans, net</b>   | <b>120,732</b>    | <b>121,094</b>   |
| Premises and equipment  | 4,852             | 4,968            |
| Due from customers on acceptances   | 856               | 894              |
| Goodwill and other intangible assets  | 3,625             | 3,690            |
| Other assets  | 25,148            | 27,650           |
| <b>Total assets</b>   | <b>\$ 245,941</b> | <b>252,949</b>   |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>   |                   |                  |
| <b>Deposits</b>   |                   |                  |
| Noninterest-bearing deposits  | 29,633            | 28,582           |
| Interest-bearing deposits   | 108,934           | 112,213          |
| <b>Total deposits</b>   | <b>138,567</b>    | <b>140,795</b>   |
| Short-term borrowings   | 34,754            | 39,719           |
| Bank acceptances outstanding  | 859               | 902              |
| Trading account liabilities   | 7,907             | 8,130            |
| Other liabilities   | 11,650            | 11,230           |
| Long-term debt  | 36,060            | 36,092           |
| <b>Total liabilities</b>  | <b>229,797</b>    | <b>236,868</b>   |
| <b>STOCKHOLDERS' EQUITY</b>   |                   |                  |
| Preferred stock   | -                 | -                |
| Common stock, \$3.33-1/3 par value;   |                   |                  |

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|   |    |         |         |
|---|----|---------|---------|
| authorized 2 billion shares                 |    | 3,264   | 3,271   |
| Paid-in capital                             |    | 6,345   | 6,307   |
| Retained earnings                           |    | 6,627   | 6,281   |
| Accumulated other comprehensive income, net |    | (92)    | 222     |
| -----                                       |    |         |         |
| Total stockholders' equity                  |    | 16,144  | 16,081  |
| -----                                       |    |         |         |
| Total liabilities and stockholders' equity  | \$ | 245,941 | 252,949 |
| =====                                       |    |         |         |

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 FIRST UNION CORPORATION  
 NET INTEREST INCOME SUMMARIES  
 (Unaudited)

|  |                     |                                |                                     | SECOND QUARTER 2001 |  |
|--|---------------------|--------------------------------|-------------------------------------|---------------------|--|
| (In millions)  | Average<br>Balances | Interest<br>Income/<br>Expense | Average<br>Rates<br>Earned/<br>Paid |                     |  |
| -----  |                     |                                |                                     |                     |  |
| <b>ASSETS</b>  |                     |                                |                                     |                     |  |
| Interest-bearing bank balances   | \$ 2,529            | 29                             | 4.57 %                              | \$                  |  |
| Federal funds sold and securities<br>purchased under resale agreements | 8,923               | 99                             | 4.41                                |                     |  |
| Trading account assets   | 13,965              | 202                            | 5.78                                |                     |  |
| Securities   | 49,931              | 899                            | 7.21                                |                     |  |
| Loans  |                     |                                |                                     |                     |  |
| Commercial   |                     |                                |                                     |                     |  |
| Commercial, financial and agricultural                                 | 53,160              | 1,098                          | 8.29                                |                     |  |
| Real estate - construction and other                                   | 3,193               | 52                             | 6.56                                |                     |  |
| Real estate - mortgage   | 8,525               | 149                            | 7.01                                |                     |  |
| Lease financing  | 6,075               | 157                            | 10.29                               |                     |  |
| Foreign  | 5,425               | 83                             | 6.12                                |                     |  |
| -----  |                     |                                |                                     |                     |  |
| Total commercial   | 76,378              | 1,539                          | 8.08                                |                     |  |
| -----  |                     |                                |                                     |                     |  |
| Consumer   |                     |                                |                                     |                     |  |
| Real estate - mortgage   | 17,435              | 318                            | 7.29                                |                     |  |
| Installment loans and vehicle leasing                                  | 25,399              | 572                            | 9.02                                |                     |  |
| -----  |                     |                                |                                     |                     |  |
| Total consumer   | 42,834              | 890                            | 8.32                                |                     |  |
| -----  |                     |                                |                                     |                     |  |
| Total loans  | 119,212             | 2,429                          | 8.17                                |                     |  |
| -----  |                     |                                |                                     |                     |  |
| Other earning assets   | 10,113              | 193                            | 7.68                                |                     |  |
| -----  |                     |                                |                                     |                     |  |
| Total earning assets   | 204,673             | 3,851                          | 7.54                                |                     |  |
| =====  |                     |                                |                                     |                     |  |
| Cash and due from banks  | 7,568               |                                |                                     |                     |  |
| Other assets   | 35,013              |                                |                                     |                     |  |
| -----  |                     |                                |                                     |                     |  |
| Total assets   | \$ 247,254          |                                |                                     | \$                  |  |
| =====  |                     |                                |                                     |                     |  |

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| LIABILITIES AND STOCKHOLDERS' EQUITY                                    |            |          |        |
|---|------------|----------|--------|
| Interest-bearing deposits   |            |          |        |
| Savings and NOW accounts  | 39,640     | 267      | 2.70   |
| Money market accounts   | 18,746     | 225      | 4.81   |
| Other consumer time   | 33,268     | 477      | 5.76   |
| Foreign   | 6,357      | 73       | 4.62   |
| Other time  | 11,587     | 150      | 5.20   |
| -----   |            |          |        |
| Total interest-bearing deposits   | 109,598    | 1,192    | 4.36   |
| Federal funds purchased and securities sold under repurchase agreements | 27,128     | 356      | 5.27   |
| Commercial paper  | 2,435      | 25       | 4.08   |
| Other short-term borrowings   | 9,809      | 73       | 2.98   |
| Long-term debt  | 36,254     | 463      | 5.11   |
| -----   |            |          |        |
| Total interest-bearing liabilities                                      | 185,224    | 2,109    | 4.57   |
| =====   |            |          |        |
| Noninterest-bearing deposits  | 27,381     |          |        |
| Other liabilities   | 18,623     |          |        |
| Stockholders' equity  | 16,026     |          |        |
| -----   |            |          |        |
| Total liabilities and stockholders' equity                              | \$ 247,254 |          | \$     |
| =====   |            |          |        |
| Interest income and rate earned   |            | \$ 3,851 | 7.54 % |
| Interest expense and equivalent rate paid                               |            | 2,109    | 4.13   |
| -----   |            |          |        |
| Net interest income and margin (a)                                      |            | \$ 1,742 | 3.41 % |
| =====   |            |          |        |

(a) The net margin includes (in basis points): 13, 14, 15, 22, and 27 for the quarters ended June 30, 2000, September 30, 2000, and December 31, 2000, respectively, related to net interest income derivative transactions.

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 FIRST UNION CORPORATION  
 NET INTEREST INCOME SUMMARIES  
 (Unaudited)

| FOURTH QUARTER 2000 |                         |                           |    | THIRD QUARTER 2000 |                         |                           |                  |
|---------------------|-------------------------|---------------------------|----|--------------------|-------------------------|---------------------------|------------------|
| Average Balances    | Interest Income/Expense | Average Rates Earned/Paid |    | Average Balances   | Interest Income/Expense | Average Rates Earned/Paid | Average Balances |
| \$ 1,266            | 14                      | 4.34 %                    | \$ | 1,465              | 20                      | 5.28 %                    | \$ 977           |
| 5,994               | 89                      | 5.86                      |    | 6,367              | 97                      | 6.11                      | 9,318            |
| 11,569              | 201                     | 6.95                      |    | 12,204             | 214                     | 6.99                      | 12,950           |
| 50,554              | 952                     | 7.54                      |    | 52,780             | 988                     | 7.48                      | 56,027           |
| 53,554              | 1,233                   | 9.17                      |    | 53,226             | 1,250                   | 9.34                      | 54,486           |
| 3,011               | 65                      | 8.69                      |    | 2,676              | 59                      | 8.65                      | 2,458            |

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|            |          |        |            |          |        |            |
|------------|----------|--------|------------|----------|--------|------------|
| 9,130      | 198      | 8.63   | 9,294      | 203      | 8.70   | 9,302      |
| 5,272      | 150      | 11.37  | 5,168      | 148      | 11.45  | 5,123      |
| 5,286      | 97       | 7.29   | 5,016      | 91       | 7.17   | 4,582      |
| -----      | -----    | -----  | -----      | -----    | -----  | -----      |
| 76,253     | 1,743    | 9.11   | 75,380     | 1,751    | 9.24   | 75,951     |
| -----      | -----    | -----  | -----      | -----    | -----  | -----      |
| 18,805     | 362      | 7.70   | 23,163     | 432      | 7.47   | 25,760     |
| 25,035     | 606      | 9.63   | 24,932     | 596      | 9.51   | 30,903     |
| -----      | -----    | -----  | -----      | -----    | -----  | -----      |
| 43,840     | 968      | 8.80   | 48,095     | 1,028    | 8.53   | 56,663     |
| -----      | -----    | -----  | -----      | -----    | -----  | -----      |
| 120,093    | 2,711    | 8.99   | 123,475    | 2,779    | 8.96   | 132,614    |
| -----      | -----    | -----  | -----      | -----    | -----  | -----      |
| 13,130     | 322      | 9.76   | 14,798     | 393      | 10.63  | 8,175      |
| -----      | -----    | -----  | -----      | -----    | -----  | -----      |
| 202,606    | 4,289    | 8.44   | 211,089    | 4,491    | 8.48   | 220,061    |
| -----      | =====    | -----  | -----      | =====    | -----  | -----      |
| 7,653      |          |        | 7,446      |          |        | 7,830      |
| 29,116     |          |        | 28,283     |          |        | 27,692     |
| -----      | -----    | -----  | -----      | -----    | -----  | -----      |
| \$ 239,375 |          |        | \$ 246,818 |          |        | \$ 255,583 |
| =====      | -----    | -----  | =====      | -----    | -----  | =====      |
| 37,640     | 301      | 3.17   | 37,680     | 296      | 3.13   | 38,940     |
| 17,008     | 202      | 4.74   | 15,629     | 175      | 4.46   | 14,959     |
| 36,421     | 541      | 5.91   | 36,328     | 524      | 5.74   | 35,386     |
| 7,483      | 110      | 5.85   | 9,721      | 151      | 6.18   | 8,795      |
| 11,902     | 213      | 7.13   | 15,317     | 276      | 7.16   | 14,153     |
| -----      | -----    | -----  | -----      | -----    | -----  | -----      |
| 110,454    | 1,367    | 4.92   | 114,675    | 1,422    | 4.93   | 112,233    |
| -----      | -----    | -----  | -----      | -----    | -----  | -----      |
| 23,686     | 400      | 6.72   | 28,363     | 459      | 6.43   | 36,762     |
| 2,639      | 42       | 6.19   | 2,588      | 40       | 6.25   | 3,308      |
| 9,345      | 96       | 4.09   | 9,257      | 110      | 4.74   | 11,096     |
| 35,708     | 627      | 7.03   | 35,263     | 600      | 6.80   | 33,555     |
| -----      | -----    | -----  | -----      | -----    | -----  | -----      |
| 181,832    | 2,532    | 5.55   | 190,146    | 2,631    | 5.51   | 196,954    |
| -----      | =====    | -----  | -----      | =====    | -----  | -----      |
| 27,875     |          |        | 28,437     |          |        | 28,971     |
| 14,915     |          |        | 13,999     |          |        | 13,044     |
| 14,753     |          |        | 14,236     |          |        | 16,614     |
| -----      | -----    | -----  | -----      | -----    | -----  | -----      |
| \$ 239,375 |          |        | \$ 246,818 |          |        | \$ 255,583 |
| =====      | -----    | -----  | =====      | -----    | -----  | =====      |
|            | \$ 4,289 | 8.44 % |            | \$ 4,491 | 8.48 % |            |
|            | 2,532    | 4.98   |            | 2,631    | 4.96   |            |
| -----      | -----    | -----  | -----      | -----    | -----  | -----      |
|            | \$ 1,757 | 3.46 % |            | \$ 1,860 | 3.52 % |            |
|            | =====    | -----  |            | =====    | -----  |            |

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SIX MONTHS ENDED 2001

| (In millions)  | Average<br>Balances | Interest<br>Income/<br>Expense | Average<br>Rates<br>Earned/<br>Paid |
|--|---------------------|--------------------------------|-------------------------------------|
| <b>ASSETS</b>  |                     |                                |                                     |
| Interest-bearing bank balances   | \$ 2,179            | 54                             | 5.04 %                              |
| Federal funds sold and securities<br>purchased under resale agreements     | 7,985               | 194                            | 4.89                                |
| Trading account assets   | 13,642              | 408                            | 6.00                                |
| Securities   | 50,173              | 1,844                          | 7.35                                |
| <b>Loans</b>   |                     |                                |                                     |
| <b>Commercial</b>  |                     |                                |                                     |
| Commercial, financial and agricultural                                     | 53,286              | 2,228                          | 8.43                                |
| Real estate - construction and other                                       | 3,212               | 114                            | 7.16                                |
| Real estate - mortgage   | 8,858               | 329                            | 7.50                                |
| Lease financing  | 6,080               | 318                            | 10.46                               |
| Foreign  | 5,385               | 175                            | 6.56                                |
| Total commercial   | 76,821              | 3,164                          | 8.30                                |
| <b>Consumer</b>  |                     |                                |                                     |
| Real estate - mortgage   | 17,522              | 649                            | 7.41                                |
| Installment loans and vehicle leasing                                      | 25,186              | 1,152                          | 9.22                                |
| Total consumer   | 42,708              | 1,801                          | 8.47                                |
| Total loans  | 119,529             | 4,965                          | 8.36                                |
| Other earning assets   | 10,691              | 443                            | 8.35                                |
| Total earning assets   | 204,199             | 7,908                          | 7.78                                |
| Cash and due from banks  | 7,658               |                                |                                     |
| Other assets   | 34,510              |                                |                                     |
| Total assets   | \$ 246,367          |                                | \$                                  |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>                                |                     |                                |                                     |
| <b>Interest-bearing deposits</b>   |                     |                                |                                     |
| Savings and NOW accounts   | 39,200              | 531                            | 2.73                                |
| Money market accounts  | 18,346              | 425                            | 4.67                                |
| Other consumer time  | 33,857              | 983                            | 5.86                                |
| Foreign  | 6,603               | 167                            | 5.12                                |
| Other time   | 11,911              | 339                            | 5.75                                |
| Total interest-bearing deposits  | 109,917             | 2,445                          | 4.49                                |
| Federal funds purchased and securities<br>sold under repurchase agreements | 26,072              | 734                            | 5.68                                |
| Commercial paper   | 2,487               | 58                             | 4.71                                |
| Other short-term borrowings  | 9,695               | 155                            | 3.21                                |
| Long-term debt   | 36,442              | 1,040                          | 5.71                                |
| Total interest-bearing liabilities   | 184,613             | 4,432                          | 4.83                                |
| Noninterest-bearing deposits   | 27,213              |                                |                                     |
| Other liabilities  | 18,604              |                                |                                     |

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|  |    |         |        |
|--|----|---------|--------|
| Stockholders' equity                       |    | 15,937  |        |
| -----                                      |    |         |        |
| Total liabilities and stockholders' equity | \$ | 246,367 | \$     |
| =====                                      |    |         |        |
| Interest income and rate earned            | \$ | 7,908   | 7.78 % |
| Interest expense and equivalent rate paid  |    | 4,432   | 4.36   |
| -----                                      |    |         |        |
| Net interest income and margin (a)         | \$ | 3,476   | 3.42 % |
| =====                                      |    |         |        |

(a) The net interest margin includes (in basis points): 14 and 27 for the six months ended June 30 and June 30, 2000 respectively, related to net interest income from hedge-related derivative transactions.

THE FOLLOWING ARE SUPPLEMENTAL MATERIALS RELATING TO FIRST UNION'S SECOND QUARTER RESULTS RELEASED BY FIRST UNION

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SECOND QUARTER 2001

SUPPLEMENTAL EARNINGS PACKAGE  
(ALL COMPARISONS ARE WITH FIRST QUARTER 2001 UNLESS OTHERWISE NOTED)

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ALL INFORMATION EXCLUDES RESTRUCTURING AND OTHER CHARGES/GAINS AND IS BEFORE CUMULATIVE EFFECT OF A CHANGE IN ACCOUNTING PRINCIPLE EXCEPT WHERE SPECIFICALLY NOTED.

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### HIGHLIGHTS OF THE QUARTER -----

#### Earnings

- o Operating EPS of \$0.66 per share (\$0.73 on a cash operating basis), up 6% from \$0.62 in 1Q01. Operating earnings of \$649 million, up 6% from \$610 million in 1Q01.
- o Reported net income for 2Q01 was \$633 million, or \$0.64 per share. This included a net charge of \$0.02 in restructuring and other charges/gains primarily related to the June 2000 strategic repositioning. Reported net income in 1Q01 was \$0.59 per share, which included a net charge of \$0.03 in restructuring and other charges/gains.
- o Revenue growth was 3%, while expenses remained relatively flat. Revenue growth exceeded expense growth, producing operating leverage of \$60 million for the quarter.
- o Average diluted shares increased 2.3 million, primarily due to the vesting of stock awards issued in previous years. We repurchased 2.1 million shares in the open market during the quarter. Shares subject to forward contracts increased by 5.9 million shares (no effect on outstanding shares).

#### Core Businesses

- o General Bank revenues up 6% vs. 1Q01; up 4% excluding strong mortgage banking results. General Bank deposits and loans continued to show solid growth while investment sales were also up, driven by record bank annuity sales of \$717 million. Service charges and fees grew 7%.
- o Capital Management revenues increased despite continued weak market conditions, due to strong annuity sales, higher broker client assets, and record mutual fund assets.
- o Corporate and Investment Banking revenues up 7% on strength in agency businesses. Compared to 2Q00, revenues are up 21% excluding principal investing while expenses have declined. Seeing increased market share in key investment banking businesses.

#### Capital

- o Continued focus on strengthening capital ratios:
  - o Tier 1 capital ratio improved to 7.40% from 7.18%, the fourth straight quarterly increase.
  - o Total capital ratio improved to 11.48% from 11.33%; leverage ratio improved to 6.01% from 5.88%.

#### Credit

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- o Credit quality remained relatively stable and we continue to proactively manage the portfolio.
- o Net charge-offs were 0.52% vs. 0.53% in 1Q01. Provided \$30 million in excess of net charge-offs and provisions for loans sold or transferred to assets held for sale.
- o Total nonperforming assets declined 6%. Allowance as a percentage of loans and nonperforming assets increased modestly from 1Q01.

### June 2000 Strategic Repositioning

- o Completed on schedule and on budget.

### 2001 Outlook

- o Revised charge-off guidance for full year 2001 from 60-80 bps to 55-65 bps.
- o Core earnings of 66 cents provides foundation for continued growth.
- o Continued to build capital ratios; settle \$500 million in equity forwards during 4Q01.
- o Continue to proactively manage the portfolio with goal to hold NPAs relatively flat while maintaining current allowance coverage ratios.

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### PERFORMANCE REVIEW

Before Restructuring and Other Charges/Gains

#### Operating Basis Performance Highlights

|   | 2001              |                  |                   |              |
|---|-------------------|------------------|-------------------|--------------|
| (In millions, except per share data)            | Second<br>Quarter | First<br>Quarter | Fourth<br>Quarter | Thi<br>Quart |
| <hr/>   |                   |                  |                   |              |
| Operating earnings (a)                          |                   |                  |                   |              |
| Net income                                      | \$ 649            | 610              | 681               | 7            |
| Diluted earnings per share                      | \$ 0.66           | 0.62             | 0.69              | 0.           |
| Return on average assets                        | 1.05 %            | 1.01             | 1.12              | 1.           |
| Return on average stockholders' equity          | 16.19             | 15.64            | 15.36             | 15.          |
| Overhead efficiency ratio                       | 64.34 %           | 65.18            | 63.85             | 66.          |
| Operating leverage                              | \$ 60             | (65)             | 30                | (1           |
| <hr/>   |                   |                  |                   |              |
| Cash operating earnings                         |                   |                  |                   |              |
| Net income                                      | \$ 723            | 684              | 753               | 7            |
| Diluted earnings per share                      | \$ 0.73           | 0.69             | 0.76              | 0.           |
| Return on average tangible assets               | 1.19 %            | 1.15             | 1.26              | 1.           |
| Return on average tangible stockholders' equity | 23.35             | 22.91            | 21.55             | 22.          |
| Overhead efficiency ratio                       | 62.06 %           | 62.80            | 61.46             | 64.          |
| Operating leverage                              | \$ 59             | (67)             | 31                | (1           |



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|   |          |   |         |         |       |
|---|----------|---|---------|---------|-------|
| Other financial data  |          |   |         |         |       |
| Net interest margin   | 3.41     | % | 3.42    | 3.46    | 3.    |
| Fee and other income as % of total revenue  | 48.32    |   | 47.13   | 47.38   | 46.   |
| Effective income tax rate   | 31.54    | % | 31.54   | 31.21   | 30.   |
| Period-end common stock price   | \$ 34.94 |   | 33.00   | 27.81   | 32.   |
| Asset quality   |          |   |         |         |       |
| Net charge-offs as % of average loans, net  | 0.52     | % | 0.53    | 0.64    | 0.    |
| Nonperforming assets to loans, net,<br>foreclosed properties and assets held for sale | 1.23     | % | 1.30    | 1.22    | 0.    |
| Capital adequacy  |          |   |         |         |       |
| Tier 1 capital ratio (b)  | 7.40     | % | 7.18    | 7.02    | 7.    |
| Total capital ratio (b)   | 11.48    |   | 11.33   | 11.19   | 11.   |
| Leverage ratio (b)  | 6.01     | % | 5.88    | 5.92    | 5.    |
| Other   |          |   |         |         |       |
| Average diluted shares (In thousands)   | 978,185  |   | 975,847 | 990,445 | 986,7 |
| Actual shares (In thousands)  | 979,205  |   | 981,268 | 979,963 | 986,0 |
| Dividends paid per common share   | \$ 0.24  |   | 0.24    | 0.48    | 0.    |
| Dividend payout ratio   | 36.36    | % | 38.71   | 69.57   | 67.   |
| Book value per share  | \$ 16.49 |   | 16.39   | 15.66   | 15.   |
| FTE employees   | 67,420   |   | 69,362  | 70,639  | 70,5  |

(a) Operating earnings are reported net income excluding after-tax net restructuring, merger-rela  
(b) The second quarter of 2001 is based on estimates.

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EARNINGS SUMMARY

Before Restructuring and Other Charges/Gains

| Operating Earnings Summary                  | 2001              |                  |                   |
|---|-------------------|------------------|-------------------|
|   | Second<br>Quarter | First<br>Quarter | Fourth<br>Quarter |
| (In millions, except per share data)        |                   |                  |                   |
| Net interest income (Tax-equivalent)        | \$ 1,742          | 1,734            | 1,757             |
| Fee and other income                        | 1,629             | 1,546            | 1,582             |
| Total revenue (Tax-equivalent)              | 3,371             | 3,280            | 3,339             |
| Provision for loan losses                   | 223               | 219              | 192               |
| Noninterest expense                         | 2,169             | 2,138            | 2,132             |
| Income before income taxes (Tax-equivalent) | 979               | 923              | 1,015             |
| Income taxes                                | 299               | 281              | 309               |

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|  |    |         |       |       |
|--|----|---------|-------|-------|
| Tax-equivalent adjustment                                    |    | 31      | 32    | 25    |
| Net income   | \$ | 649     | 610   | 681   |
| Net income (Cash basis)                                      | \$ | 723     | 684   | 753   |
| Diluted earnings per share                                   | \$ | 0.66    | 0.62  | 0.69  |
| Diluted earnings per share (Cash basis)                      | \$ | 0.73    | 0.69  | 0.76  |
| Return on average stockholders' equity                       |    | 16.19 % | 15.64 | 15.36 |
| Return on average tangible stockholders' equity (Cash basis) |    | 23.35 % | 22.91 | 21.55 |

NET INTEREST INCOME

Interest Income Summary

| (In millions)                        | 2001           |               |                |               |
|--------------------------------------|----------------|---------------|----------------|---------------|
|                                      | Second Quarter | First Quarter | Fourth Quarter | Third Quarter |
| Average earning assets               | \$ 204,673     | 203,720       | 202,606        | 211,000       |
| Average interest-bearing liabilities | 185,224        | 183,995       | 181,832        | 190,100       |
| Interest income (Tax-equivalent)     | 3,851          | 4,057         | 4,289          | 4,400         |
| Interest expense                     | 2,109          | 2,323         | 2,532          | 2,600         |
| Net interest income (Tax-equivalent) | \$ 1,742       | 1,734         | 1,757          | 1,800         |
| Rate earned                          | 7.54 %         | 8.03          | 8.44           | 8.00          |
| Equivalent rate paid                 | 4.13           | 4.61          | 4.98           | 4.00          |
| Net interest margin                  | 3.41 %         | 3.42          | 3.46           | 3.00          |

Key Points

- o Margin remained relatively flat despite the declining rate environment as higher spreads were offset by the 1Q01 securitization and sale of The Money Store loans and growth in the equity derivatives business

Net Interest Income increased modestly, the result of the benefit associated with lower interest rates, as liabilities generally repriced faster than assets. This benefit was largely offset by the impact of the securitization and sale of TMS loans in 1Q01 and growth in low-yielding assets related to our equity derivatives business.

Net interest margin decreased 1 bps to 3.41%. Higher spreads related to the rate environment were offset by reduced margin related to the TMS securitization and sale and by growth in equity derivative assets. Excess liquidity (sold as fed funds) also reduced the margin modestly. Derivatives hedging asset and liability positions contributed 13 bps to the margin, down from 14 bps in 1Q01.

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| Average Balance Sheet Data<br><br>(In millions) | 2001              |                  |                   |                  |
|---|-------------------|------------------|-------------------|------------------|
|   | Second<br>Quarter | First<br>Quarter | Fourth<br>Quarter | Third<br>Quarter |
| Commercial loans                                | \$ 76,378         | 77,270           | 76,253            | 75,380           |
| Consumer loans                                  | 42,834            | 42,580           | 43,840            | 48,095           |
| Total loans                                     | \$119,212         | 119,850          | 120,093           | 123,475          |
| Core interest-bearing deposits                  | \$ 91,654         | 91,149           | 91,069            | 89,637           |
| Noninterest-bearing deposits                    | 27,381            | 27,043           | 27,875            | 28,437           |
| Total core deposits                             | 119,035           | 118,192          | 118,944           | 118,074          |
| Foreign and other time deposits                 | 17,944            | 19,090           | 19,385            | 25,038           |
| Total deposits                                  | \$136,979         | 137,282          | 138,329           | 143,112          |

Key Points

- o Solid consumer loan growth of 2% and small business up 5%, excluding divestitures and securitizations
- o Core deposits up 1%, despite an average impact of \$434 million from divestitures; low cost core deposits up \$2.6 billion excluding divestitures
- o Reduced purchased deposits due to core deposit growth and lower cost alternatives

Average earning assets increased 0.5%.

Average loans declined 0.5%. Average commercial loans were down 1%, and were modestly affected lower commercial real estate balances and by the transfer of loans to held for sale in 1Q01.

Average consumer loans increased 1%, and increased 2% excluding the impact of \$264 million sold or transferred to assets held for sale in 2Q01 and 1Q01 and \$400 million in planned runoff of the indirect auto lending and leasing portfolio. Home equity and other consumer direct lending accounted for the normalized increase.

Securities and trading assets were flat. Trading account assets increased 5%, the result of continued growth in the equity derivatives business. Securities declined 1%. Other earning assets increased 7% due to an increase in fed funds sold, reverse repos, and interest-bearing balances.

Average interest-bearing liabilities increased 0.5%.

Average core deposits increased 1%, despite a divestiture impact on the average of \$434 million in 1Q01. Both interest-bearing and noninterest-bearing core deposits increased. Low cost core deposits, which exclude CDs and CAP FDIC balances, increased \$2.6 billion or 4% excluding

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divestitures, due to continued sales and retention efforts. Time deposits declined due to the less-attractive rate environment. Other deposits decreased 6%, as both foreign and other time deposits were reduced due to a shift to lower cost wholesale funding sources. Thus, total deposits were flat.

Liquidity improved as growth in cash and cash equivalents of \$2.6 million outpaced growth of \$2.4 billion in short-term borrowings, despite a decline of \$1.1 billion in other deposits. Long-term debt declined 1%.

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### FEE AND OTHER INCOME

| Fee and Other Income<br><br>(In millions)                   | 2001              |                  |                   |                  |
|---|-------------------|------------------|-------------------|------------------|
|   | Second<br>Quarter | First<br>Quarter | Fourth<br>Quarter | Third<br>Quarter |
| Service charges and fees                                    | \$ 486            | 468              | 481               | 508              |
| Commissions   | 389               | 375              | 383               | 365              |
| Fiduciary and asset management fees                         | 384               | 381              | 387               | 384              |
| Advisory, underwriting and other<br>investment banking fees | 238               | 198              | 187               | 148              |
| Principal investing   | (58)              | (43)             | (43)              | 34               |
| Other income  | 190               | 167              | 187               | 206              |
| <b>Total fee and other income</b>                           | <b>\$ 1,629</b>   | <b>1,546</b>     | <b>1,582</b>      | <b>1,645</b>     |

#### Key Points

- o Across-the-board increases in all fee categories except principal investing
- o Service charges and fees up 4% on strong growth in both the General Bank and Corporate and Investment Banking
- o Solid asset management and commissions performance in a challenging market
- o Corporate and Investment Banking fees up on increased activity in agency businesses
- o Other income up due to mortgage and home equity-related income

Fee and other income increased 5% on strength in investment banking agency businesses as well as increases in service charges and fees and commissions. Fees were 48% of total revenue in 2Q01 and 47% in 1Q01.

Service charges and fees grew 4%, on 7% growth in core businesses (7% in General Bank and 5% in Corporate and Investment Banking). Parent contribution declined due to branch divestitures. Mild seasonality in 1Q01 had a minimal effect on growth.

Commissions increased 4%, despite a continuing weak market environment, primarily due to strong annuity sales volume of \$717 million and increased broker client assets.

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Fiduciary and asset management fees grew 1%, despite a challenging market environment, reflecting a balanced mix of funds. Money market flows were strong, and mutual fund assets reached a record, but the asset mix shifted slightly toward lower-yielding funds. Additionally, average levels of most market indices for the quarter were down from 1Q01.

Advisory, underwriting and other investment banking fees increased 20%. The quarter was particularly strong in agency businesses, as M&A, loan syndications, and commercial real estate finance posted higher results. 1Q01 asset securitization results included trading losses of \$46 million in connection with certain nonperforming assets. Fixed income results continued strong but were \$50 million lower than 1Q01, as that quarter marked a record for trading results.

Principal investing losses were \$58 million, primarily due to impairments on private equity investments taken during the quarter. Losses were \$43 million in 1Q01.

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Other income increased \$23 million. 2Q01 mortgage income was \$40 million versus \$18 million in 1Q01, primarily related to deliveries and flow servicing sales. 2Q01 results also included a \$21 million gain on an \$800 million securitization and sale of recent PEL production. Commercial leasing income of \$48 million was up \$3 million. Net securities losses were less than \$1 million compared to losses of \$16 million in 1Q01 (2Q01 included \$26 million of asset securitization impairment losses on certain nonperforming securities). Market valuation adjustments in 2Q01 of \$14 million included \$7 million related to the mortgage company (offset by gains in hedge positions). 1Q01 market valuation adjustments totaled \$30 million. 1Q01 results included a \$75 million gain on the exchange of our interest in Star ATM networks. Other income increased \$14 million excluding these items.

### NONINTEREST EXPENSE

-----

| Noninterest Expense                        | 2001              |                  |                   |        |
|--|-------------------|------------------|-------------------|--------|
| (In millions)                              | Second<br>Quarter | First<br>Quarter | Fourth<br>Quarter | Qu     |
| Salaries and employee benefits             | \$ 1,363          | 1,329            | 1,243             | 1,243  |
| Occupancy                                  | 155               | 163              | 150               | 150    |
| Equipment                                  | 198               | 205              | 221               | 221    |
| Advertising                                | 11                | 9                | 16                | 16     |
| Communications and supplies                | 111               | 110              | 123               | 123    |
| Professional and consulting fees           | 69                | 73               | 97                | 97     |
| Goodwill and other intangible amortization | 77                | 78               | 80                | 80     |
| Sundry expense                             | 185               | 171              | 202               | 202    |
| Total noninterest expense                  | \$ 2,169          | 2,138            | 2,132             | 2,132  |
| FTE employees                              | 67,420            | 69,362           | 70,639            | 70,639 |

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Overhead efficiency ratio (Cash basis) 62.06 % 62.80 61.46

Key Points

- o Total expenses remained virtually flat
- o Personnel expenses up modestly due to impact of lower FTEs offset by incentive payments on increased revenue
- o Sundry expenses increased due to costs associated with higher loan volume
- o Remaining categories down \$17 million in total

Noninterest expense increased 1%. Salaries and employee benefits expenses grew 3%, due to lower FTEs offset by higher incentive payments on increased revenue. Sundry expense increased \$14 million, the result of higher loan costs related to higher mortgage, home equity, and student lending volumes. Other expense categories declined \$17 million in the aggregate, reflecting tight expense management.

Intangible amortization consisted of \$60 million in goodwill amortization and \$17 million of deposit based intangible (DBI) amortization.

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ASSET QUALITY

| Asset Quality<br><br>(In millions)                                 | 2001              |                  |                   |            |
|--|-------------------|------------------|-------------------|------------|
|  | Second<br>Quarter | First<br>Quarter | Fourth<br>Quarter | Th<br>Quar |
| Nonperforming assets   |                   |                  |                   |            |
| Loans  | \$ 1,223          | 1,231            | 1,176             |            |
| Other real estate  | 104               | 106              | 103               |            |
| Loans in assets held for sale                                      | 250               | 344              | 334               |            |
| Total nonperforming assets   | \$ 1,577          | 1,681            | 1,613             | 1,         |
| as % of loans, net   | 1.08              | % 1.09           | 1.03              | 0          |
| as % of loans, net, including assets held for sale                 | 1.23              | % 1.30           | 1.22              | 0          |
| Allowance for loan losses  |                   |                  |                   |            |
| Balance, beginning of period                                       | \$ 1,759          | 1,722            | 1,720             | 1,         |
| Provision for loan losses  | 223               | 219              | 192               |            |
| Allowance relating to loans transferred to<br>other assets or sold | (65)              | (23)             | 2                 | (          |
| Loan losses, net   | (157)             | (159)            | (192)             | (          |
| Balance, end of period   | \$ 1,760          | 1,759            | 1,722             | 1,         |

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|   |      |     |      |      |   |
|---|------|-----|------|------|---|
| as % of loans, net                            | 1.44 | %   | 1.43 | 1.39 | 1 |
| as % of nonaccrual and restructured loans (a) | 144  |     | 143  | 146  |   |
| as % of nonperforming assets (a)              | 133  | %   | 132  | 135  |   |
| -----   |      |     |      |      |   |
| Loan losses, net                              | \$   | 157 | 159  | 192  |   |
| Commercial, as % of average commercial loans  | 0.55 | %   | 0.56 | 0.80 | 0 |
| Consumer, as % of average consumer loans      | 0.48 |     | 0.48 | 0.36 | 0 |
| Total, as % of average loans, net             | 0.52 | %   | 0.53 | 0.64 | 0 |
| -----   |      |     |      |      |   |

(a) These ratios do not include nonperforming loans included in other assets as held for sale.

Loans 90 days past due were \$213 million, \$220 million, \$183 million, \$145 million and \$84 million in the second and first quarters of 2001 and in the fourth, third and second quarters of 2000, respectively.

Key Points

- o Total NPAs declined 6%
- o Allowance increased to 1.44% of net loans
- o Provision exceeded charge-offs by \$66 million including the provision for loans sold or transferred to held for sale
- o Delinquencies 90 days past due were \$213 million vs. \$220 million at March 31
- o Net loan losses declined to \$157 million or 52 bps

Net loan losses decreased \$2 million to \$157 million, and the charge-off ratio declined to 0.52% from 0.53% in 1Q01. Gross charge-offs were \$191 million offset by \$34 million in recoveries.

Provision for loan losses exceeded net charge-offs by \$66 million. This resulted in the allowance remaining fairly stable after accounting for offsets relating to loan sales and transfers of loans to assets held for sale.

Allowance for loan losses remained relatively flat at \$1.76 billion, or 1.44% of loans versus 1.43% in 1Q01. The allowance to NPLs ratio rose to 144% while the allowance to NPA ratio (excluding NPAs in assets held for sale) also increased slightly to 133%.

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| Nonperforming Assets (a)                    | 2001              |                  |                   |            |
|---|-------------------|------------------|-------------------|------------|
|   | Second<br>Quarter | First<br>Quarter | Fourth<br>Quarter | Th<br>Quar |
| (In millions)                               |                   |                  |                   |            |
| Balance, beginning of period                | \$ 1,337          | 1,279            | 951               |            |
| -----                                       |                   |                  |                   |            |
| Commercial loan activity (over \$5 million) |                   |                  |                   |            |
| New nonaccrual loans and advances           | 314               | 266              | 487               |            |
| Charge-offs                                 | (49)              | (69)             | (112)             |            |
| Transfers (to) from assets held for sale    | -                 | -                | 11                |            |
| Payments and return to accrual status       | (50)              | (59)             | (22)              |            |
| Sales                                       | (54)              | -                | (15)              |            |

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|                                    |          |       |       |
|------------------------------------|----------|-------|-------|
| Other (activity under \$5 million) | (100)    | (53)  | (69)  |
| Commercial loan activity           | 61       | 85    | 280   |
| Consumer loan activity             |          |       |       |
| Transfers to assets held for sale  | (123)    | (90)  | -     |
| Other, net                         | 52       | 63    | 48    |
| Consumer loan activity             | (71)     | (27)  | 48    |
| Change in nonperforming assets     | (10)     | 58    | 328   |
| Balance, end of period             | \$ 1,327 | 1,337 | 1,279 |

(a) Excludes nonperforming loans included in assets held for sale, which in the second and first fourth, third and second quarters of 2000 were \$250 million, \$334 million, \$349 million and \$331 million.

Key Points

- o Transferred \$123 million of consumer NPLs to assets held for sale; sale expected to close in 3Q01
- o NPAs including assets held for sale declined by \$104 million or 6%

Nonperforming assets declined slightly by \$10 million and, including NPAs in assets held for sale, declined \$104 million or 6%. While new nonaccrual commercial loan balances rose by \$56 million, the increase was more than offset by sales, payments and the return to performing status of certain loans. Consumer NPLs and NPAs in assets held for sale were also lower. During the quarter, the company sold \$54 million of commercial and \$13 million of consumer nonperforming loans and an additional \$73 million of commercial NPLs and \$83 million of consumer NPLs out of assets held for sale.

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LOANS HELD FOR SALE

Loans Held for Sale

| (In millions)   | 2001           |               |                |
|---|----------------|---------------|----------------|
|   | Second Quarter | First Quarter | Fourth Quarter |
| 2000 Strategic Repositioning                          |                |               |                |
| Balance, beginning of period                          | \$ 689         | 4,263         | 4,980          |
| Loans transferred to (from) assets held for sale, net | (98)           | -             | -              |
| Allowance for loan losses related to                  |                |               |                |
| loans transferred to assets held for sale             | -              | -             | -              |
| Lower of cost or market valuation adjustments         | (21)           | (50)          | (11)           |
| Loans sold  | (190)          | (3,327)       | (28)           |
| Other, net (a)  | (63)           | (197)         | (32)           |
| Balance, end of period                                | 317            | 689           | 4,263          |

Other (b)



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|   |          |         |         |
|---|----------|---------|---------|
| Balance, beginning of period                          | 6,101    | 3,883   | 4,101   |
| Originations  | 5,279    | 4,773   | 2,701   |
| Loans transferred to (from) assets held for sale, net | 37       | 282     | (55)    |
| Allowance for loan losses related to                  |          |         |         |
| loans transferred to assets held for sale             | (40)     | (23)    |         |
| Lower of cost or market valuation adjustments         | (14)     | (30)    | (3)     |
| Loans sold  | (5,475)  | (2,628) | (2,201) |
| Other, net (a)  | (242)    | (156)   | (13)    |
| <hr/>   |          |         |         |
| Balance, end of period                                | 5,646    | 6,101   | 3,883   |
| <hr/>   |          |         |         |
| Loans held for sale, end of period                    | \$ 5,963 | 6,790   | 8,141   |

(a) Other, net represents primarily loan payments.

(b) Other includes primarily student, mortgage warehouse, home equity and syndication loans.

Nonperforming loans included in assets held for sale in the second and first quarters of 2001 and second quarters of 2000 were \$250 million, \$344 million, \$334 million, \$349 million and \$331 million.

Key Points

- o Sold \$190 million of loans from strategic repositioning portfolio
- o \$317 million remains from repositioning; sale of \$152 million of loans expected to close in early 3Q01
- o Strategic repositioning is now complete

Strategic Repositioning: During the quarter we sold \$68 million of commercial loans and \$122 million of TMS loans in assets held for sale. Payments reduced balances by \$65 million. A balance of \$317 million remains from the total restructuring. \$152 million of these loans are under contract for sale in 3Q01.

Other: During the quarter we transferred \$131 million of consumer loans, \$123 million of which were NPLs, to assets held for sale. The sale of these loans is expected to close in 3Q01. Of the total \$40 million allowance transferred with the loans, \$22 million were existing reserves and \$18 million represented 2Q01 additional provision to adjust the loans to market value. We also sold \$670 million of commercial loans and \$4.8 billion of consumer loans, primarily mortgages delivered to agencies out of the AHFS portfolio.

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Restructuring and Divestitures

Restructuring Charges and Other Charges/Gains

| (In millions)                                  | 2001           |               |                |
|--|----------------|---------------|----------------|
|  | Second Quarter | First Quarter | Fourth Quarter |
| Restructuring charges                          |                |               |                |
| Employee termination benefits                  | \$ (26)        | 2             | 10             |
| Occupancy                                      | (32)           | -             | -              |
| Goodwill and other asset impairments (noncash) | -              | -             | -              |

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|  |       |      |       |
|--|-------|------|-------|
| Other asset impairments  | -     | (1)  | (1)   |
| Contract cancellations   | (15)  | (1)  | (10)  |
| Other  | -     | -    | 1     |
| <hr/>  |       |      |       |
| Total restructuring charges  | (73)  | -    | -     |
| Reversal of March 1999 and other accruals                          | -     | (14) | (1)   |
| <hr/>  |       |      |       |
| Total  | (73)  | (14) | (1)   |
| Merger-related charges   | 4     | 16   | 34    |
| <hr/>  |       |      |       |
| Total  | (69)  | 2    | 33    |
| <hr/>  |       |      |       |
| Other charges/gains  |       |      |       |
| Provision for loan losses  | -     | -    | -     |
| Service charges and fees   | -     | -    | -     |
| Other income   | (1)   | (28) | (171) |
| Other noninterest expense  | 97    | 69   | 212   |
| <hr/>  |       |      |       |
| Total other charges/gains  | 96    | 41   | 41    |
| <hr/>  |       |      |       |
| Total restructuring and other charges/gains                        | 27    | 43   | 74    |
| Income taxes (benefits)  | (11)  | (17) | (38)  |
| <hr/>  |       |      |       |
| After-tax restructuring, merger-related<br>and other charges/gains | \$ 16 | 26   | 36    |
| <hr/>  |       |      |       |

### Key Points

- o Completed June 2000 strategic repositioning efforts on schedule and on budget
- o \$73 million reversal due to favorable variances on occupancy and contract termination costs, and lower severance costs
- o \$97 million other noninterest expense largely comprised of related personnel expense to right-size staff and support functions, real estate consolidation expenses, contract termination costs and professional fees

In 2Q01, we achieved the goals set out in our June 2000 strategic repositioning. The company recorded a net after-tax charge of \$16 million in restructuring and other charges and gains. This charge reflects completion of the activity associated with our strategic repositioning. Significant items included the following:

- o Net reversals of previously accrued restructuring charges totaling \$73 million reflect favorable variance on contract termination and occupancy costs, and lower severance costs for employees identified at the time of the announcement of our strategic repositioning.
- o Other noninterest expense includes severance and outplacement expense of \$31 million related to the right-sizing of staff and support functions; real estate consolidation expenses of \$18 million; contract termination expenses of \$16 million; professional fees of \$12 million; card and mortgage servicing deconversion expenses of \$9 million and other expenses totaling \$11 million.

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## BUSINESS SEGMENT RESULTS

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| First Union Corporation                 | Three Months Ended June 30, 2001 |                       |                 |
|---|----------------------------------|-----------------------|-----------------|
| Performance Summary<br>(In millions)    | General<br>Bank                  | Capital<br>Management | Co<br>Investmen |
| <b>Income statement data</b>            |                                  |                       |                 |
| Net interest income                     | \$ 1,128                         | 78                    | 455             |
| Fee and other income                    | 390                              | 771                   | 333             |
| Intersegment revenue                    | 27                               | (11)                  | (15)            |
| <b>Total revenue</b>                    | <b>1,545</b>                     | <b>838</b>            | <b>773</b>      |
| Provision for loan losses               | 98                               | -                     | 93              |
| Noninterest expense                     | 935                              | 667                   | 490             |
| Income taxes                            | 169                              | 58                    | 37              |
| <b>Operating earnings</b>               | <b>\$ 343</b>                    | <b>113</b>            | <b>153</b>      |
| <b>Performance and other data</b>       |                                  |                       |                 |
| Economic profit                         | \$ 251                           | 82                    | (4)             |
| Risk adjusted return on capital (RAROC) | 38.93 %                          | 45.32                 | 11.74           |
| Economic capital                        | \$ 3,744                         | 986                   | 6,112           |
| Overhead efficiency ratio               | 59.29 %                          | 79.47                 | 59.93           |
| Average loans, net                      | \$ 65,501                        | 4,559                 | 41,145          |
| Average core deposits                   | \$ 99,424                        | 7,976                 | 10,202          |

Business segment results are on an operating basis, and accordingly, they exclude restructuring and other charges and gains primarily related to our strategic repositioning announced in June 2000.

We made several changes, as outlined below, in our segment reporting beginning 1Q01. Each of the trailing four quarters has been restated to reflect these changes.

Segments and sub-segments have been realigned: As a result of an in-depth review of our management reporting model, we have designed new methodologies and systems that we believe better reflect the evolution of our three core businesses. We implemented this new management reporting model in the first quarter of 2001. One of the key differences was a redefinition of our segments and subsegments.

Intersegment revenues and servicing cost allocations have been established: Intersegment revenues (referral fees) are paid from the segment that "owns" a

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product to the segment that "sells" the product, and they are based upon comparable fees paid in the market and/or upon negotiated amounts which estimate the relative profitability value provided by the selling party. Cost allocation transfers are made for servicing provided from one business segment to another.

Improved allocation of capital: Revised studies have been completed to more accurately assess the risks inherent in each business unit, and capital has been assigned based upon that risk assessment. (See economic capital definition.)

New financial metrics have been implemented: Business units are measured on several new financial metrics, RAROC and Economic Profit (see definitions below).

Cost allocation methodologies have been enhanced: Activity-Based Costing studies have been completed for many business units to better align costs with products and their revenues.

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KEY DEFINITIONS  
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Activity-Based Costing - A method of determining product costs based upon detailed studies that align the cost of activities with the products those activities support.

Cost of Capital -The cost of capital rate is the minimum rate of return that must be earned so as not to dilute shareholder value. First Union's cost of capital rate has been established using the capital asset pricing model (CAPM) and is currently set at 12 percent. The cost of capital charge is determined by multiplying the cost of capital rate times the amount of economic capital.

Economic Capital - Capital assigned based on a statistical assessment of the credit, market and operating risks taken to generate profits in a particular business unit and/or product.

Economic Net Income - GAAP net income adjusted for intangibles amortization and the after-tax impact of expected losses vs. GAAP loan loss provision.

Economic Profit - Economic net income less the cost of capital charge.

Expected Losses - A long-term measure of credit losses expected on a specific loan or loan portfolio. The loss assigned is based upon studies that analyze the average annual loss rate on groups of loans across multiple business cycles.

RAROC - Risk Adjusted Return On Capital. RAROC is calculated by dividing economic net income by economic capital.

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GENERAL BANK  
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This segment consists of the Consumer, Commercial, and Small Business operations.

| General Bank                         | 2001              |                  |                   |                  |
|--------------------------------------|-------------------|------------------|-------------------|------------------|
| Performance Summary<br>(In millions) | Second<br>Quarter | First<br>Quarter | Fourth<br>Quarter | Third<br>Quarter |
| Income statement data                |                   |                  |                   |                  |
| Net interest income                  | \$ 1,128          | 1,085            | 1,093             | 1,097            |
| Fee and other income                 | 390               | 343              | 355               | 352              |
| Intersegment revenue                 | 27                | 25               | 25                | 24               |
| -----                                |                   |                  |                   |                  |
| Total revenue                        | 1,545             | 1,453            | 1,473             | 1,473            |
| Provision for loan losses            | 98                | 101              | 74                | 52               |
| Noninterest expense                  | 935               | 908              | 992               | 948              |
| Income taxes                         | 169               | 149              | 129               | 154              |
| -----                                |                   |                  |                   |                  |
| Operating earnings                   | \$ 343            | 295              | 278               | 319              |

|   |           |        |        |        |
|---|-----------|--------|--------|--------|
| Performance and other data              |           |        |        |        |
| Economic profit                         | \$ 251    | 220    | 183    | 212    |
| Risk adjusted return on capital (RAROC) | 38.93 %   | 36.65  | 31.97  | 35.33  |
| Economic capital                        | \$ 3,744  | 3,618  | 3,653  | 3,615  |
| Overhead efficiency ratio               | 59.29 %   | 61.19  | 65.77  | 62.89  |
| Average loans, net                      | \$ 65,501 | 63,771 | 61,735 | 60,029 |
| Average core deposits                   | \$ 99,424 | 98,415 | 98,184 | 97,186 |

### Key Points

- o Revenues up 6%; up 4% excluding mortgage contribution
- o Fee growth driven by service charges and fees, which increased 7%
- o Solid loan growth of 3% and deposits up 1%, driven by strong growth of 4% in low cost core deposits (DDA, interest checking, savings, and money market accounts)
- o Efficiency ratio below 60% for the first time; 14% growth in economic profit

| General Bank Key Metrics                | 2001              |                  |                   |                  |
|---|-------------------|------------------|-------------------|------------------|
|   | Second<br>Quarter | First<br>Quarter | Fourth<br>Quarter | Third<br>Quarter |
| Customer overall satisfaction score (a) | 6.32              | 6.29             | 6.27              | 6.22             |
| Online customers (In thousands)         | 2,903             | 2,640            | 2,367             | 2,149            |
| Financial centers                       | 2,162             | 2,164            | 2,193             | 2,253            |
| ATMs                                    | 3,419             | 3,676            | 3,772             | 3,831            |

(a) Gallup survey measured on a 1-7 scale; 6.4 = "best in class".

Overall customer satisfaction score of 6.32 increased for the 9th consecutive quarter and is close to "Best in Class."

ATM count down due to sale and removal of certain non-branded ATMs.

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CONSUMER

This sub-segment includes Retail Banking, First Union Mortgage Corp., First Union Home Equity Bank, Educaid, and other retail businesses.

| Consumer<br>Performance Summary<br>(In millions) | 2001              |                  |                   |                  |           |
|--|-------------------|------------------|-------------------|------------------|-----------|
|  | Second<br>Quarter | First<br>Quarter | Fourth<br>Quarter | Third<br>Quarter | Se<br>Qua |
| Income statement data                            |                   |                  |                   |                  |           |
| Net interest income                              | \$ 793            | 755              | 746               | 759              |           |
| Fee and other income                             | 299               | 256              | 267               | 251              |           |
| Intersegment revenue                             | 12                | 12               | 12                | 12               |           |
| Total revenue                                    | 1,104             | 1,023            | 1,025             | 1,022            |           |
| Provision for loan losses                        | 62                | 59               | 35                | 32               |           |
| Noninterest expense                              | 731               | 704              | 751               | 732              |           |
| Income taxes                                     | 106               | 90               | 81                | 88               |           |
| Operating earnings                               | \$ 205            | 170              | 158               | 170              |           |

|   |           |        |        |        |    |
|---|-----------|--------|--------|--------|----|
| Performance and other data              |           |        |        |        |    |
| Economic profit                         | \$ 162    | 140    | 112    | 124    |    |
| Risk adjusted return on capital (RAROC) | 43.26 %   | 41.12  | 34.73  | 37.44  | 3  |
| Economic capital                        | \$ 2,076  | 1,952  | 1,960  | 1,936  | 1  |
| Overhead efficiency ratio               | 65.15 %   | 67.61  | 72.03  | 70.42  | 7  |
| Average loans, net                      | \$ 34,307 | 33,034 | 31,942 | 30,703 | 29 |
| Average core deposits                   | \$ 80,607 | 80,241 | 79,897 | 79,504 | 79 |

Net interest income was up 5%, due to high mortgage origination volume, record loan production in financial centers and overall wider spreads in a declining interest rate environment. Loans increased 4%, due to strong demand and focused sales efforts. At the same time, core deposits increased for the third consecutive quarter on the strength of interest checking and savings; slightly offset by declines in CDs.

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Fee and other income grew 17%, primarily due to strong growth in mortgage originations, debit card, and service charges and fees. Fees were up 9% excluding the contribution from the mortgage business, driven by a 7% increase in service charges and fees from 1Q01. In retail banking alone, service charges and fees were up \$9 million or 4%.

2Q01 mortgage and home equity results included \$22 million in gains on \$3.7 billion in deliveries to agencies, \$12 million in gains on flow servicing sales, and \$9 million on other sales. 1Q01 included \$6 million in gains on deliveries, \$12 million in gains on flow servicing sales, and \$10 million in other gains. Results were impacted by market valuation adjustments of \$15 million on FUHEB NPAs in 1Q01.

Expenses were up 4%, primarily due to increases in volume-based expenses such as loan costs and incentives. Even with tighter expense control, we are currently running close to 100% staffing levels.

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CONSUMER LOAN PRODUCTION

| Consumer Loan Volume              | 2001              |                  |                   |                  |            |
|-----------------------------------|-------------------|------------------|-------------------|------------------|------------|
| (In millions)                     | Second<br>Quarter | First<br>Quarter | Fourth<br>Quarter | Third<br>Quarter | Sec<br>Qua |
| Consumer direct                   | \$ 1,755          | 1,210            | 1,246             | 1,320            | 1          |
| Prime equity lines                | 2,483             | 1,984            | 1,785             | 1,653            | 1          |
| First Union Home Equity           | 1,558             | 1,274            | 1,289             | 1,245            | 1          |
| First Union Mortgage Corporation  | 4,685             | 3,394            | 2,415             | 2,311            | 2          |
| Other                             | 731               | 728              | 360               | 392              |            |
| <b>Total consumer loan volume</b> | <b>\$ 11,212</b>  | <b>8,590</b>     | <b>7,095</b>      | <b>6,921</b>     | <b>7</b>   |

Loan volume was up 31%, due primarily to increased refinancing volume in FUMC originations, as well as strong growth in FUHEB volume.

| Consumer Average Loans  | 2001              |                  |                   |                  |        |
|-------------------------|-------------------|------------------|-------------------|------------------|--------|
| (In millions)           | Second<br>Quarter | First<br>Quarter | Fourth<br>Quarter | Third<br>Quarter | S<br>Q |
| Consumer direct         | \$ 12,595         | 12,024           | 11,784            | 11,496           |        |
| Prime equity lines      | 9,738             | 9,319            | 8,873             | 8,435            |        |
| First Union Home Equity | 11,383            | 11,097           | 10,577            | 10,053           |        |

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|                                  |           |        |        |        |
|----------------------------------|-----------|--------|--------|--------|
| First Union Mortgage Corporation | 87        | 89     | 82     | 90     |
| Other                            | 504       | 505    | 626    | 629    |
| -----                            |           |        |        |        |
| Consumer average loans           | \$ 34,307 | 33,034 | 31,942 | 30,703 |
| -----                            |           |        |        |        |

Average loan outstandings increased 4%, attributable to continued strong sales efforts and increased focus on behavioral cross-selling (acquiring transactional, borrowing and investing customers).

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COMMERCIAL

This sub-segment includes middle-market Commercial, Commercial Real Estate and Government Banking.

|                                      |                   |                  |                   |                  |
|--------------------------------------|-------------------|------------------|-------------------|------------------|
| Commercial                           | 2001              |                  |                   |                  |
| Performance Summary<br>(In millions) | Second<br>Quarter | First<br>Quarter | Fourth<br>Quarter | Third<br>Quarter |
| -----                                |                   |                  |                   |                  |
| Income statement data                |                   |                  |                   |                  |
| Net interest income                  | \$ 172            | 169              | 179               | 172              |
| Fee and other income                 | 39                | 35               | 36                | 33               |
| Intersegment revenue                 | 14                | 12               | 13                | 12               |
| -----                                |                   |                  |                   |                  |
| Total revenue                        | 225               | 216              | 228               | 217              |
| Provision for loan losses            | 17                | 21               | 29                | 17               |
| Noninterest expense                  | 112               | 107              | 150               | 129              |
| Income taxes                         | 28                | 27               | 9                 | 20               |
| -----                                |                   |                  |                   |                  |
| Operating earnings                   | \$ 68             | 61               | 40                | 51               |
| -----                                |                   |                  |                   |                  |

|   |           |        |        |        |
|---|-----------|--------|--------|--------|
| Performance and other data              |           |        |        |        |
| Economic profit                         | \$ 30     | 24     | 7      | 11     |
| Risk adjusted return on capital (RAROC) | 22.99 %   | 20.76  | 14.59  | 16.05  |
| Economic capital                        | \$ 1,098  | 1,116  | 1,146  | 1,130  |
| Overhead efficiency ratio               | 47.39 %   | 47.92  | 62.26  | 56.71  |
| Average loans, net                      | \$ 23,320 | 23,204 | 22,472 | 22,077 |
| Average core deposits                   | \$ 10,106 | 9,479  | 9,467  | 8,908  |
| -----                                   |           |        |        |        |

Net interest income increased 2%. Loans were essentially flat, due to a slowing in loan demand in this sub-segment's customer base. Deposits were up a solid 7%, driven by continued focus on attracting low cost core deposits.



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Fee and other income grew 11%, due to increased cash management service charges (on lower compensating balances) as a result of a lower interest rate environment. Service charges and fees were up \$5 million or 15% from the prior quarter. Results were particularly strong in government and real estate.

Expenses increased 5%, wholly attributable to volume-based expenses.

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### SMALL BUSINESS

This sub-segment consists of Small Business Lending, Small Business Banking, and Small Business Capital (SBA).

| Small Business                          | 2001              |                  |                   |                  |
|---|-------------------|------------------|-------------------|------------------|
| Performance Summary<br>(In millions)    | Second<br>quarter | First<br>Quarter | Fourth<br>Quarter | Third<br>Quarter |
| Income statement data                   |                   |                  |                   |                  |
| Net interest income                     | \$ 163            | 161              | 168               | 166              |
| Fee and other income                    | 52                | 52               | 52                | 68               |
| Intersegment revenue                    | 1                 | 1                | -                 | -                |
| <hr/>                                   |                   |                  |                   |                  |
| Total revenue                           | 216               | 214              | 220               | 234              |
| Provision for loan losses               | 19                | 21               | 10                | 3                |
| Noninterest expense                     | 92                | 97               | 91                | 87               |
| Income taxes                            | 35                | 32               | 39                | 46               |
| <hr/>                                   |                   |                  |                   |                  |
| Operating earnings                      | \$ 70             | 64               | 80                | 98               |
| <hr/>                                   |                   |                  |                   |                  |
| Performance and other data              |                   |                  |                   |                  |
| Economic profit                         | \$ 59             | 56               | 64                | 77               |
| Risk adjusted return on capital (RAROC) | 53.89 %           | 53.06            | 58.56             | 67.60            |
| Economic capital                        | \$ 570            | 550              | 547               | 549              |
| Overhead efficiency ratio               | 42.26 %           | 44.21            | 40.62             | 36.18            |
| Average loans, net                      | \$ 7,874          | 7,533            | 7,321             | 7,249            |
| Average core deposits                   | \$ 8,711          | 8,695            | 8,820             | 8,774            |

Net interest income rose 1%. Loans increased 5% driven by small business lending, while average core deposits were relatively flat.

Fee and other income matched 1Q01 levels, as securitization and service charge income was flat.

Expenses decreased 5%, due to tighter expense control.

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CAPITAL MANAGEMENT

This segment includes Asset Management, Retail Brokerage Services, and Wealth and Trust Services

| Capital Management<br>Performance Summary<br>(In millions) | 2001              |                  |                   |                  |         |
|--|-------------------|------------------|-------------------|------------------|---------|
|  | Second<br>Quarter | First<br>Quarter | Fourth<br>Quarter | Third<br>Quarter | S<br>Qu |
| Income statement data                                      |                   |                  |                   |                  |         |
| Net interest income  | \$ 78             | 78               | 89                | 86               |         |
| Fee and other income                                       | 771               | 765              | 777               | 761              |         |
| Intersegment revenue                                       | (11)              | (12)             | (12)              | (13)             |         |
| Total revenue  | 838               | 831              | 854               | 834              |         |
| Provision for loan losses                                  | -                 | -                | -                 | -                |         |
| Noninterest expense  | 667               | 659              | 654               | 652              |         |
| Income taxes   | 58                | 59               | 68                | 62               |         |
| Operating earnings   | \$ 113            | 113              | 132               | 120              |         |

|   |          |       |       |       |
|---|----------|-------|-------|-------|
| Performance and other data              |          |       |       |       |
| Economic profit                         | \$ 82    | 82    | 101   | 90    |
| Risk adjusted return on capital (RAROC) | 45.32 %  | 45.93 | 53.10 | 48.45 |
| Economic capital                        | \$ 986   | 985   | 974   | 979   |
| Overhead efficiency ratio               | 79.47 %  | 79.15 | 76.66 | 78.11 |
| Average loans, net                      | \$ 4,559 | 4,497 | 4,424 | 4,295 |
| Average core deposits                   | \$ 7,976 | 8,003 | 7,879 | 7,935 |

Key Points

- o Solid revenue performance during continuing market volatility
- o In Retail Brokerage, record bank annuity sales over \$700 million drove increased production

| Capital Management Key Metrics<br>(In millions) | 2001              |                  |                   |                  |
|---|-------------------|------------------|-------------------|------------------|
|   | Second<br>Quarter | First<br>Quarter | Fourth<br>Quarter | Third<br>Quarter |
|   |                   |                  |                   |                  |

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|                                     |    |         |         |         |         |
|-------------------------------------|----|---------|---------|---------|---------|
| Trust assets                        | \$ | 81,879  | 81,576  | 85,933  | 87,922  |
| Mutual fund assets                  |    | 90,279  | 86,767  | 84,797  | 85,223  |
| <hr/>                               |    |         |         |         |         |
| Total assets under management       | \$ | 172,158 | 168,343 | 170,730 | 173,145 |
| <hr/>                               |    |         |         |         |         |
| Gross fluctuating mutual fund sales | \$ | 1,981   | 1,983   | 1,762   | 1,819   |
| <hr/>                               |    |         |         |         |         |
| Assets under care (Excluding AUM)   | \$ | 499,847 | 489,380 | 485,516 | 500,962 |
| <hr/>                               |    |         |         |         |         |
| Registered representatives (Actual) |    | 7,706   | 7,784   | 7,459   | 7,342   |
| Brokerage offices (Actual)          |    | 2,690   | 2,695   | 2,568   | 2,623   |

Key Points

- o Mutual funds surpassed \$90 billion for the first time - equity increased 5%, money market up 4%, and fixed income stable
- o Despite unsettled market conditions, total assets under management increased 2% to \$172 billion as both trust and mutual funds gained net new assets

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ASSET MANAGEMENT

This sub-segment consists of the mutual fund business and customized investment advisory services.

| Asset Management                        | 2001           |               |                |               | 2000   |
|---|----------------|---------------|----------------|---------------|--------|
|   | Second Quarter | First Quarter | Fourth Quarter | Third Quarter |        |
| <hr/>                                   |                |               |                |               |        |
| Performance Summary<br>(In millions)    |                |               |                |               |        |
| <hr/>                                   |                |               |                |               |        |
| Income statement data                   |                |               |                |               |        |
| Net interest income                     | \$             | (14)          | (11)           | (8)           | (8)    |
| Fee and other income                    |                | 153           | 156            | 162           | 164    |
| Intersegment revenue                    |                | -             | -              | -             | -      |
| <hr/>                                   |                |               |                |               |        |
| Total revenue                           |                | 139           | 145            | 154           | 156    |
| Provision for loan losses               |                | -             | -              | -             | -      |
| Noninterest expense                     |                | 90            | 89             | 95            | 89     |
| Income taxes                            |                | 16            | 20             | 20            | 23     |
| <hr/>                                   |                |               |                |               |        |
| Operating earnings                      | \$             | 33            | 36             | 39            | 44     |
| <hr/>                                   |                |               |                |               |        |
| <hr/>                                   |                |               |                |               |        |
| Performance and other data              |                |               |                |               |        |
| Economic profit                         | \$             | 29            | 33             | 35            | 40     |
| Risk adjusted return on capital (RAROC) |                | 109.52 %      | 121.75         | 123.11        | 139.70 |
| Economic capital                        | \$             | 122           | 121            | 125           | 125    |

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|                           |    |       |   |       |       |       |    |
|---------------------------|----|-------|---|-------|-------|-------|----|
| Overhead efficiency ratio |    | 64.21 | % | 61.62 | 61.93 | 57.16 | 59 |
| Average loans, net        | \$ | 9     |   | 1     | -     | -     |    |
| Average core deposits     | \$ | 19    |   | 5     | -     | -     |    |

Fee and other income decreased 2%, despite continued strong net fund flows, due to lower daily average equity market valuations in 2Q01 versus 1Q01.

Expenses remained relatively flat reflecting continued focus on operating efficiency.

| Mutual Funds<br><br>(In billions) | 2001           |          |               |          |         |     |
|-----------------------------------|----------------|----------|---------------|----------|---------|-----|
|                                   | Second Quarter |          | First Quarter |          | Fourth  | Th  |
|                                   | Amount         | Fund Mix | Amount        | Fund Mix | Quarter | Qua |
| Assets Under Management           |                |          |               |          |         |     |
| Money market                      | \$ 55          | 61%      | \$ 53         | 61%      | \$ 47   | 4   |
| Equity                            | 23             | 26       | 22            | 25       | 26      | 2   |
| Fixed income                      | 11             | 12       | 11            | 13       | 11      | 1   |
| Annuity                           | 1              | 1        | 1             | 1        | 1       |     |
| Total mutual fund assets          | \$ 90          | 100%     | \$ 87         | 100%     | \$ 85   | 8   |

- o A balanced investment philosophy and product offering enabled Capital Management to retain assets and grow total assets under management.

Total mutual fund assets rose by 4%, spurred by period end improvement in the equity markets and solid net money market sales of \$2 billion for the quarter. The fund mix remained relatively stable on a quarter-linked basis, with money market assets growing by 4% and accounting for 61% of total assets and equity funds rising almost 5% to comprise 26% of total assets.

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RETAIL BROKERAGE SERVICES

This sub-segment includes Retail Brokerage and Insurance Services.

| Retail Brokerage Services<br><br>Performance Summary<br>(In millions) | 2001              |                  |                   |                  |         |
|---|-------------------|------------------|-------------------|------------------|---------|
|   | Second<br>Quarter | First<br>Quarter | Fourth<br>Quarter | Third<br>Quarter | S<br>Qu |

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|                           |    |      |      |      |      |
|---------------------------|----|------|------|------|------|
| Income statement data     |    |      |      |      |      |
| Net interest income       | \$ | 36   | 36   | 41   | 38   |
| Fee and other income      |    | 499  | 492  | 491  | 480  |
| Intersegment revenue      |    | (11) | (11) | (12) | (12) |
| -----                     |    |      |      |      |      |
| Total revenue             |    | 524  | 517  | 520  | 506  |
| Provision for loan losses |    | -    | -    | -    | -    |
| Noninterest expense       |    | 459  | 451  | 446  | 449  |
| Income taxes              |    | 21   | 23   | 24   | 20   |
| -----                     |    |      |      |      |      |
| Operating earnings        | \$ | 44   | 43   | 50   | 37   |
| -----                     |    |      |      |      |      |

|   |    |         |       |       |       |
|---|----|---------|-------|-------|-------|
| Performance and other data              |    |         |       |       |       |
| Economic profit                         | \$ | 26      | 23    | 30    | 18    |
| Risk adjusted return on capital (RAROC) |    | 27.50 % | 26.57 | 30.73 | 22.75 |
| Economic capital                        | \$ | 643     | 650   | 643   | 648   |
| Overhead efficiency ratio               |    | 87.28 % | 87.39 | 85.55 | 88.90 |
| Average loans, net                      | \$ | -       | 1     | -     | 1     |
| Average core deposits                   | \$ | 79      | 104   | 79    | 70    |
| -----                                   |    |         |       |       |       |

Net interest income remained flat, as margin loan receivables have stabilized.

Fee and other income was up \$7 million or 1%, aided by strong annuity sales and increased broker client assets which rose 5% during the quarter driven by the continued success of the advice-driven distribution model.

Expenses increased 2% due primarily to costs associated with higher levels of production.

|                                   |    |         |         |         |         |
|-----------------------------------|----|---------|---------|---------|---------|
| Retail Brokerage Metrics          |    | 2001    |         |         |         |
|                                   |    | Second  | First   | Fourth  | Third   |
| (In millions)                     |    | Quarter | Quarter | Quarter | Quarter |
| -----                             |    |         |         |         |         |
| Broker client assets              | \$ | 205,000 | 196,069 | 204,742 | 216,012 |
| -----                             |    |         |         |         |         |
| Margin loans                      | \$ | 3,060   | 3,060   | 3,556   | 4,013   |
| -----                             |    |         |         |         |         |
| Asset management accounts         |    |         |         |         |         |
| Number of accounts (In thousands) |    | 974     | 990     | 993     | 972     |
| -----                             |    |         |         |         |         |
| Licensed sales force              |    |         |         |         |         |
| Full-service financial advisors   |    | 4,678   | 4,723   | 4,322   | 4,255   |
| Financial center series 6         |    | 3,028   | 3,061   | 3,137   | 3,087   |
| -----                             |    |         |         |         |         |
| Total sales force                 |    | 7,706   | 7,784   | 7,459   | 7,342   |
| -----                             |    |         |         |         |         |

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WEALTH AND TRUST SERVICES

This sub-segment includes the Private Client business, offering services to high net worth individuals, and Corporate and Institutional Trust.

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| Wealth and Trust Services            | 2001              |                  |                   |                  |           |
|--------------------------------------|-------------------|------------------|-------------------|------------------|-----------|
| Performance Summary<br>(In millions) | Second<br>Quarter | First<br>Quarter | Fourth<br>Quarter | Third<br>Quarter | Se<br>Qua |
| -----                                |                   |                  |                   |                  |           |
| Income statement data                |                   |                  |                   |                  |           |
| Net interest income                  | \$ 54             | 52               | 54                | 55               |           |
| Fee and other income                 | 129               | 128              | 133               | 130              |           |
| Intersegment revenue                 | 1                 | (1)              | (1)               | (1)              |           |
| -----                                |                   |                  |                   |                  |           |
| Total revenue                        | 184               | 179              | 186               | 184              |           |
| Provision for loan losses            | -                 | -                | -                 | -                |           |
| Noninterest expense                  | 128               | 128              | 123               | 122              |           |
| Income taxes                         | 20                | 17               | 21                | 21               |           |
| -----                                |                   |                  |                   |                  |           |
| Operating earnings                   | \$ 36             | 34               | 42                | 41               |           |

-----

|   |          |       |       |       |   |
|---|----------|-------|-------|-------|---|
| -----                                   |          |       |       |       |   |
| Performance and other data              |          |       |       |       |   |
| Economic profit                         | \$ 27    | 27    | 34    | 33    |   |
| Risk adjusted return on capital (RAROC) | 61.68 %  | 61.62 | 77.65 | 75.64 | 8 |
| Economic capital                        | \$ 225   | 217   | 209   | 208   |   |
| Overhead efficiency ratio               | 69.69 %  | 70.60 | 65.82 | 66.32 | 6 |
| Average loans, net                      | \$ 4,550 | 4,496 | 4,423 | 4,295 | 4 |
| Average core deposits                   | \$ 7,878 | 7,894 | 7,800 | 7,865 | 7 |

-----

Net interest income increased 4% due to improved spreads as higher Private Client deposits offset a decline in corporate deposits. The loan portfolio was up slightly and benefited from a declining interest rate environment.

Fee and other income rose slightly, as continued positive net customer growth offset the decline in average equity market values.

Expenses were flat for the quarter reflecting the continued focus on efficiency.

CAPITAL MANAGEMENT OTHER

In addition to the above sub-segments, Capital Management results include eliminations among business units. Certain brokerage commissions earned on mutual fund sales by the First Union brokerage sales force are eliminated and deferred in the consolidation of Capital Management reported results. For 2Q01, brokerage revenue and associated expense eliminations were \$9 million and had no net effect on earnings.

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CORPORATE AND INVESTMENT BANKING

This segment includes Corporate Banking and Investment Banking.

| Corporate and Investment Banking<br>Performance Summary<br>(In millions) | 2001              |                  |                   |                  |               |
|--|-------------------|------------------|-------------------|------------------|---------------|
|  | Second<br>Quarter | First<br>Quarter | Fourth<br>Quarter | Third<br>Quarter | Seco<br>Quart |
| Income statement data  |                   |                  |                   |                  |               |
| Net interest income  | \$ 455            | 425              | 415               | 398              | 3             |
| Fee and other income   | 333               | 312              | 268               | 363              | 5             |
| Intersegment revenue   | (15)              | (12)             | (13)              | (12)             | (             |
| Total revenue  | 773               | 725              | 670               | 749              | 8             |
| Provision for loan losses  | 93                | 70               | 124               | 83               | 1             |
| Noninterest expense  | 490               | 467              | 431               | 498              | 5             |
| Income taxes   | 37                | 38               | (53)              | 30               |               |
| Operating earnings   | \$ 153            | 150              | 168               | 138              | 1             |

| Performance and other data              |           |        |        |        |      |
|---|-----------|--------|--------|--------|------|
| Economic profit                         | \$ (4)    | (22)   | 28     | (25)   |      |
| Risk adjusted return on capital (RAROC) | 11.74 %   | 10.60  | 13.81  | 10.38  | 16.  |
| Economic capital                        | \$ 6,112  | 6,278  | 6,259  | 6,167  | 5,9  |
| Overhead efficiency ratio               | 59.93 %   | 60.85  | 53.28  | 62.99  | 54.  |
| Average loans, net                      | \$ 41,145 | 42,511 | 41,922 | 42,169 | 42,7 |
| Average core deposits                   | \$ 10,202 | 9,465  | 9,251  | 9,099  | 8,9  |

Key Points

- o Total revenue up 7%
- o Net interest income up 7% as fixed income spreads widened in a lower rate environment
- o Fee and other income increased 7% on strong results in agency businesses, primarily Loan Syndications and M&A, offset by lower trading profits after a record first quarter
- o Expenses up primarily due to higher incentive payments as a result of increased revenue, especially in agency businesses

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-----  
 Excluding Principal Investing  
 -----

-----  
 Corporate and Investment Banking  
 (Excluding Principal Investing)

2001

Performance Summary  
 (In millions)

-----  
 Second Quarter      First Quarter      Fourth Quarter      Third Quarter      Se  
 Qua

Income statement data

|                     |    |     |     |      |     |
|---------------------|----|-----|-----|------|-----|
| Total revenue       | \$ | 840 | 780 | 716  | 725 |
| Noninterest expense |    | 482 | 459 | 424  | 490 |
| Income taxes        |    | 62  | 60  | (34) | 24  |
| Operating earnings  | \$ | 204 | 191 | 204  | 128 |

-----  
 Performance and other data

|   |    |         |       |       |       |
|---|----|---------|-------|-------|-------|
| Economic profit                         | \$ | 86      | 60    | 104   | 2     |
| Risk adjusted return on capital (RAROC) |    | 19.25 % | 16.92 | 20.39 | 12.16 |
| Economic capital                        | \$ | 4,773   | 4,909 | 4,910 | 4,915 |
| Overhead efficiency ratio               |    | 54.40 % | 55.76 | 51.56 | 63.76 |

-----  
 Revenue increased \$60 million or 8% versus 1Q01 and \$144 million or 21% vs. 2Q00. The increase versus 1Q01 is due to strong agency results, particularly in M&A and loan syndications, and continued strong trading results in fixed income. The increase versus 2Q00 is due to across-the-board growth, with lower results seen only in asset securitization (due to 2Q01 securities losses), derivatives, and leasing.

Expenses increased 5% versus 1Q01, the result of higher incentive payments on increased revenues. Expenses decreased 5% versus 2Q00, due to careful expense management.

Operating earnings rose 7% vs. 1Q01 and more than doubled compared to 2Q00. Overhead efficiency and economic profit improved significantly versus both periods.

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 CORPORATE BANKING

This sub-segment includes Large Corporate Lending, Commercial Leasing and Rail, and International operations.

-----  
 Corporate Banking

2001



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| Performance Summary<br>(In millions) | Second<br>Quarter | First<br>Quarter | Fourth<br>Quarter | Third<br>Quarter | Se<br>Qua |
|--------------------------------------|-------------------|------------------|-------------------|------------------|-----------|
| Income statement data                |                   |                  |                   |                  |           |
| Net interest income                  | \$ 345            | 343              | 363               | 354              |           |
| Fee and other income                 | 174               | 165              | 169               | 162              |           |
| Intersegment revenue                 | (8)               | (8)              | (9)               | (10)             |           |
| Total revenue                        | 511               | 500              | 523               | 506              |           |
| Provision for loan losses            | 95                | 71               | 123               | 80               |           |
| Noninterest expense                  | 231               | 239              | 217               | 254              |           |
| Income taxes                         | 63                | 65               | 63                | 58               |           |
| Operating earnings                   | \$ 122            | 125              | 120               | 114              |           |

|   |           |        |        |        |    |
|---|-----------|--------|--------|--------|----|
| Performance and other data              |           |        |        |        |    |
| Economic profit                         | \$ 49     | 39     | 63     | 30     |    |
| Risk adjusted return on capital (RAROC) | 17.65 %   | 16.48  | 18.85  | 15.33  | 1  |
| Economic capital                        | \$ 3,478  | 3,526  | 3,636  | 3,565  | 3  |
| Overhead efficiency ratio               | 45.02 %   | 47.51  | 41.58  | 50.15  | 4  |
| Average loans, net                      | \$ 35,737 | 36,735 | 35,729 | 35,836 | 36 |
| Average core deposits                   | \$ 7,753  | 7,470  | 7,385  | 7,362  | 7  |

Net interest income rose 1% due to improved margins in the lower rate environment. Loans declined \$1 billion, or 3%, as we exited certain less profitable lending relationships. Core deposits increased 4%, driven by our increased focus on treasury services and overall relationship profitability.

Fee and other income increased 5%, due to higher fees in lending businesses and stronger rail car leasing results.

Expenses decreased 3% due to continued expense control.

| Corporate Banking Fees<br>(In millions) | 2001              |                  |                   |                  | 2000              | 2 |
|---|-------------------|------------------|-------------------|------------------|-------------------|---|
|   | Second<br>Quarter | First<br>Quarter | Fourth<br>Quarter | Third<br>Quarter | Second<br>Quarter |   |
| Lending                                 | \$ 64             | 58               | 72                | 64               | 36                |   |
| Leasing                                 | 48                | 45               | 37                | 35               | 62                |   |
| International                           | 62                | 62               | 60                | 63               | 59                |   |
| Corporate banking fees                  | \$ 174            | 165              | 169               | 162              | 157               |   |

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### INVESTMENT BANKING

This sub-segment includes Principal Investing, Equity Capital Markets, Loan Syndications, High Yield, M&A, Fixed Income Sales & Trading, Municipal Group, Foreign Exchange, Derivatives, Equity Derivatives, Structured Products, Real Estate Capital Markets and Asset Securitization.

| Investment Banking                      | 2001              |                  |                   |                  |
|---|-------------------|------------------|-------------------|------------------|
| Performance Summary<br>(In millions)    | Second<br>Quarter | First<br>Quarter | Fourth<br>Quarter | Third<br>Quarter |
| <b>Income statement data</b>            |                   |                  |                   |                  |
| Net interest income                     | \$ 110            | 82               | 52                | 44               |
| Fee and other income                    | 159               | 147              | 99                | 201              |
| Intersegment revenue                    | (7)               | (4)              | (4)               | (2)              |
| Total revenue                           | 262               | 225              | 147               | 243              |
| Provision for loan losses               | (2)               | (1)              | 1                 | 3                |
| Noninterest expense                     | 259               | 228              | 214               | 244              |
| Income taxes (benefits)                 | (26)              | (27)             | (116)             | (28)             |
| Operating earnings                      | \$ 31             | 25               | 48                | 24               |
| <b>Performance and other data</b>       |                   |                  |                   |                  |
| Economic profit                         | \$ (53)           | (61)             | (35)              | (55)             |
| Risk adjusted return on capital (RAROC) | 3.94 %            | 3.06             | 6.82              | 3.60             |
| Economic capital                        | \$ 2,634          | 2,752            | 2,623             | 2,602            |
| Overhead efficiency ratio               | 84.80 %           | 80.60            | 74.61             | 85.83            |
| Average loans, net                      | \$ 5,408          | 5,776            | 6,193             | 6,333            |
| Average core deposits                   | \$ 2,449          | 1,995            | 1,866             | 1,737            |

Net interest income increased 34%, primarily due to wider spreads in fixed income sales and trading, as well as equity and fixed income derivatives, driven by the lower rate environment. Loans decreased 6%, while deposits were up 23%, the latter attributable to significant customer relationship growth in the mortgage servicing group.

Fee and other income increased 8% due to strong performance in agency business, especially M&A and Loan Syndications, attributable to higher deal volume. Additionally, asset securitization results were benefited by lower losses on certain nonperforming securities (\$26 million of securities losses in 2Q01 vs. \$46 million of trading losses in 1Q01). The increase in agency business was partially offset by lower trading gains in fixed income sales and trading, which declined from a strong 1Q01.

Principal investing losses were \$58 million, primarily due to impairments on private equity investments taken during the quarter. Losses were \$43 million in 1Q01. The invested portfolio totaled \$2.8 billion at quarter end, of which 10% were public investments, 40% were private direct investments, 30% were fund investments, and the remainder represented

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mezzanine investments.

Expenses increased 14%, due to higher incentive payments as a result of increased revenue, especially in agency businesses.

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| Investment Banking Fees<br><br>(In millions) | 2001              |                  |                   |                  | 2000              |
|--|-------------------|------------------|-------------------|------------------|-------------------|
|  | Second<br>Quarter | First<br>Quarter | Fourth<br>Quarter | Third<br>Quarter | Second<br>Quarter |
| Agency                                       | \$ 117            | 44               | 120               | 85               | 114               |
| Principal investing                          | (58)              | (43)             | (43)              | 34               | 205               |
| Fixed income                                 | 115               | 165              | 87                | 93               | 75                |
| Affordable housing (AH)                      | (15)              | (19)             | (65)              | (11)             | (18)              |
| Investment banking fees                      | \$ 159            | 147              | 99                | 201              | 376               |
| Memoranda                                    |                   |                  |                   |                  |                   |
| Pre-tax value of AH tax credits              | 30                | 29               | 93                | 32               | 31                |
| Adjusted investment banking fees             | \$ 189            | 176              | 192               | 233              | 407               |
| Trading profits (included above)             | \$ 110            | 83               | 57                | 70               | 73                |

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PARENT

This sub-segment includes the Central Money Book, Investment Portfolio, some Consumer Real Estate and Mortgage Business, Divested Businesses and goodwill amortization.

| Parent<br><br>Performance Summary<br>(In millions) | 2001              |                  |                   |                  |
|--|-------------------|------------------|-------------------|------------------|
|  | Second<br>Quarter | First<br>Quarter | Fourth<br>Quarter | Third<br>Quarter |
| Income statement data                              |                   |                  |                   |                  |
| Net interest income                                | \$ 50             | 114              | 135               | 253              |

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|                           |       |     |     |     |
|---------------------------|-------|-----|-----|-----|
| Fee and other income      | 135   | 126 | 182 | 169 |
| Intersegment revenue      | (1)   | (1) | -   | 1   |
| <hr/>                     |       |     |     |     |
| Total revenue             | 184   | 239 | 317 | 423 |
| Provision for loan losses | 32    | 48  | (6) | 7   |
| Noninterest expense       | 77    | 104 | 55  | 230 |
| Income taxes              | 35    | 35  | 165 | 61  |
| <hr/>                     |       |     |     |     |
| Operating earnings        | \$ 40 | 52  | 103 | 125 |
| <hr/>                     |       |     |     |     |

|   |          |       |        |        |
|---|----------|-------|--------|--------|
| Performance and other data              |          |       |        |        |
| Economic profit                         | \$ 79    | 94    | 99     | 116    |
| Risk adjusted return on capital (RAROC) | 34.82 %  | 34.98 | 34.74  | 35.03  |
| Economic capital                        | \$ 1,382 | 1,642 | 1,730  | 2,009  |
| Overhead efficiency ratio               | 9.32 %   | 18.46 | (4.58) | 40.57  |
| Average loans, net                      | \$ 8,007 | 9,071 | 12,012 | 16,982 |
| Average core deposits                   | \$ 1,433 | 2,309 | 3,630  | 3,854  |
| <hr/>                                   |          |       |        |        |

Key Points

- o Contribution continues to decline as businesses wind down
- o 2Q01 fee results include \$21 million gain on PEL securitization and sale and \$23 million in securities gains; 1Q01 results included \$75 million gain on interest in Star Systems and \$15 million LOCOMs on loans held for sale
- o Results include \$30 million in provision in excess of business unit charge-offs and provision for loans sold or transferred to held for sale (also \$30 million in 1Q01)

Net interest income declined 56%, primarily the result of the 1Q01 securitization of TMS loans and planned runoff of the auto loan and leasing portfolio. Loans decreased 12%, due primarily to planned runoff of the indirect auto lending and leasing portfolio of \$400 million. Deposits decreased 38%, due primarily to a divestiture impact of an average \$434 million in 1Q01 branch sales.

Fee and other income grew 7%, the result of a \$21 million gain on the securitization and sale of \$800 million in prime equity loans and \$23 million in securities gains, primarily on mortgage-backed securities. 1Q01 results included a \$75 million gain on the exchange of our interest in Star Systems, \$3 million in securities losses, and \$15 million in market valuation adjustments on commercial loans held for sale.

Expenses declined 26%, due to divestitures and the impact of FICA benefits in 1Q01.

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[First Union  
logo appears here]

FIRSTUNION.COM

firstunion.com

2001

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| (In thousands)                             | Second<br>Quarter | First<br>Quarter | Fourth<br>Quarter | Third<br>Quarter |
|--|-------------------|------------------|-------------------|------------------|
| Online customers                           |                   |                  |                   |                  |
| Retail                                     | 2,773             | 2,529            | 2,276             | 2,111            |
| Wholesale                                  | 130               | 111              | 91                | 81               |
| Total customers online                     | 2,903             | 2,640            | 2,367             | 2,192            |
| Retail enrollments per quarter             | 297               | 293              | 230               | 225              |
| Dollar value of transactions (In billions) | \$ 6.4            | \$ 4.4           | \$ 2.2            | \$ 2.2           |
| Non-financial transactions (In millions)   | \$ 27.8           | \$ 24.9          | \$ 23.2           | \$ 23.2          |

Online enrollments increased 10% from 1Q01 to 2.9 million. There were 297,000 new enrollments in 2Q01, up 10% from 1Q01. Dollar value of transactions initiated through online banking (billpay and transfers) was \$6.4 billion, up 45% from 1Q01 due in large part to an increase in customers to our online Federal Funds Transfer application.

FIRST UNION DIRECT

| First Union Direct Metrics<br>(In millions) | 2001              |                  |                   |                  |
|---|-------------------|------------------|-------------------|------------------|
|   | Second<br>Quarter | First<br>Quarter | Fourth<br>Quarter | Third<br>Quarter |
| Customer calls to Person                    | 8.4               | 9.5              | 9.0               | 7.0              |
| Voice response unit                         | 23.5              | 24.5             | 24.2              | 23.0             |
| Total calls                                 | 31.9              | 34.0             | 33.2              | 30.0             |
| Calls handled in 30 seconds or less         | 72 %              | 68               | 73                | 79               |

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[First Union  
logo appears here]

This Supplemental Earnings Package may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including, without limitation, (i) statements about the benefits of the merger between First Union Corporation and Wachovia Corporation, including future financial and operating results, cost savings, enhanced revenues, and accretion to reported earnings that may be realized from the merger; (ii) statements with respect to First Union's plans, objectives, expectations and intentions and other statements that are not historical facts; and (iii) other statements identified by words such as "believes", "expects", "anticipates", "estimates", "intends",

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"plans", "targets", "projects" and similar expressions. These statements are based upon the current beliefs and expectations of First Union's management and are subject to significant risks and uncertainties. Actual results may differ from those set forth in the forward-looking statements.

The following factors, among others, could cause actual results to differ materially from the anticipated results or other expectations expressed in the forward-looking statements: (1) the risk that the businesses of First Union and Wachovia will not be integrated successfully or such integration may be more difficult, time-consuming or costly than expected; (2) expected revenue synergies and cost savings from the merger may not be fully realized or realized within the expected time frame; (3) revenues following the merger may be lower than expected; (4) deposit attrition, operating costs, customer loss and business disruption following the merger, including, without limitation, difficulties in maintaining relationships with employees, may be greater than expected; (5) the ability to obtain governmental approvals of the merger on the proposed terms and schedule; (6) the failure of First Union's and Wachovia's stockholders to approve the merger; (7) competitive pressures among depository and other financial institutions may increase significantly and have an effect on pricing, spending, third-party relationships and revenues; (8) the strength of the United States economy in general and the strength of the local economies in which First Union conducts operations may be different than expected resulting in, among other things, a deterioration in credit quality or a reduced demand for credit, including the resultant effect on First Union's loan portfolio and allowance for loan losses; (9) changes in the U.S. and foreign legal and regulatory framework; and (10) adverse conditions in the stock market, the public debt market and other capital markets (including changes in interest rate conditions) and the impact of such conditions on First Union's and the combined company's capital markets and asset management activities. Additional factors that could cause First Union's results to differ materially from those described in the forward-looking statements can be found in First Union's reports (such as Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K) filed with the Securities and Exchange Commission and available at the SEC's Internet site (<http://www.sec.gov>). All subsequent written and oral forward-looking statements concerning the proposed transaction with Wachovia or other matters attributable to First Union or any person acting on its behalf are expressly qualified in their entirety by the cautionary statements above. First Union does not undertake any obligation to update any forward-looking statement to reflect circumstances or events that occur after the date the forward-looking statements are made.

### Additional Information

The proposed merger between First Union and Wachovia will be submitted to First Union's and Wachovia's stockholders for their consideration. Stockholders are urged to read the definitive joint proxy statement/prospectus regarding the proposed transaction and any other relevant documents filed with the SEC, as well as any amendments or supplements to those documents, because they contain (or will contain) important information. You will be able to obtain a free copy of the joint proxy statement/prospectus, as well as other filings containing information about First Union and Wachovia, at the SEC's Internet site (<http://www.sec.gov>). Copies of the joint proxy statement/prospectus and the SEC filings that have been or will be incorporated by reference in the joint proxy statement/prospectus can also be obtained, without charge, by directing a request to First Union, Investor Relations, One First Union Center, Charlotte, North Carolina 28288-0206 (704-374-6782), or to Wachovia, Investor Relations, 100 North Main Street, Winston-Salem, North Carolina 27150 (888-492-6397).

THE FOLLOWING IS THE EARNINGS SLIDE PRESENTATION RELATING TO FIRST UNION'S SECOND QUARTER RESULTS RELEASED BY FIRST UNION

[First Union  
logo appears here]

2nd Quarter 2001  
Earnings Review

July 12, 2001

Second Quarter 2001 Financial  
Highlights

[First Union  
logo appears here]

Versus 1Q 2001

- o Exceeded market expectations with EPS of \$.73 per share on a cash operating basis or \$.66 per share on an operating basis
- o Total revenue up 3%, 11% annualized, and up in all three core businesses
  - 24% annualized increase in operating earnings versus 1Q01
  - General Bank had an outstanding quarter, displaying continued improvement
- o Continued strong expense control evident and FTEs declined over 1,900
- o Low cost core deposits grew 4%
- o Provided \$30 million in excess of net charge-offs and provision for loans sold or transferred to AHFS
- o Continued proactive management of loan portfolio through loan sales
- o Total NPAs declined 6% or \$104 million
- o Tier 1 capital ratio increased for the 4th consecutive quarter to 7.40%
- o Completed strategic repositioning on time and on budget

1

Summary Operating Results

[First Union  
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Operating Earnings Summary

2001

(In millions, except per share data)

|  | Second<br>Quarter | First<br>Quarter | Fourth<br>Quarter | Th<br>Quar |
|--|-------------------|------------------|-------------------|------------|
|--|-------------------|------------------|-------------------|------------|

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|  |          |       |       |       |
|--|----------|-------|-------|-------|
| Net interest income (Tax-equivalent)                         | \$ 1,742 | 1,734 | 1,757 | 1,866 |
| Fee and other income   | 1,629    | 1,546 | 1,582 | 1,644 |
| -----  |          |       |       |       |
| Total revenue (Tax-equivalent)                               | 3,371    | 3,280 | 3,339 | 3,510 |
| Provision for loan losses                                    | 223      | 219   | 192   | 144   |
| Noninterest expense  | 2,169    | 2,138 | 2,132 | 2,322 |
| -----  |          |       |       |       |
| Income before income taxes (Tax-equivalent)                  | 979      | 923   | 1,015 | 1,030 |
| Income taxes   | 299      | 281   | 309   | 300   |
| Tax-equivalent adjustment                                    | 31       | 32    | 25    | 20    |
| -----  |          |       |       |       |
| Net income   | \$ 649   | 610   | 681   | 700   |
| Net income (Cash basis)                                      | \$ 723   | 684   | 753   | 770   |
| -----  |          |       |       |       |
| Diluted earnings per share                                   | \$ 0.66  | 0.62  | 0.69  | 0.70  |
| Diluted earnings per share (Cash basis)                      | \$ 0.73  | 0.69  | 0.76  | 0.77  |
| Return on average stockholders' equity                       | 16.19 %  | 15.64 | 15.36 | 15.70 |
| Return on average tangible stockholders' equity (Cash basis) | 23.35 %  | 22.91 | 21.55 | 22.10 |

Key Points

- o Revenues grew 3% driven by a 5% increase in fee income - operating earnings were up a solid 6%
- o Focus on expenses continues
- o Loan loss provision of \$223 million exceeds net charge-offs by \$66 million and includes provisions of \$36 million related to loans sold and transferred to assets held for sale

|   |                |
|---|----------------|
| -Net charge-offs                                | \$ 157 million |
| -Impact of sales and transfers to held for sale | \$ 36          |
| -Additional provision                           | \$ 30          |
|   | -----          |
| Total   | \$ 223 million |

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Key Financial Measures [First Union logo appears here]

Operating Basis Performance Highlights

| (In millions, except per share data)            | 2001           |               |                |               |
|---|----------------|---------------|----------------|---------------|
|   | Second Quarter | First Quarter | Fourth Quarter | Third Quarter |
| Cash operating earnings                         |                |               |                |               |
| Net income                                      | \$ 723         | 684           | 753            | 770           |
| Diluted earnings per share                      | \$ 0.73        | 0.69          | 0.76           | 0.77          |
| Return on average tangible assets               | 1.19 %         | 1.15          | 1.26           | 1.20          |
| Return on average tangible stockholders' equity | 23.35          | 22.91         | 21.55          | 22.10         |
| Overhead efficiency ratio                       | 62.06 %        | 62.80         | 61.46          | 64.10         |
| Operating leverage                              | \$ 59          | (67)          | 31             | (15)          |



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| Other financial data                       |          |         |         |        |
|--|----------|---------|---------|--------|
| Fee and other income as % of total revenue | 48.32 %  | 47.13   | 47.38   | 46.9   |
| Average diluted shares (In thousands)      | 978,185  | 975,847 | 990,445 | 986,76 |
| Actual shares (In thousands)               | 979,205  | 981,268 | 979,963 | 986,00 |
| Dividends paid per common share            | \$ 0.24  | 0.24    | 0.48    | 0.4    |
| Dividend payout ratio                      | 36.36 %  | 38.71   | 69.57   | 67.4   |
| Book value per share                       | \$ 16.49 | 16.39   | 15.66   | 15.0   |
| Tier 1 capital ratio (a)                   | 7.40 %   | 7.18    | 7.02    | 7.0    |
| Total capital ratio (a)                    | 11.48    | 11.33   | 11.19   | 11.3   |
| Leverage ratio (a)                         | 6.01 %   | 5.88    | 5.92    | 5.7    |
| Other                                      |          |         |         |        |
| FTE employees                              | 67,420   | 69,362  | 70,639  | 70,53  |

(a) The second quarter of 2001 is based on estimates.

Key Points

- o Period-end actual shares declined with 2.1 million shares repurchased during the quarter
- o Average diluted shares increased due to the vesting of stock awards
- o Tier 1 capital ratio improved for the 4th consecutive quarter to 7.40%

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Net Interest Income [First Union logo appears here]

| Interest Income Summary<br><br>(In millions) | 2001           |               |                |               |
|--|----------------|---------------|----------------|---------------|
|  | Second Quarter | First Quarter | Fourth Quarter | Third Quarter |
| Average earning assets                       | \$ 204,673     | 203,720       | 202,606        | 211,08        |
| Average interest-bearing liabilities         | 185,224        | 183,995       | 181,832        | 190,14        |
| Interest income (Tax-equivalent)             | 3,851          | 4,057         | 4,289          | 4,49          |
| Interest expense                             | 2,109          | 2,323         | 2,532          | 2,63          |
| Net interest income (Tax-equivalent)         | \$ 1,742       | 1,734         | 1,757          | 1,86          |
| Rate earned                                  | 7.54 %         | 8.03          | 8.44           | 8.4           |
| Equivalent rate paid                         | 4.13           | 4.61          | 4.98           | 4.9           |
| Net interest margin                          | 3.41 %         | 3.42          | 3.46           | 3.5           |

Key Points

- o Margin remained relatively flat despite the declining rate environment as higher spreads were offset by the 1Q01 securitization and sale of The Money Store loans and growth in the equity derivatives business

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Fee and Other Income [First Union  
logo appears here]

| Fee and Other Income<br><br>(In millions)                   | 2001              |                  |                   |                  |               |
|---|-------------------|------------------|-------------------|------------------|---------------|
|   | Second<br>Quarter | First<br>Quarter | Fourth<br>Quarter | Third<br>Quarter | Seco<br>Quart |
| Service charges and fees                                    | \$ 486            | 468              | 481               | 508              | 4             |
| Commissions   | 389               | 375              | 383               | 365              | 3             |
| Fiduciary and asset management fees                         | 384               | 381              | 387               | 384              | 3             |
| Advisory, underwriting and other<br>investment banking fees | 238               | 198              | 187               | 148              | 1             |
| Principal investing   | (58)              | (43)             | (43)              | 34               | 2             |
| Other income  | 190               | 167              | 187               | 206              | 1             |
| <b>Total fee and other income</b>                           | <b>\$ 1,629</b>   | <b>1,546</b>     | <b>1,582</b>      | <b>1,645</b>     | <b>1,7</b>    |

Key Points

- o Across-the-board increases in all fee categories except principal investing
- o Service charges and fees up 4% on strong growth in both the General Bank and
- o Corporate and Investment Banking
- o Solid asset management and commissions performance in a challenging market
- o Corporate and Investment Banking fees up on increased activity in agency businesses
- o Other income up due to mortgage and home equity-related income

5

Noninterest Expense [First Union  
logo appears here]

| Noninterest Expense<br><br>(In millions)   | 2001              |                  |                   |                  |
|--|-------------------|------------------|-------------------|------------------|
|  | Second<br>Quarter | First<br>Quarter | Fourth<br>Quarter | Third<br>Quarter |
| Salaries and employee benefits             | \$ 1,363          | 1,329            | 1,243             | 1,381            |
| Occupancy                                  | 155               | 163              | 150               | 157              |
| Equipment                                  | 198               | 205              | 221               | 213              |
| Advertising                                | 11                | 9                | 16                | 14               |
| Communications and supplies                | 111               | 110              | 123               | 117              |
| Professional and consulting fees           | 69                | 73               | 97                | 87               |
| Goodwill and other intangible amortization | 77                | 78               | 80                | 79               |

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|  |          |        |        |        |
|--|----------|--------|--------|--------|
| Sundry expense                         | 185      | 171    | 202    | 280    |
| -----                                  |          |        |        |        |
| Total noninterest expense              | \$ 2,169 | 2,138  | 2,132  | 2,328  |
| -----                                  |          |        |        |        |
| FTE employees                          | 67,420   | 69,362 | 70,639 | 70,533 |
| Overhead efficiency ratio (Cash basis) | 62.06 %  | 62.80  | 61.46  | 64.17  |
| -----                                  |          |        |        |        |

Key Points

- o Total expenses remained virtually flat
- o Personnel expenses up modestly due to impact of lower FTEs offset by incentive payments on increased revenue
- o Sundry expenses increased due to costs associated with higher loan volume
- o Remaining categories down \$17 million in total

6

Consolidated Results  
Operating Performance Summary

[First Union  
logo appears here]

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First Union Corporation

Three

| Performance Summary<br>(In millions) | General<br>Bank | Capital<br>Management | Corporate &<br>Investment Banking |
|--------------------------------------|-----------------|-----------------------|-----------------------------------|
| -----                                |                 |                       |                                   |
| Income statement data                |                 |                       |                                   |
| Net interest income                  | \$ 1,128        | 78                    | 455                               |
| Fee and other income                 | 390             | 771                   | 333                               |
| Intersegment revenue                 | 27              | (11)                  | (15)                              |
| -----                                |                 |                       |                                   |
| Total revenue                        | 1,545           | 838                   | 773                               |
| Provision for loan losses            | 98              | -                     | 93                                |
| Noninterest expense                  | 935             | 667                   | 490                               |
| Income taxes                         | 169             | 58                    | 37                                |
| -----                                |                 |                       |                                   |
| Operating earnings                   | \$ 343          | 113                   | 153                               |
| -----                                |                 |                       |                                   |

-----  
Performance and other data

|   |           |       |        |
|---|-----------|-------|--------|
| Economic profit                         | \$ 251    | 82    | (4)    |
| Risk adjusted return on capital (RAROC) | 38.93 %   | 45.32 | 11.74  |
| Economic capital                        | \$ 3,744  | 986   | 6,112  |
| Overhead efficiency ratio               | 59.29 %   | 79.47 | 59.93  |
| Average loans, net                      | \$ 65,501 | 4,559 | 41,145 |
| Average core deposits                   | \$ 99,424 | 7,976 | 10,202 |
| -----                                   |           |       |        |

Key Points

- o Earnings/Profit: General Bank earned over half of operating earnings and 62% of economic profit

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- o RAROC: Capital Management reported very strong return; Corporate and Investment Banking basically covered its cost of capital
- o Efficiency Ratio: under 60% except Capital Management which is an inherently high overhead business

7

General Bank [First Union  
logo appears here]  
Operating Performance Summary

---

| General Bank                                | 2001              |                  |                   | 2000             |         |
|---|-------------------|------------------|-------------------|------------------|---------|
| Performance Summary<br>(In millions)        | Second<br>Quarter | First<br>Quarter | Fourth<br>Quarter | Third<br>Quarter | S<br>Qu |
| <hr style="border-top: 1px dashed black;"/> |                   |                  |                   |                  |         |
| Income statement data                       |                   |                  |                   |                  |         |
| Net interest income                         | \$ 1,128          | 1,085            | 1,093             | 1,097            |         |
| Fee and other income                        | 390               | 343              | 355               | 352              |         |
| Intersegment revenue                        | 27                | 25               | 25                | 24               |         |
| <hr style="border-top: 1px dashed black;"/> |                   |                  |                   |                  |         |
| Total revenue                               | 1,545             | 1,453            | 1,473             | 1,473            |         |
| Provision for loan losses                   | 98                | 101              | 74                | 52               |         |
| Noninterest expense                         | 935               | 908              | 992               | 948              |         |
| Income taxes                                | 169               | 149              | 129               | 154              |         |
| <hr style="border-top: 1px dashed black;"/> |                   |                  |                   |                  |         |
| Operating earnings                          | \$ 343            | 295              | 278               | 319              |         |
| <hr style="border-top: 1px dashed black;"/> |                   |                  |                   |                  |         |
| Performance and other data                  |                   |                  |                   |                  |         |
| Economic profit                             | \$ 251            | 220              | 183               | 212              |         |
| Risk adjusted return on capital (RAROC)     | 38.93 %           | 36.65            | 31.97             | 35.33            |         |
| Economic capital                            | \$ 3,744          | 3,618            | 3,653             | 3,615            |         |
| Overhead efficiency ratio                   | 59.29 %           | 61.19            | 65.77             | 62.89            |         |
| Average loans, net                          | \$ 65,501         | 63,771           | 61,735            | 60,029           | 5       |
| Average core deposits                       | \$ 99,424         | 98,415           | 98,184            | 97,186           | 9       |

### Key Points

- o Revenues up 6%; up 4% excluding mortgage contribution
- o Fee growth driven by service charges and fees, which increased 7%
- o Solid loan growth of 3% and deposits up 1%, driven by strong growth of 4% in low cost core deposits (DDA, interest checking, savings, and money market accounts)
- o Efficiency ratio below 60% for the first time; 14% growth in economic profit

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General Bank  
Key Operating Measures

[First Union  
logo appears here]

General Bank Key Metrics

2001

|   | Second<br>Quarter | First<br>Quarter | Fourth<br>Quarter | Third<br>Quarter |
|---|-------------------|------------------|-------------------|------------------|
| Customer overall satisfaction score (a) | 6.32              | 6.29             | 6.27              | 6.22             |
| Online customers (In thousands)         | 2,903             | 2,640            | 2,367             | 2,149            |
| Financial centers                       | 2,162             | 2,164            | 2,193             | 2,253            |
| ATMs                                    | 3,419             | 3,676            | 3,772             | 3,831            |

(a) Gallup survey measured on a 1-7 scale; 6.4 = "best in class".

Key Points

- o Financial Centers recorded 9th consecutive quarterly increase in customer satisfaction measures
- o Customer attrition remains stable at 13%, industry average estimated at approximately 15%
- o Online customers grew 263,000 or 10%

9

Capital Management  
Operating Performance Summary

[First Union  
logo appears here]

Capital Management

2001

| Performance Summary<br>(In millions)    | Second<br>Quarter | First<br>Quarter | Fourth<br>Quarter | Third<br>Quarter |
|---|-------------------|------------------|-------------------|------------------|
| <b>Income statement data</b>            |                   |                  |                   |                  |
| Net interest income                     | \$ 78             | 78               | 89                | 86               |
| Fee and other income                    | 771               | 765              | 777               | 761              |
| Intersegment revenue                    | (11)              | (12)             | (12)              | (13)             |
| Total revenue                           | 838               | 831              | 854               | 834              |
| Provision for loan losses               | -                 | -                | -                 | -                |
| Noninterest expense                     | 667               | 659              | 654               | 652              |
| Income taxes                            | 58                | 59               | 68                | 62               |
| Operating earnings                      | \$ 113            | 113              | 132               | 120              |
| <b>Performance and other data</b>       |                   |                  |                   |                  |
| Economic profit                         | \$ 82             | 82               | 101               | 90               |
| Risk adjusted return on capital (RAROC) | 45.32 %           | 45.93            | 53.10             | 48.45            |

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|                           |          |       |       |       |
|---------------------------|----------|-------|-------|-------|
| Economic capital          | \$ 986   | 985   | 974   | 979   |
| Overhead efficiency ratio | 79.47 %  | 79.15 | 76.66 | 78.11 |
| Average loans, net        | \$ 4,559 | 4,497 | 4,424 | 4,295 |
| Average core deposits     | \$ 7,976 | 8,003 | 7,879 | 7,935 |

### Key Points

- o Solid revenue performance during continuing market volatility
- o In Retail Brokerage, record bank annuity sales over \$700 million drove increased production

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Capital Management [First Union  
Key Operating Measures logo appears here]

### Capital Management Key Metrics

| (In millions)                        | 2001              |                  |                   |                  |
|--------------------------------------|-------------------|------------------|-------------------|------------------|
|                                      | Second<br>Quarter | First<br>Quarter | Fourth<br>Quarter | Third<br>Quarter |
| Trust assets                         | \$ 81,879         | 81,576           | 85,933            | 87,922           |
| Mutual fund assets                   | 90,279            | 86,767           | 84,797            | 85,223           |
| <b>Total assets under management</b> | <b>\$ 172,158</b> | <b>168,343</b>   | <b>170,730</b>    | <b>173,145</b>   |
| Gross fluctuating mutual fund sales  | \$ 1,981          | 1,983            | 1,762             | 1,819            |
| Assets under care (Excluding AUM)    | \$ 499,847        | 489,380          | 485,516           | 500,962          |
| Registered representatives (Actual)  | 7,706             | 7,784            | 7,459             | 7,342            |
| Brokerage offices (Actual)           | 2,690             | 2,695            | 2,568             | 2,623            |

### Key Points

- o Mutual funds surpassed \$90 billion for the first time - equity increased 5%, money market up 4%, and fixed income stable
- o Despite unsettled market conditions, total assets under management increased 2% to \$172 billion as both trust and mutual funds gained net new assets

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Corporate and Investment Banking [First Union  
Operating Performance Summary logo appears here]

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Corporate and Investment Banking  
Performance Summary

| (In millions)                           | 2001           |               |                |               |
|---|----------------|---------------|----------------|---------------|
|   | Second Quarter | First Quarter | Fourth Quarter | Third Quarter |
| Income statement data                   |                |               |                |               |
| Net interest income                     | \$ 455         | 425           | 415            | 398           |
| Fee and other income                    | 333            | 312           | 268            | 363           |
| Intersegment revenue                    | (15)           | (12)          | (13)           | (12)          |
| Total revenue                           | 773            | 725           | 670            | 749           |
| Provision for loan losses               | 93             | 70            | 124            | 83            |
| Noninterest expense                     | 490            | 467           | 431            | 498           |
| Income taxes                            | 37             | 38            | (53)           | 30            |
| Operating earnings                      | \$ 153         | 150           | 168            | 138           |
| Performance and other data              |                |               |                |               |
| Economic profit                         | \$ (4)         | (22)          | 28             | (25)          |
| Risk adjusted return on capital (RAROC) | 11.74 %        | 10.60         | 13.81          | 10.38         |
| Economic capital                        | \$ 6,112       | 6,278         | 6,259          | 6,167         |
| Overhead efficiency ratio               | 59.93 %        | 60.85         | 53.28          | 62.99         |
| Average loans, net                      | \$ 41,145      | 42,511        | 41,922         | 42,169        |
| Average core deposits                   | \$ 10,202      | 9,465         | 9,251          | 9,099         |

Key Points

- o Total revenue up 7%
- o Net interest income up 7% as fixed income spreads widened in a lower rate environment
- o Fee and other income increased 7% on strong results in agency businesses, primarily Loan Syndications and M&A, offset by lower trading profits after a record first quarter
- o Expenses up primarily due to higher incentive payments as a result of increased revenue, especially in agency businesses

12

Loan and Deposit Growth [First Union logo appears here]

Average Balance Sheet Data

| (In millions)    | 2001           |               |                |    |
|------------------|----------------|---------------|----------------|----|
|                  | Second Quarter | First Quarter | Fourth Quarter | Qu |
| Commercial loans | \$ 76,378      | 77,270        | 76,253         | 7  |
| Consumer loans   | 42,834         | 42,580        | 43,840         | 4  |
| Total loans      | \$119,212      | 119,850       | 120,093        | 12 |

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|                                 |           |         |         |    |
|---------------------------------|-----------|---------|---------|----|
| Core interest-bearing deposits  | \$ 91,654 | 91,149  | 91,069  | 8  |
| Noninterest-bearing deposits    | 27,381    | 27,043  | 27,875  | 2  |
| -----                           |           |         |         |    |
| Total core deposits             | 119,035   | 118,192 | 118,944 | 11 |
| Foreign and other time deposits | 17,944    | 19,090  | 19,385  | 2  |
| -----                           |           |         |         |    |
| Total deposits                  | \$136,979 | 137,282 | 138,329 | 14 |
| -----                           |           |         |         |    |

Key Points

- o Solid consumer loan growth of 2% and small business up 5%, excluding divestitures and securitizations
- o Core deposits up 1%, despite an average impact of \$434 million from divestitures; low cost core deposits up \$2.6 billion excluding divestitures
- o Reduced purchased deposits due to core deposit growth and lower cost alternatives

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Restructuring Update [First Union  
logo appears here]

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| Restructuring Charges and Other Charges/Gains<br><br>(In millions) | 2001              |                  |
|--|-------------------|------------------|
|  | Second<br>Quarter | First<br>Quarter |
| -----  |                   |                  |
| Restructuring charges  |                   |                  |
| Total restructuring charges  | \$ (73)           | -                |
| Reversal of March 1999 and other accruals                          | -                 | (14)             |
| -----  |                   |                  |
| Total  | (73)              | (14)             |
| Merger-related charges   | 4                 | 16               |
| -----  |                   |                  |
| Total  | (69)              | 2                |
| -----  |                   |                  |
| Other charges/gains  |                   |                  |
| Provision for loan losses  | -                 | -                |
| Service charges and fees   | -                 | -                |
| Other income   | (1)               | (28)             |
| Other noninterest expense  | 97                | 69               |
| -----  |                   |                  |
| Total other charges/gains  | 96                | 41               |
| -----  |                   |                  |
| Total restructuring and other charges/gains                        | 27                | 43               |
| Income taxes (benefits)  | (11)              | (17)             |
| -----  |                   |                  |



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|  |    |    |    |
|--|----|----|----|
| After-tax restructuring, merger-related<br>and other charges/gains | \$ | 16 | 26 |
|--|----|----|----|

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### Key Points

- o Completed June 2000 strategic repositioning efforts on schedule and on budget
- o \$73 million reversal due to favorable variances on occupancy and contract termination costs, and lower severance costs
- o \$97 million other noninterest expense largely comprised of related personnel expense to right-size staff and support functions, real estate consolidation expenses, contract termination costs and professional fees

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|               |                                    |
|---------------|------------------------------------|
| Asset Quality | [First Union<br>logo appears here] |
|---------------|------------------------------------|

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|  | 2001              |                  |                   |
|--|-------------------|------------------|-------------------|
| (In millions)                                      | Second<br>Quarter | First<br>Quarter | Fourth<br>Quarter |
| <hr/>  |                   |                  |                   |
| Nonperforming assets                               |                   |                  |                   |
| Loans  | \$ 1,223          | 1,231            | 1,176             |
| Other real estate                                  | 104               | 106              | 103               |
| Loans in assets held for sale                      | 250               | 344              | 334               |
| <hr/>  |                   |                  |                   |
| Total nonperforming assets                         | \$ 1,577          | 1,681            | 1,613             |
| <hr/>  |                   |                  |                   |
| as % of loans, net                                 | 1.08 %            | 1.09             | 1.03              |
| <hr/>  |                   |                  |                   |
| as % of loans, net, including assets held for sale | 1.23 %            | 1.30             | 1.22              |
| <hr/>  |                   |                  |                   |
| Allowance for loan losses                          |                   |                  |                   |
| <hr/>  |                   |                  |                   |
| Balance, end of period                             | \$ 1,760          | 1,759            | 1,722             |
| <hr/>  |                   |                  |                   |
| as % of loans, net                                 | 1.44 %            | 1.43             | 1.39              |
| as % of nonaccrual and restructured loans (a)      | 144               | 143              | 146               |
| as % of nonperforming assets (a)                   | 133 %             | 132              | 135               |
| <hr/>  |                   |                  |                   |
| Loan losses, net                                   | \$ 157            | 159              | 192               |
| Commercial, as % of average commercial loans       | 0.55 %            | 0.56             | 0.80              |
| Consumer, as % of average consumer loans           | 0.48              | 0.48             | 0.36              |
| Total, as % of average loans, net                  | 0.52 %            | 0.53             | 0.64              |

(a) These ratios do not include nonperforming loans included in other assets as

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held for sale.

Loans 90 days past due were \$213 million, \$220 million, \$183 million, \$145 million and \$84 million in the second and first quarters of 2001 and in the fourth, third and second quarters of 2000, respectively.

### Key Points

- o Total NPAs declined 6%
- o Allowance increased to 1.44% of net loans
- o Provision exceeded charge-offs by \$66 million including the provision for loans sold or transferred to held for sale
- o Delinquencies 90 days past due were \$213 million vs. \$220 million at March 31; consumer delinquencies were \$187 million as of June 30
- o Net charge-offs declined to \$157 million or 52 bps

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[First Union  
logo appears here]

Nonperforming Assets

| Nonperforming Assets (a)                    | 2001              |                  |                   |    |
|---|-------------------|------------------|-------------------|----|
| (In millions)                               | Second<br>Quarter | First<br>Quarter | Fourth<br>Quarter | Qu |
| Balance, beginning of period                | \$ 1,337          | 1,279            | 951               |    |
| Commercial loan activity (over \$5 million) |                   |                  |                   |    |
| New nonaccrual loans and advances           | 314               | 266              | 487               |    |
| Charge-offs                                 | (49)              | (69)             | (112)             |    |
| Transfers (to) from assets held for sale    | -                 | -                | 11                |    |
| Payments and return to accrual status       | (50)              | (59)             | (22)              |    |
| Sales                                       | (54)              | -                | (15)              |    |
| Other (activity under \$5 million)          | (100)             | (53)             | (69)              |    |
| Commercial loan activity                    | 61                | 85               | 280               |    |
| Consumer loan activity                      |                   |                  |                   |    |
| Transfers to assets held for sale           | (123)             | (90)             | -                 |    |
| Other, net                                  | 52                | 63               | 48                |    |
| Consumer loan activity                      | (71)              | (27)             | 48                |    |
| Change in nonperforming assets              | (10)              | 58               | 328               |    |

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Balance, end of period \$ 1,327 1,337 1,279

(a) Excludes nonperforming loans included in assets held for sale, which in the second and first fourth, third and second quarters of 2000 were \$250 million, \$344 million, \$334 million, \$349 million respectively.

Key Points

- o Transferred \$123 million of consumer NPLs to assets held for sale; sale expected to close in 3Q01
- o NPAs including assets held for sale declined by \$104 million or 6%

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Loans Held for Sale [First Union logo appears here]

| Loans Held for Sale<br><br>(In millions)                                       | 2001           |               |
|--|----------------|---------------|
|  | Second Quarter | First Quarter |
| 2000 Strategic Repositioning   |                |               |
| Balance, beginning of period   | \$ 689         | 4,263         |
| Loans transferred to (from) assets held for sale, net                          | (98)           | -             |
| Allowance for loan losses related to loans transferred to assets held for sale | -              | -             |
| Lower of cost or market valuation adjustments                                  | (21)           | (50)          |
| Loans sold   | (190)          | (3,327)       |
| Other, net (a)   | (63)           | (197)         |
| Balance, end of period   | 317            | 689           |
| Other (b)  |                |               |
| Balance, end of period   | 5,646          | 6,101         |
| Loans held for sale, end of period   | \$ 5,963       | 6,790         |

(a) Other, net represents primarily loan payments.

(b) Other includes primarily student, mortgage warehouse, home equity and syndication loans.

Nonperforming loans included in assets held for sale in the second and first quarters of 2001 and in the fourth, third and second quarters of 2000 were \$250 million, \$344 million, \$334 million, \$349 million and \$331 million, respectively.

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### Key Points

- o Sold \$190 million of loans from strategic repositioning portfolio
- o \$317 million remains from repositioning; sale of \$152 million of loans expected to close in early 3Q01
- o Strategic repositioning is now complete

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### Summary and Outlook

[First Union  
logo appears here]

#### ----- 2001 - First Union has momentum -----

- o Strong revenue growth and expense control evident
  - Revenue growth in all 3 core businesses
  - General Bank has turned the corner
- o Reduced NPAs 6% with proactive portfolio management
- o Added \$30 million to the allowance in excess of charge-offs and provision for loans sold or transferred to held for sale
- o Grew Tier 1 capital 22 bps; 4th consecutive quarter of improvement

#### 2001 First Union Outlook

- o Goal is to keep NPAs and coverage ratios consistent with 2Q01 levels
- o Revised charge off guidance for full year 2001 from 60-80 bps to 55-65 bps
- o Continue to build capital ratios
- o Core operating earnings of \$.66 per share provides foundation for continued growth
- o Wachovia merger integration planning proceeding on schedule
- o Pending approvals, Wachovia merger close to completion; third quarter closing targeted

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### Cautionary Statement

This presentation may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including, without limitation, (i) statements about the benefits of the merger between First Union Corporation and Wachovia Corporation, including future financial and operating results, cost savings, enhanced revenues, and accretion to reported earnings that may be realized from the merger; (ii) statements with respect to First Union's plans, objectives, expectations and intentions and other statements that are not historical facts; and (iii) other statements identified by words such as "believes", "expects", "anticipates", "estimates", "intends", "plans", "targets", "projects" and similar expressions. These statements are based upon

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the current beliefs and expectations of First Union's management and are subject to significant risks and uncertainties. Actual results may differ from those set forth in the forward-looking statements.

The following factors, among others, could cause actual results to differ materially from the anticipated results or other expectations expressed in the forward-looking statements: (1) the risk that the businesses of First Union and Wachovia will not be integrated successfully or such integration may be more difficult, time-consuming or costly than expected; (2) expected revenue synergies and cost savings from the merger may not be fully realized or realized within the expected time frame; (3) revenues following the merger may be lower than expected; (4) deposit attrition, operating costs, customer loss and business disruption following the merger, including, without limitation, difficulties in maintaining relationships with employees, may be greater than expected; (5) the ability to obtain governmental approvals of the merger on the proposed terms and schedule; (6) the failure of First Union's and Wachovia's stockholders to approve the merger; (7) competitive pressures among depository and other financial institutions may increase significantly and have an effect on pricing, spending, third-party relationships and revenues; (8) the strength of the United States economy in general and the strength of the local economies in which First Union conducts operations may be different than expected resulting in, among other things, a deterioration in credit quality or a reduced demand for credit, including the resultant effect on First Union's loan portfolio and allowance for loan losses; (9) changes in the U.S. and foreign legal and regulatory framework; and (10) adverse conditions in the stock market, the public debt market and other capital markets (including changes in interest rate conditions) and the impact of such conditions on First Union's and the combined company's capital markets and asset management activities. Additional factors that could cause First Union's results to differ materially from those described in the forward-looking statements can be found in First Union's reports (such as Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K) filed with the Securities and Exchange Commission and available at the SEC's Internet site (<http://www.sec.gov>). All subsequent written and oral forward-looking statements concerning the proposed transaction with Wachovia or other matters attributable to First Union or any person acting on its behalf are expressly qualified in their entirety by the cautionary statements above. First Union does not undertake any obligation to update any forward-looking statement to reflect circumstances or events that occur after the date the forward-looking statements are made.

### Additional Information

The proposed merger between First Union and Wachovia will be submitted to First Union's and Wachovia's stockholders for their consideration. Stockholders are urged to read the definitive joint proxy statement/prospectus regarding the proposed transaction and any other relevant documents filed with the SEC, as well as any amendments or supplements to those documents, because they contain (or will contain) important information. You will be able to obtain a free copy of the joint proxy statement/prospectus, as well as other filings containing information about First Union and Wachovia, at the SEC's Internet site (<http://www.sec.gov>). Copies of the joint proxy statement/prospectus and the SEC filings that have been or will be incorporated by reference in the joint proxy statement/prospectus can also be obtained, without charge, by directing a request to First Union, Investor Relations, One First Union Center, Charlotte, North Carolina 28288-0206 (704-374-6782), or to Wachovia, Investor Relations, 100 North Main Street, Winston-Salem, North Carolina 27150 (888-492-6397).