WACHOVIA CORP/ NC
Form 425
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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

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
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Media Contact:

Ginny Mackin	704-383-3715
Mary Eshet	704-383-7777

Investor Contact:

Alice Lehman	704-374-4139

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

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

- 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
Earnings			
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)
Financial ratios (Operating earnings)			
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
Cash operating earnings			
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
Asset quality			
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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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 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, 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

	Three Months Ended		
	June 30, 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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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.

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.

Capital Management Highlights

	Three Months Ended		
	June 30, 2001	March 31, 2001	June 30, 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

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

	Three Months Ended June 30, 2001	March 31, 2001	June 30, 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.

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.

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, 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 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.

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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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 Quarter	First Quarter
FINANCIAL HIGHLIGHTS			
Operating Earnings			
Net interest income - tax-equivalent	$	1,742	1,734
Fee and other income		1,629	1,546
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
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)
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) (As reported)	$	633	584

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
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
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

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
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
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)

	Three Months Ended June 30, 2001				
(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	

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

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FIRST UNION CORPORATION
CONSOLIDATED STATEMENTS OF OPERATING EARNINGS (a)
(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
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		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 cumu
accounting principle.

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

	Six Months Ended 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

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

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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FIRST UNION CORPORATION

CONSOLIDATED STATEMENTS OF INCOME (LOSS)
(Unaudited)

(In millions, except per share data)	Six Months Ended June 30, 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	1,222
Net interest income after provision for loan losses	2,971	2,649
FEE AND OTHER INCOME		
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
NONINTEREST EXPENSE		
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)
PER SHARE DATA		
Basic earnings	$ 1.24	(1.41)
Diluted earnings	1.23	(1.41)
Cash dividends	$ 0.48	0.96

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 Quarter	First Quarter
ASSETS			
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 repledged)		9,161	11,866
Total cash and cash equivalents		19,492	22,694
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)
Loans, net		120,732	121,094
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
Total assets	$	245,941	252,949
IABILITIES AND STOCKHOLDERS' EQUITY			
Deposits			
Noninterest-bearing deposits		29,633	28,582
Interest-bearing deposits		108,934	112,213
Total deposits		138,567	140,795
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
Total liabilities		229,797	236,868
STOCKHOLDERS' EQUITY			
Preferred stock		-	-
Common stock, $3.33-1/3 par value;			

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 Balances	Interest Income/ Expense	Average Rates Earned/ Paid	
ASSETS				
Interest-bearing bank balances	$ 2,529	29	4.57 %	$
Federal funds sold and securities 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			$

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 Jun
December 31, 2000, September 30, 2000, and June 30, 2000, respectively, related to net interest i
derivative transactions.

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FIRST UNION CORPORATION
NET INTEREST INCOME SUMMARIES
(Unaudited)

FOURTH QUARTER 2000 Average Balances	FOURTH QUARTER 2000 Interest Income/ Expense	FOURTH QUARTER 2000 Average Rates Earned/ Paid	THIRD QUARTER 2000 Average Balances	THIRD QUARTER 2000 Interest Income/ Expense	THIRD QUARTER 2000 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

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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FIRST UNION CORPORATION
NET INTEREST INCOME SUMMARIES
(Unaudited)

(In millions)	SIX MONTHS ENDED 2001 Average Balances	Interest Income/ Expense	Average Rates Earned/ Paid
ASSETS			
Interest-bearing bank balances	$ 2,179	54	5.04 %
Federal funds sold and securities purchased under resale agreements	7,985	194	4.89
Trading account assets	13,642	408	6.00
Securities	50,173	1,844	7.35
Loans			
Commercial			
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
Consumer			
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		
LIABILITIES AND STOCKHOLDERS' EQUITY			
Interest-bearing deposits			
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 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		

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 3
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)

TABLE OF CONTENTS

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

- 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.

- 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.

- Revenue growth was 3%, while expenses remained relatively flat. Revenue growth exceeded expense growth, producing operating leverage of $60 million for the quarter.

- 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

- 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%.

- Capital Management revenues increased despite continued weak market conditions, due to strong annuity sales, higher broker client assets, and record mutual fund assets.

- 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

- Continued focus on strengthening capital ratios:

    - Tier 1 capital ratio improved to 7.40% from 7.18%, the fourth straight quarterly increase.

    - Total capital ratio improved to 11.48% from 11.33%; leverage ratio improved to 6.01% from 5.88%.

Credit

- Credit quality remained relatively stable and we continue to proactively manage the portfolio.
  - 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.
  - Total nonperforming assets declined 6%. Allowance as a percentage of loans and nonperforming assets increased modestly from 1Q01.

June 2000 Strategic Repositioning

- Completed on schedule and on budget.

2001 Outlook

- Revised charge-off guidance for full year 2001 from 60-80 bps to 55-65 bps.
- Core earnings of 66 cents provides foundation for continued growth.
- Continued to build capital ratios; settle $500 million in equity forwards during 4Q01.
- 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 Quarter	First Quarter	Fourth Quarter	Thi Quart
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
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

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, 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		
(In millions, except per share data)	Second Quarter	First Quarter	Fourth Quarter
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

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		2001				
(In millions)		Second Quarter		First Quarter	Fourth Quarter	Thi Quart
Average earning assets	$	204,673		203,720	202,606	211,0
Average interest-bearing liabilities		185,224		183,995	181,832	190,1
Interest income (Tax-equivalent)		3,851		4,057	4,289	4,4
Interest expense		2,109		2,323	2,532	2,6
Net interest income (Tax-equivalent)	$	1,742		1,734	1,757	1,8
Rate earned		7.54	%	8.03	8.44	8.
Equivalent rate paid		4.13		4.61	4.98	4.
Net interest margin		3.41	%	3.42	3.46	3.

Key Points

- 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	2001			
(In millions)	Second Quarter	First Quarter	Fourth Quarter	Third 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

- Solid consumer loan growth of 2% and small business up 5%, excluding divestitures and securitizations
- Core deposits up 1%, despite an average impact of $434 million from divestitures; low cast core deposits up $2.6 billion excluding divestitures
- 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 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		2001			
(In millions)		Second Quarter	First Quarter	Fourth Quarter	Third 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 investment banking fees		238	198	187	148
Principal investing		(58)	(43)	(43)	34
Other income		190	167	187	206
Total fee and other income	$	1,629	1,546	1,582	1,645

Key Points
- Across-the-board increases in all fee categories except principal investing
- Service charges and fees up 4% on strong growth in both the General Bank and Corporate and Investment Banking
- Solid asset management and commissions performance in a challenging market
- Corporate and Investment Banking fees up on increased activity in agency businesses
- 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.

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.

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 Quarter	First Quarter	Fourth Quarter	Qu
Salaries and employee benefits	$	1,363	1,329	1,243	
Occupancy		155	163	150	
Equipment		198	205	221	
Advertising		11	9	16	
Communications and supplies		111	110	123	
Professional and consulting fees		69	73	97	
Goodwill and other intangible amortization		77	78	80	
Sundry expense		185	171	202	
Total noninterest expense	$	2,169	2,138	2,132	
FTE employees		67,420	69,362	70,639	7

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 (In millions)	2001 Second Quarter	2001 First Quarter	Fourth Quarter	Th 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 other assets or sold	(65)	(23)	2	(
Loan losses, net	(157)	(159)	(192)	(
Balance, end of period	$ 1,760	1,759	1,722	1,

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
- Total NPAs declined 6%
- Allowance increased to 1.44% of net loans
- Provision exceeded charge-offs by $66 million including the provision for loans sold or transferred to held for sale
- Delinquencies 90 days past due were $213 million vs. $220 million at March 31
- 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			
(In millions)		Second Quarter	First Quarter	Fourth Quarter	Th Quar
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
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

Key Points

- Transferred $123 million of consumer NPLs to assets held for sale; sale expected to close in 3Q01
- 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	2001 First Quarter	Fourt Quarte
2000 Strategic Repositioning			
Balance, beginning of period	$ 689	4,263	4,98
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	4,26
Other (b)			

Balance, beginning of period		6,101	3,883	4,10
Originations		5,279	4,773	2,70
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)	(2,20
Other, net (a)		(242)	(156)	(13
Balance, end of period		5,646	6,101	3,88
Loans held for sale, end of period	$	5,963	6,790	8,14

(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 mill

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

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

Key Points

- Completed June 2000 strategic repositioning efforts on schedule and on budget
- $73 million reversal due to favorable variances on occupancy and contract termination costs, and lower severance costs
- $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:

- 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.

- 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.

BUSINESS SEGMENT RESULTS

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First Union Corporation		Three Months Ended June 30, 2001		
Performance Summary (In millions)		General Bank	Capital Management	Co Investmen
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

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 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

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

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

General Bank		2001			
Performance Summary (In millions)		Second Quarter	First Quarter	Fourth Quarter	Third 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 Quarter	First Quarter	Fourth Quarter	Third 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.

CONSUMER

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

Consumer		2001				
Performance Summary (In millions)		Second Quarter	First Quarter	Fourth Quarter	Third Quarter	Se 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.

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 Quarter	First Quarter	Fourth Quarter	Third Quarter	Sec 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	
Total consumer loan volume	$	11,212	8,590	7,095	6,921	7

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 Quarter	First Quarter	Fourth Quarter	Third Quarter	S 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	

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 (In millions)	Second Quarter	First Quarter	Fourth Quarter	Third 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.

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.

SMALL BUSINESS

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

Small Business		2001			
Performance Summary (In millions)		Second uarter	First Quarter	Fourth Quarter	Third Quarter
Income statement data					
Net interest income	$	163	161	168	166
Fee and other income		52	52	52	68
Intersegment revenue		1	1	-	-
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
Operating earnings	$	70	64	80	98

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		2001				
Performance Summary (In millions)		Second Quarter	First Quarter	Fourth Quarter	Third Quarter	S 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
- Solid revenue performance during continuing market volatility
- In Retail Brokerage, record bank annuity sales over $700 million drove increased production

Capital Management Key Metrics	2001			
(In millions)	Second Quarter	First Quarter	Fourth Quarter	Third Quarter

Trust assets	$	81,879	81,576	85,933	87,922
Mutual fund assets		90,279	86,767	84,797	85,223
Total assets under management	$	172,158	168,343	170,730	173,145
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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ASSET MANAGEMENT

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

Asset Management		2001		2		
Performance Summary (In millions)		Second Quarter	First Quarter	Fourth Quarter	Third Quarter	Sec Quar
Income statement data						
Net interest income	$	(14)	(11)	(8)	(8)	
Fee and other income		153	156	162	164	
Intersegment revenue		-	-	-	-	
Total revenue		139	145	154	156	
Provision for loan losses		-	-	-	-	
Noninterest expense		90	89	95	89	
Income taxes		16	20	20	23	
Operating earnings	$	33	36	39	44	
Performance and other data						
Economic profit	$	29	33	35	40	
Risk adjusted return on capital (RAROC)		109.52 %	121.75	123.11	139.70	129
Economic capital	$	122	121	125	125	

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	2001					
	Second Quarter		First Quarter		Fourth	Th
(In billions)	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.

RETAIL BROKERAGE SERVICES

This sub-segment includes Retail Brokerage and Insurance Services.

Retail Brokerage Services	2001				
Performance Summary	Second	First	Fourth	Third	S
(In millions)	Quarter	Quarter	Quarter	Quarter	Qu

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				
(In millions)		Second Quarter	First Quarter	Fourth Quarter	Third Quarter	Q
Broker client assets	$	205,000	196,069	204,742	216,012	2
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.

Wealth and Trust Services		2001				
Performance Summary (In millions)		Second Quarter	First Quarter	Fourth Quarter	Third Quarter	Se 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		2001				20
Performance Summary (In millions)		Second Quarter	First Quarter	Fourth Quarter	Third Quarter	Seco 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	4
Overhead efficiency ratio	54.40 %	55.76	51.56	63.76	6

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.

CORPORATE BANKING

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

Corporate Banking	2001	

Performance Summary (In millions)		Second Quarter	First Quarter	Fourth Quarter	Third Quarter	Se 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		2001		2000			2
(In millions)		Second Quarter	First Quarter	Fourth Quarter	Third Quarter	Second Quarter	1
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	

[First Union logo appears here]

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 (In millions)		Second Quarter	First Quarter	Fourth Quarter	Third Quarter
Income statement data					
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

Performance and other data					
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

mezzanine investments.

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

Investment Banking Fees		2001		2000		
(In millions)		Second Quarter	First Quarter	Fourth Quarter	Third Quarter	Second 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

PARENT

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

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

Fee and other income		135	126	182	169
Intersegment revenue		(1)	(1)	-	1
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
Operating earnings	$	40	52	103	125

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

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.

(In thousands)		Second Quarter	First Quarter	Fourth Quarter	Thi Quar
Online customers					
Retail		2,773	2,529	2,276	2,
Wholesale		130	111	91	
Total customers online		2,903	2,640	2,367	2,
Retail enrollments per quarter		297	293	230	
Dollar value of transactions (In billions)	$	6.4	4.4	2.2	
Non-financial transactions (In millions)	$	27.8	24.9	23.2	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	2001			
(In millions)	Second Quarter	First Quarter	Fourth Quarter	Third 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", "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

- Exceeded market expectations with EPS of $.73 per share on a cash operating basis or $.66 per share on an operating basis
- 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
- Continued strong expense control evident and FTEs declined over 1,900
- Low cost core deposits grew 4%
- Provided $30 million in excess of net charge-offs and provision for loans sold or transferred to AHFS
- Continued proactive management of loan portfolio through loan sales
- Total NPAs declined 6% or $104 million
- Tier 1 capital ratio increased for the 4th consecutive quarter to 7.40%
- Completed strategic repositioning on time and on budget

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Summary Operating Results [First Union logo appears here]

Operating Earnings Summary	2001			
(In millions, except per share data)	Second Quarter	First Quarter	Fourth Quarter	Th Quar

Net interest income (Tax-equivalent)	$ 1,742	1,734	1,757	1,86
Fee and other income	1,629	1,546	1,582	1,64
Total revenue (Tax-equivalent)	3,371	3,280	3,339	3,50
Provision for loan losses	223	219	192	14
Noninterest expense	2,169	2,138	2,132	2,32
Income before income taxes (Tax-equivalent)	979	923	1,015	1,03
Income taxes	299	281	309	30
Tax-equivalent adjustment	31	32	25	2
Net income	$ 649	610	681	70
Net income (Cash basis)	$ 723	684	753	77
Diluted earnings per share	$ 0.66	0.62	0.69	0.7
Diluted earnings per share (Cash basis)	$ 0.73	0.69	0.76	0.7
Return on average stockholders' equity	16.19 %	15.64	15.36	15.7
Return on average tangible stockholders' equity (Cash basis)	23.35 %	22.91	21.55	22.1

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	2001			
(In millions, except per share data)	Second Quarter	First Quarter	Fourth Quarter	Thir Quarte
Cash operating earnings				
Net income	$ 723	684	753	77
Diluted earnings per share	$ 0.73	0.69	0.76	0.7
Return on average tangible assets	1.19 %	1.15	1.26	1.2
Return on average tangible stockholders' equity	23.35	22.91	21.55	22.1
Overhead efficiency ratio	62.06 %	62.80	61.46	64.1
Operating leverage	$ 59	(67)	31	(15

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	2001			
(In millions)	Second Quarter	First Quarter	Fourth Quarter	Thir Quart
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		2001		20		
(In millions)		Second Quarter	First Quarter	Fourth Quarter	Third Quarter	Seco 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 investment banking fees		238	198	187	148	1
Principal investing		(58)	(43)	(43)	34	2
Other income		190	167	187	206	1
Total fee and other income	$	1,629	1,546	1,582	1,645	1,7

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

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Noninterest Expense [First Union logo appears here]

Noninterest Expense		2001			
(In millions)		Second Quarter	First Quarter	Fourth Quarter	Third 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

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

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Consolidated Results
Operating Performance Summary

[First Union logo appears here]

First Union Corporation			Three
Performance Summary (In millions)	General Bank	Capital Management	Corporate & 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 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

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

General Bank	2001		2000	
Performance Summary (In millions)	Second Quarter	First Quarter	Fourth Quarter	Third 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

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General Bank
Key Operating Measures

[First Union logo appears here]

General Bank Key Metrics	2001 Second Quarter	2001 First Quarter	Fourth Quarter	Third 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%

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Capital Management
Operating Performance Summary

[First Union logo appears here]

Capital Management Performance Summary (In millions)	2001 Second Quarter	2001 First Quarter	Fourth Quarter	Third Quarter
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 [First Union
Key Operating Measures logo appears here]

Capital Management Key Metrics	2001			
(In millions)	Second Quarter	First Quarter	Fourth Quarter	Third Quarter
Trust assets	$ 81,879	81,576	85,933	87,922
Mutual fund assets	90,279	86,767	84,797	85,223
Total assets under management	$ 172,158	168,343	170,730	173,145
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

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

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

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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

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 divesitures 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]

Restructuring Charges and Other Charges/Gains	2001	
(In millions)	Second Quarter	First 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)

After-tax restructuring, merger-related and other charges/gains	$ 16	26

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 logo appears here]

Asset Quality	2001		
(In millions)	Second Quarter	First Quarter	Fourth Quarter
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
as % of loans, net	1.08 %	1.09	1.03
as % of loans, net, including assets held for sale	1.23 %	1.30	1.22
Allowance for loan losses			
Balance, end of period	$ 1,760	1,759	1,722
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
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

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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Nonperforming Assets

[First Union logo appears here]

Nonperforming Assets (a)	2001		
(In millions)	Second Quarter	First Quarter	Fourth Quarter
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

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 mil
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 (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.

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 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.

Thefollowing 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).