WACHOVIA CORP/ NC
Form 425
July 16, 2001

Filed by First Union Corporation

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

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

Date: July 16, 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 IS A TRANSCRIPT OF FIRST UNION'S CONFERENCE CALL RELATING TO ITS SECOND QUARTER RESULTS

JULY 12, 2001

FIRST UNION

EARNINGS TELECONFERENCE

>>> Alice: THANKS FOR JOINING OUR CALL THIS MORNING, EVERYONE.

THIS IS ALICE LEHMAN, MANAGING DIRECTOR OF INVESTOR RELATIONS FOR FIRST UNION.

YOU SHOULD HAVE RECEIVED OUR EARNINGS RELEASE BY NOW.

IF YOU HAVEN'T, PLEASE LOG ON TO OUR INVESTOR RELATIONS WEBSITE AT FIRSTUNION.COM.

IN THIS PRESENTATION, WE WILL BE REFERRING TO HANDOUTS THAT ARE ALSO AVAILABLE THROUGH OUR WEBSITE.

IN ADDITION, THIS TELECONFERENCE -- THIS CALL IS AVAILABLE THROUGH A LISTEN-ONLY LIVE AUDIO WEBCAST.

REPLAYS OF THE TELECONFERENCE WILL BE AVAILABLE BEGINNING AT NOON TODAY AND WILL CONTINUE THROUGH 5:00 P.M. ON MONDAY, JULY 23rd.

THE REPLAY TELEPHONE NUMBER IS AREA CODE 402-220-3026.

THE WEB AUDIO REPLAY ALSO WILL BE AVAILABLE ON OUR WEBSITE BEGINNING ABOUT NOON TODAY, AS WELL, AND ALSO WILL CONTINUE THROUGH JULY 23rd.

BEFORE KEN AND BOB BEGIN, I HAVE A FEW HOUSEKEEPING ITEMS.

FIRST, LET ME REMIND YOU THAT ANY FORWARD-LOOKING STATEMENTS MADE DURING THIS CALL ARE SUBJECT TO RISKS AND UNCERTAINTIES.

FACTORS THAT COULD CAUSE FIRST UNION'S RESULTS TO DIFFER MATERIALLY FROM ANY FORWARD-LOOKING STATEMENTS ARE SET

FORTH IN FIRST UNION'S PUBLIC REPORT FILED WITH THE SEC, INCLUDING FIRST UNION'S CURRENT REPORT ON FORM 8K FILED TODAY.

IN ADDITION, PLEASE READ THE JOINT PROXY STATEMENT

RELATING TO FIRST UNION'S PROPOSED MERGER WITH WACHOVIA BECAUSE IT CONTAINS IMPORTANT INFORMATION.

THAT DOCUMENT AND OTHER FILINGS WITH THE SEC CAN BE OBTAINED FOR FREE AT THE SEC'S WEBSITE AND FROM FIRST UNION AND WACHOVIA.

SECOND, WHEN YOU ASK QUESTIONS, PLEASE GIVE YOUR NAME AND YOUR FIRM'S NAME.

NOW, LET ME TURN THINGS OVER TO KEN THOMPSON, OUR CHAIRMAN AND CEO, FOR OPENING REMARKS.

HE WILL BE FOLLOWED BY CFO, BOB KELLY, WHO WILL REVIEW SECOND QUARTER RESULTS.

THEN WE WILL TAKE YOUR QUESTIONS.

KEN?

>> Ken: THANKS, ALICE, AND THANKS TO ALL OF YOU FOR JOINING OUR CALL THIS MORNING.

AS ALICE SAID, YOU SHOULD HAVE RECEIVED YOUR EARNINGS NEWS RELEASE BY NOW SO YOU KNOW THAT WE EXCEEDED MARKET EXPECTATIONS WITH OPERATING EARNINGS OF 66 CENTS PER SHARE AND CASH OPERATING EARNINGS WERE 73 CENTS PER SHARE.

I'M ALSO PLEASED TO REPORT THAT OUR RESTRUCTURING

ANNOUNCED IN JUNE OF 2000 WAS COMPLETED ON TIME AND ON BUDGET.

THIS ENORMOUS UNDERTAKING IS BEHIND US, AND YOU'RE SEEING THE RESULTS OF THAT REPOSITIONING, AND WE BELIEVE IT EVEN GETS BETTER FROM HERE.

WE REMAIN INTENSELY FOCUSED ON OUR THREE CORE BUSINESSES, AND I BELIEVE THE RESULTS ARE ESPECIALLY NOTEWORTHY IN OUR GENERAL BANK, WHICH HAD AN OUTSTANDING

QUARTER WITH SOLID GROWTH AND REVENUE, DEPOSITS, LOANS, AND INVESTMENT SALES COMBINED WITH DISCIPLINED EXPENSE CONTROL.

THIS WAS ALSO THE FIRST QUARTER THAT THE GENERAL BANK'S EFFICIENCY RATIO DROPPED BELOW 60%.

CAPITAL MANAGEMENT ALSO PERFORMED SOLIDLY DESPITE EQUITY MARKET VOLATILITY DUE TO STRONG ANNUITY SALES AND HIGHER BROKER-CLIENT ASSETS.

ASSETS UNDER MANAGEMENT AND MUTUAL FUND ASSETS ALSO REACHED RECORD LEVELS FOR US IN THE SECOND QUARTER.

OUR BALANCED BUSINESS MODEL IN OUR CAPITAL MANAGEMENT BUSINESS CONTRASTS WITH THE EARNINGS WARNINGS FROM SOME OF THE WALL STREET FIRMS THAT YOU'VE SEEN RECENTLY.

CORPORATE AND INVESTMENT BANKING REVENUES WITH THE EXCEPTION OF PRINCIPAL INVESTING WERE UP ACROSS THE BOARD WITH PARTICULAR STRENGTH IN SOME OF OUR AGENCY BUSINESSES LIKE M&A, LOAN SYNDICATION AND COMMERCIAL

REAL ESTATE FINANCE.

IN ADDITION, WE'RE SEEING IMPROVED RESULTS FROM OUR CORPORATE LENDING BUSINESSES, AS WE CONTINUE TO FOCUS MORE ON HIGH-POTENTIAL CLIENT RELATIONSHIPS AND LESS ON LOW RAROC RELATIONSHIPS.

SO WE'RE EXTREMELY PLEASED WITH THE MOMENTUM IN OUR THREE CORE BUSINESSES.

WE'RE EQUALLY PLEASED WITH THE STRENGTH IN OUR FUNDAMENTALS.

REVENUE GREW 3% LINKED QUARTER, OR 11% ANNUALIZED WHILE EXPENSES REMAINED VIRTUALLY FLAT AS EXPENSE

MANAGEMENT BECOMES MORE AND MORE A PART OF OUR CULTURE HERE AT FIRST UNION.

OUR CAPITAL RATIOS IMPROVED FOR THE FOURTH CONSECUTIVE QUARTER.

TIER ONE CAPITAL INCREASED TO 7.4%, AND CREDIT QUALITY REMAINS STABLE.

TOTAL NON-PERFORMING ASSETS DECLINED 6%, WHILE ALLOWANCE RATIOS IMPROVED MODESTLY.

OUR CREDIT TEAM IS PRO-ACTIVELY MANAGING DOWN EXPOSURES ACROSS THE BOARD.

THE NET CHARGE-OFF RATIO DECLINED TO .52% FROM .53% IN THE FIRST QUARTER, AND OUR PROVISION EXCEEDED CHARGE-OFFS BY $66 MILLION.

AT THE SAME TIME, OUR EMPLOYEES HAVE CONTINUED TO MAKE

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CUSTOMERS THEIR TOP PRIORITY, AND THE IMPACT IS CLEAR IN THE NINTH CONSECUTIVE QUARTERLY IMPROVEMENT IN OUR SERVICE QUALITY MEASURES.

WE ARE PASSIONATE ABOUT SERVICE.

WE KNOW THAT IT IS CRUCIAL TO MEET OUR GROWTH TARGETS, AND WE ARE POUNDING THAT MESSAGE HOME IN EVERY PART OF OUR COMPANY.

IN SHORT, WE HAVE DELIVERED WHAT WE SAID WE WOULD IN SPITE OF DIFFICULT FINANCIAL MARKETS.

THIS SPEAKS DIRECTLY TO THE FUNDAMENTAL STRENGTH OF OUR BUSINESS AND OUR COMMITMENT TO BUILDING SHAREHOLDER VALUE.

WE BELIEVE WE HAVE AN ENVIABLE FRANCHISE, WHICH IS INCREDIBLY DISCIPLINED AND TIGHTLY FOCUSED ON ACHIEVING OUR GROWTH PLANS.

YOU'RE WITNESSING OUR BUSINESS MODEL START TO FIRE ON ALL EIGHT CYLINDERS.

THESE RESULTS SHOULD GIVE YOU SOME INDICATION OF THE EARNING POWER OF OUR BUSINESSES.

WE ACHIEVED THIS PERFORMANCE WHILE CONTINUING TO MAKE EXCELLENT PROGRESS IN OUR PLANNING EFFORTS FOR A SEAMLESS INTEGRATION WITH WACHOVIA.

WACHOVIA'S SOLID EARNINGS ANNOUNCED YESTERDAY COUPLED WITH OUR RESULTS GIVES US ENORMOUS OPTIMISM ABOUT OUR FUTURE TOGETHER.

OUR OPERATING PERFORMANCE IS PROOF POSITIVE OF EXACTLY

WHAT WE HAVE BEEN TELLING WACHOVIA SHAREHOLDERS.

FIRST UNION HAS TURNED THE CORNER AND THEN SOME.

WE BELIEVE THE FIRST UNION/WACHOVIA MERGER WILL CREATE A SUPERIOR FRANCHISE WITH THE PRODUCTS, CAPITAL, AND DEDICATED EMPLOYEES ESSENTIAL TO MEETING THE NEEDS OF OUR CUSTOMERS AND BUILDING VALUE FOR OUR SHAREHOLDERS.

WE'RE GOING TO CONTINUE BUILDING ON THESE RESULTS AS WE CREATE THE NEW WACHOVIA, AND WE BELIEVE THE FUTURE LOOKS VERY BRIGHT FOR OUR COMBINED COMPANY.

I'VE BEEN ON THE ROAD MEETING WITH WACHOVIA SHAREHOLDERS VIRTUALLY NON-STOP, AND WE'VE RECEIVED VERY POSITIVE FEEDBACK IN ALL OF OUR MEETINGS.

THE CONTRAST TO SUNTRUST'S HOSTILE PROPOSAL COULD NOT BE MORE CLEAR, AND WE WILL CONTINUE TO MAKE OUR CASE AGGRESSIVELY IN THE COMING WEEKS.

NOW, LET ME TURN THIS MEETING OVER TO BOB KELLY FOR A MUCH CLOSER LOOK AT THE NUMBERS.

>> Bob: THANK YOU, KEN, AND GOOD MORNING, EVERYONE.

THE SHORT STORY HERE IS THAT WE BEAT EXPECTATIONS, GREW REVENUE IN ALL OF OUR BUSINESS, OVERPROVIDED BY 30 MILLION, DISPLAYED GREAT EXPENSE CONTROL, GREW LOW COST DEPOSITS, GREW CAPITAL, REDUCED NPAs AND FINISHED OUR RESTRUCTURING.

WHAT I WOULD ASK YOU TO DO IS GO TO YOUR PACKAGE ENTITLED SECOND QUARTER 2001 EARNINGS REVIEW DATED, OF

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COURSE, TODAY.

PAGE 1 IS EXACTLY THE HIGHLIGHTS THAT KEN HAS WALKED THROUGH.

ON EXPECTATIONS VERSUS WHAT WE ACTUALLY CAME IN AT.

TOTAL REVENUE UP 3% IS A STRONG STORY.

11% ANNUALIZED, AND PARTICULARLY STRONG BECAUSE IT'S IN ALL THREE BUSINESSES.

OUR OPERATING EARNINGS ARE UP 24% ON AN ANNUALIZED BASIS, AND ALTHOUGH ALL THREE CORE BUSINESSES HAD A VERY STRONG QUARTER, THE GENERAL BANK DOES STICK OUT BECAUSE OF THE CLEAR FACT THAT IT HAS TURNED THE CORNER, AND WE WILL TALK ABOUT THAT MORE IN A LITTLE BIT.

FTEs ACTUALLY DECLINED BY 1,900, AND THAT WAS REALLY FROM ALL OVER THE COMPANY, AND CAPITAL MANAGEMENT, 350; CAPITAL MARKETS, 120; GENERAL BANK, 459; FIRST UNION DIRECT, ALMOST 500; AND IN STAFF AREAS, IT'S AROUND 400, AND IT'S REALLY BEEN A STRONG STORY THERE, AS WELL.

OVERPROVIDED 30 MILLION IN EXCESS AND NET CHARGE-OFFS AND PROVISIONS FOR LOANS SOLD OR TRANSFERRED TO ASSETS HELD FOR SALE.

WE CONTINUE TO PRO-ACTIVELY MANAGE OUR LOAN PORTFOLIO

THROUGH LOAN SALES, WHICH IS SOMETHING YOU SAW YESTERDAY AS A THEME WITH WACHOVIA, AS WELL.

TOTAL NPAs DECLINED 104 MILLION OR 6%.

KEN MENTIONED THE TIER ONE RATIO, AND THE FACT THAT WE

COMPLETED SOME STRATEGIC REPOSITIONING.

IF YOU FLIP TO PAGE 2, OR WALK THROUGH THE OPERATING EARNINGS RESULTS, NET INTEREST INCOME, THE FIRST LINE WAS JUST A LITTLE BIT HIGHER ON LINKED QUARTER BASIS.

WE'RE HELPED BY LOWER RATES, AND WE WERE HURT WITH THE EXPECTED FACT THAT WE WERE SELLING OFF THE MONEY STORE ASSETS.

FEE AND OTHER INCOME, WE'RE UP 5%, VERY STRONG RESULTS TO 1.629 BILLION.

PROVISION FOR LOAN LOSSES WAS $223 MILLION VERSUS 219 MILLION IN THE FIRST QUARTER.

IF YOU GO TO THE BOTTOM OF THE PAGE, YOU CAN SEE THE MAKEUP OF THAT.

NET CHARGE-OFFS WERE $157 MILLION.

SALES AND TRANSFERS TO ASSETS HELD FOR SALE WERE 36 MILLION, AND THE ADDITIONAL PROVISION LEAD PUT IN THE BOOK WAS TOTALLING 223.

IN CASE YOU'RE INTERESTED, THE FIRST QUARTER COMPARISON TO THAT WAS CHARGE-OFFS OF 159.

IMPACT OF SALES AND TRANSFERS, 30, AND THE ADDITIONAL PROVISION IN THE FIRST QUARTER, AS WELL, WAS 30, AND THAT TOTALED 209, AS I MENTIONED.

NON-INTEREST EXPENSE AT 2169 IS UP JUST A TAD FROM THE 2138 IN THE FIRST QUARTER.

THAT'S ENTIRELY DUE TO INCENTIVES, DUE TO HIGHER

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REVENUE, AND OBVIOUSLY, WE WOULD ADJUST OUR INCENTIVE
ACCRUALS AS OUR REVENUE EXPECTATIONS MODERATE OR GO UP
OVER THE COURSE OF THE YEAR.
DILUTED EARNINGS PER SHARE, 66 CENTS, UP 6%.
DILUTED EARNINGS PER SHARE ON A CASH BASE IS, 73.
I THOUGHT WE SHOULD PROBABLY HIGHLIGHT THE RETURN ON
AVERAGE SHAREHOLDERS EQUITY ON CASH BASIS, IN OTHER
WORDS, THAT'S 23.35%.
THAT'S GOING TO BE RELEVANT BECAUSE THAT'S THE SORT OF
RATIO THAT WE'RE GOING TO BE LOOKING AT IN THE THIRD
QUARTER AND BEYOND AFTER OUR MERGER WITH WACHOVIA.
PAGE 3 FOCUSES ON OTHER FINANCIAL MEASURES.
I'LL JUST HIGHLIGHT A FEW.
YOU CAN SEE THE EFFICIENCY RATIO WAS 62.06%.
A BIT OF AN IMPROVEMENT FROM THE FIRST QUARTER.
AVERAGED DILUTED SHARES, 978,185,000.
THAT'S AN INCREASE OF 2.3 MILLION DUE TO VESTED STOCK
AWARDS.
ACTUAL SHARES WERE 979 MILLION,
A DECREASE OF ABOUT 2.1 MILLION AS A RESULT OF SHARE
REPURCHASES DURING THE QUARTER.
TIER ONE RATIO, 7.4%, AND YOU CAN SEE HOW QUICKLY WE
BUILT OUR CAPITAL RATIOS FROM THE SECOND QUARTER OF LAST
YEAR AFTER WE WENT THROUGH OUR RESTRUCTURING, AND THERE
IS A -- YOU CAN SEE A GOOD TREND IN THE FTEs, AS WELL AS

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67,000 VERSUS OUR HIGH IN THE SECOND QUARTER OF LAST

YEAR OF ABOUT 73,000.

SO OUR BUSINESS HAS CONTINUED TO BECOME LEANER AND MORE

EFFICIENT.

PAGE 4 IS NET INTEREST INCOME.

THE ONLY THING I'D REALLY MENTION THERE IS THE MARGIN,

WHICH IS BASICALLY FLAT VERSUS THE FIRST QUARTER AT

3.41, AND I ALREADY MENTIONED THE REASONS WHY.

PAGE 5 IS FEE AND OTHER INCOME, AND I ACTUALLY CIRCLED EVERY

LINE HERE BECAUSE THEY'RE ALL INTERESTING STORIES.

SERVICE CHARGES AND FEES, 486 MILLION.

THAT'S A BIG INCREASE FROM THE FIRST QUARTER, AND YOU

SHOULD CONSIDER THAT TO BE A SUSTAINABLE INCREASE.

SO THAT'S UP 4% FROM THE FIRST QUARTER, AND THAT IS A

NEW FOUNDATION WE WILL BE WORKING FROM.

COMMISSIONS, EXCELLENT IN TOUGH MARKETS, 389 VERSUS 375

ON A LINKED BASIS.

FIDUCIARY AND ASSET MANAGEMENT FEES, AGAIN, SOLID, UP A

LITTLE BIT FROM THE FIRST QUARTER.

A REALLY GREAT STORY HERE IS THE ADVISORY UNDERWRITING

AND OTHER INVESTMENT BANKING FEES AT 238 MILLION VERSUS

198 IN THE FIRST QUARTER, A 20% INCREASE.

GREAT STORY.

PRINCIPAL INVESTING DOWN FOR A LOSS OF $58 MILLION.

AS YOU KNOW, WE HAVE A PUBLIC PORTFOLIO AND PRIVATE

EQUITY PORTFOLIO.

THERE IS A LITTLE BIT OF SUBJECTIVITY TO THE VALUATION

OF THE PRIVATE PORTFOLIO, AND WE WOULD SAY THAT WE

MARKED THAT ON A CONSERVATIVE END OF THE SPECTRUM TO GET

TO THE MINUS 58, AND IN TERMS OF OTHER INCOME, THERE IS A NUMBER OF THINGS IN THERE.

WE'RE AT 190 MILLION FOR THE QUARTER VERSUS 167.

IT'S NOT VERY DIFFERENT FROM THE FOURTH QUARTER AND THIRD QUARTER, BUT MORTGAGES WITH MORTGAGING BEING 40 MILLION IN THE SECOND QUARTER VERSUS 18 MILLION IN THE FIRST QUARTER, COMMERCIAL LEASING INCOME 48 MILLION VERSUS 45 MILLION IN THE FIRST QUARTER.

IT WAS A MILLION IN SECURITY LOSSES THIS QUARTER VERSUS 16 MILLION LAST QUARTER.

LOCOM LOSS OF 14 MILLION THIS QUARTER VERSUS 30 MILLION LAST QUARTER.

WE HAD A PEL SECURITIZATION OF 21 MILLION, AND THERE WAS NONE IN THE FIRST QUARTER.

ALTHOUGH, WE NORMALLY DO HAVE 15 OR 20 MILLION PER QUARTER, IN THAT AND WE HAD A SMALL DERIVATIVE GAIN OF ABOUT 7 MILLION.

THE OTHER BIG ITEM I SHOULD MENTION IS THAT WE HAD STAR GAINS IN THE FIRST QUARTER, SO THAT HELPED THE FIRST QUARTER NUMBER.

MOVING ON, NON-INTEREST EXPENSES:

THERE'S NOT A BIG STORY HERE, BUT IT'S A GOOD STORY.

YOU CAN SEE THE INCREASE IS REALLY JUST DUE TO SALARIES AND EMPLOYEES BENEFITS.

OUR REDUCTION IN FTEs OBVIOUSLY WOULD HAVE HELPED OUR SALARIES AND EMPLOYEE BENEFITS, BUT WE WOULD, OF COURSE, RECORD INCENTIVES AS A RESULT OF OUR REVENUES BEING UP AND THAT CAME IN AT 13.63, TOTAL EXPENSES WERE ONLY UP

1%, AND THE EMPLOYEE FTE STORY IS SELF-EVIDENT.

WE'VE ALREADY TALKED ABOUT IT.

THIS IS OUR TRADITIONAL GAIN, AND THE SECOND QUARTER HAS SHOWN IT.

CONSOLIDATED RESULTS FOR EACH OF THE CORE BUSINESSES, INCLUDING THE PARENT.

THIS IS ON PAGE 7, I WOULD HIGHLIGHT A FEW THINGS ON THIS.

YOU CAN SEE THE GENERAL BANK CAME IN AT $343 MILLION, AND A FANTASTIC QUARTER FOR THE GENERAL BANK, AND IT WAS ABOUT 53% OF TOTAL INCOME THIS QUARTER.

SO THEY REALLY HAD AN AWESOME QUARTER.

ECONOMIC PROFIT WAS $251 MILLION FOR THE GENERAL BANK, WHICH WAS ABOUT 62% OF OVERALL ECONOMIC PROFIT FOR THE COMPANY DURING THE QUARTER.

RAROC FOR THE GENERAL BANK WAS OUTSTANDING AT 39%.

YOU CAN SEE CAPITAL MANAGEMENT WAS 45, AND THE CORPORATE AND INVESTMENT BANK JUST ABOUT COVERED ITS COST TO

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CAPITAL AT 11.74%, AND WE'RE GOING TO TALK MORE ABOUT THE OVERHEAD EFFICIENCY RATIO IN A MOMENT WHEN WE GET TO THE GENERAL BANK.

ON PAGE 8 IS A GREAT OVERVIEW OF JUST HOW FAR THE GENERAL BANK HAS COME OVER THE PAST YEAR.

LET'S START WITH TOTAL REVENUE.

1545 VERSUS THE FIRST QUARTER OF 1453. THAT'S A 6% INCREASE.

IF YOU'RE INTERESTED, LOOK AT THE FAR, RIGHT-HAND COLUMN, Q2 VERSUS Q2 LAST YEAR, REVENUE IS ACTUALLY UP 9%.

LET'S GO DOWN TO NON-INTEREST EXPENSE, 935 MILLION.

THAT'S ACTUALLY A SMALL INCREASE OVER THE FIRST QUARTER, BUT MORE IMPORTANTLY, YEAR OVER YEAR, IT'S ACTUALLY DOWN 3%.

OPERATING EARNINGS AT 343.

THAT'S A 16% INCREASE OVER THE FIRST QUARTER, AND A 28% INCREASE OVER THE PRIOR YEAR.

THE OTHER THING WE WOULD MENTION WOULD BE THE ECONOMIC PROFIT.

YOU CAN SEE AT 251, IT WAS A 14% INCREASE VERSUS THE FIRST QUARTER, AND THE OVERHEAD EFFICIENCY RATIO IS REALLY AMAZING WHAT BEN AND HIS TEAM HAS DONE THERE, WHERE IT CAME IN AT 59.29%.

THE FIRST TIME WE HAD SOMETHING SUB-60, AND LET'S COMPARE THAT TO THE SECOND QUARTER LAST YEAR WHEN IT WAS

CLOSE TO 67%.

AVERAGE LOANS, A GOOD STORY THERE AS WELL AS CORE DEPOSITS.

BUT WE'LL TALK MORE ABOUT THAT IN A BIT.

OVERALL CUSTOMER SATISFACTION SCORE THAT, AS YOU KNOW, GALLUP TALKS TO 60,000 OF OUR CUSTOMERS EVERY QUARTER.

IN THE SECOND QUARTER OUR CUSTOMER SATISFACTION SCORE CAME IN AT 6.32%, WHICH IS THE 9th CONSECUTIVE QUARTERLY INCREASE IN OUR SATISFACTION MEASURES, AND GALLUP CONSIDERS 6.4 TO BE BEST IN CLASS IN THE NATION.

ON-LINE CUSTOMERS, WE'RE AT 2.9 MILLION,

AN INCREASE OF 263,000.

CAPITAL MANAGEMENT OPERATING PERFORMANCE IS ON PAGE 10.

THE NEXT PAGE.

TOTAL REVENUE CAME IN AT $838 MILLION, SOLID REVENUE PERFORMANCE DURING CONTINUED MARKET VOLATILITY.

AS YOU CAN SEE, IT WAS UP A BIT OVER THE FIRST QUARTER.

OPERATING EARNINGS WERE IN LINE WITH THE FIRST QUARTER AT $113 MILLION.

ECONOMIC PROFIT CONTINUES TO BE GOOD AS WELL AS THE RAROC.

PAGE 11, CAPITAL MANAGEMENT:

KEY OPERATING MEASURES, THE BIG STORY HERE, I THINK, IS THE MUTUAL FUNDS.

FOR THE FIRST TIME, WE BROKE THE $90 BILLION MARK.

SOMETHING THAT WE'RE PRETTY EXCITED ABOUT.

EQUITY INCREASED 5% AND MONEY MARKET UP 4% AND FIXED INCOME WAS ABOUT FLAT QUARTER OVER QUARTER ON LINKED-QUARTER BASIS, SO IT'S GREAT TO BREAK THE 90 MARK FOR THE FIRST TIME.

I SHOULD ALSO MENTION THAT TOTAL ASSETS UNDER MANAGEMENT INCREASED 2% TO $172 BILLION AS BOTH TRUST AND MUTUAL FUNDS GAINED NEW ASSETS.

PAGE 12 IS AN OVERVIEW OF OUR CORPORATE AND INVESTMENT BANKING SEGMENT IN BUSINESS.

TOTAL REVENUE CAME IN AT $773 MILLION, WHICH IS UP 7% ON A LINKED-QUARTER BASIS.

I SHOULD ALSO MENTION THAT IF YOU BACK OUT PRINCIPAL INVESTING JUST FOR YOUR INTEREST, -- AND I'M NOT SAYING YOU SHOULD, BUT IT'S INTERESTING TO NOTE IF YOU BACKED OUT PRINCIPAL INVESTING OVER THE SECOND QUARTER THIS YEAR AND THE SECOND QUARTER LAST YEAR WHEN WE HAD EXCEPTIONALLY LARGE PRINCIPAL INVESTING GAINS, OUR TOTAL

REVENUE IS ACTUALLY UP 20% YEAR OVER YEAR.

GOING UP TO NET INTEREST INCOME, IT WAS ACTUALLY UP 7% ON A LINKED-QUARTER BASIS AS FIXED INCOME SPREADS WIDENED IN A LOWER RATE ENVIRONMENT.

FEE AND OTHER INCOME INCREASED BY 7% BASED ON STRONG RESULTS IN AGENCY BUSINESS PRIMARILY LOAN SYNDICATIONS AND M&A OFFSET BY LOWER TRADING PROFITS AFTER AN UNBELIEVABLE

QUARTER, AND THE NON-INTEREST EXPENSE CAME IN AT $490 MILLION, AN INCREASE FROM THE FIRST QUARTER, BUT THAT WAS ENTIRELY DUE TO HIGHER INCENTIVE PAYMENTS AS A RESULT OF INCREASED REVENUE, ESPECIALLY IN THE AGENCY BUSINESSES.

FINALLY I'D NOTE IN TERMS OF THE LAST BOX OF PERFORMA AND AND OTHER DATA, YOU CAN SEE THE ECONOMIC CAPITAL WAS DOWN A LITTLE BIT VERSUS THE FIRST QUARTER AT 6.112 BILLION.

AND THE REASON FOR THAT IS ACTUALLY THE SECOND LAST LINE, AND KEN TALKED A BIT ABOUT HOW WE ARE WORKING HARD ON DEALING WITH LOW RAROC RELATIONSHIPS.

OUR LOANS WERE DOWN TO 41.1 BILLION VERSUS 42.5 BILLION.

PAGE 13 IS LOAN AND DEPOSIT GROWTH.

I WOULD MENTION PERSONALLY THAT WE HAD SOLID CONSUMER LOAN GROWTH OF 2% ON A LINKED QUARTER BASIS.

SMALL BUSINESS WAS UP 5% ON A LINKED QUARTER BASIS, AS WELL, AND THAT WOULD INCLUDE DIVESTITURES AND SECURITIZATIONS.

CORE DEPOSITS WERE UP 1% DESPITE DIVESTITURES OF $434 MILLION.

AND LOW COST DEPOSITS WERE UP 2.6 BILLION EXCLUDING

DIVESTITURES.

THE OTHER INTERESTING STORY HERE IS THE FOREIGN AND OTHER TIME DEPOSITS.

AS YOU CAN SEE, THE REDUCED PURCHASE DEPOSITS ARE AS A

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RESULT OF LOWER COST ALTERNATIVES, AND THE FACT THAT WE ARE GETTING GOOD CORE DEPOSIT GROWTH.

PAGE 14 IS A DETAILED ANALYSIS OF OUR RESTRUCTURING UPDATE, AND AS KEN NOTED, I'M PLEASED TO CONFIRM TO YOU THAT THE RESTRUCTURING IS NOW COMPLETE.

WE FINISHED ON TIME AND ON BUDGET.

OUR SECOND QUARTER RESULTS REFLECT THE RESTRUCTURING EXPENSES ASSOCIATED WITH CONVERTING AND WINDING DOWN THE CARDS AND SERVICING MORTGAGES PLATFORM.

[PHONE RINGING]

EXCUSE ME.

WE'LL TURN THAT OFF.

IT INCLUDES THE RIGHT SIZING OF THE BACK OFFICE AND SUPPORT FUNCTIONS FOR THE NEW STREAMLINED COMPANY, AND IT HAS THE FINE TUNING FOR THE EXPENSE STRUCTURE IN A NUMBER OF OUR BUSINESS LINES.

AND WE NOTED ON SLIDE THREE, HEAD COUNT BEING REDUCED BY 1,900 PEOPLE IN THE SECOND QUARTER WAS PRIMARILY AS A RESULT OF A NUMBER OF ACTIVITIES THROUGHOUT THE COMPANY, BUT NOTABLY IN THE CONVERSION OF OUR CARD AND MORTGAGE SERVICING PLATFORMS.

AS YOU CAN SEE, THE BOTTOM LINE OF RESTRUCTURING ACTIVITIES FOR THE QUARTER WAS 16 MILLION, WHICH IS ABOUT 1.5 CENTS.

AS YOU ALL KNOW, THE RULES AROUND RESTRUCTURING CHARGES

ARE EXTREMELY SPECIFIC AND REQUIRE A FAIR AMOUNT OF

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DISCLOSURE.

AS SUCH, I SHOULD WALK THROUGH THEM A LITTLE BIT WITH

YOU.

OUR SECOND QUARTER ACTIVITIES REFLECT THE REVERSAL OF

PREVIOUSLY ACCRUED CHARGES AND NEW CHARGES FOR ACTIONS

TAKEN DURING THE SECOND QUARTER.

THE REVERSAL OF 73 MILLION IN ACCRUED PREVIOUS EXPENSES REFLECT

LOWER THAN ANTICIPATED COSTS REFLECTED TO SPECIFIC PIECES OF REAL

ESTATE AND COSTS FOR SPECIFICALLY IDENTIFIED EMPLOYEES

AND SPECIFIC VENDOR CONTRACTS WE IDENTIFIED IN JUNE OF

LAST YEAR.

THE 7 MILLION IN CHARGES REFLECTED IN THE SECOND QUARTER

REFLECT SEVERANCE FOR PEOPLE WHO CANNOT BE SPECIFICALLY IDENTIFIED

WHEN WE ANNOUNCED OUR PLAN LAST JUNE.

IN THIS EXAMPLE, THE NET PERSONNEL EXPENSE OF 4 MILLION

FOR THE SECOND QUARTER, ALTHOUGH, WE DO HAVE 4 MILLION

IN NET PERSONNEL EXPENSES DURING SECOND QUARTER, IT SHOWS UP AS A

DEBIT AND A

CREDIT IN THE WAY WE HAVE TO ACCOUNT FOR IT.

THIS SAME PATTERN IS TRUE FOR REAL ESTATE COSTS AND

RENEGOTIATED OR CANCELLED CONTRACTS ALSO AS WE PAID

PROFESSIONAL FEES TO BANKERS, CONSULTANTS AND (INAUDIBLE) FIRMS OF

$12 MILLION.

THESE FEES REFLECT COSTS OF SERVICES RELATED TO THE ENTIRE

RESTRUCTURING AND NOT JUST FOR SECOND QUARTER

ACTIVITIES.

PAGE 15 IS AN OVERVIEW OF ASSET QUALITY.

TOTAL NON-PERFORMING ASSETS CAME IN AT 1.577 BILLION.

IT DECREASES 6% VERSUS THE FIRST QUARTER, WHICH WAS 1681.

AS A PERCENTAGE OF LOANS, THAT'S 1.23%.

THE ALLOWANCE IS 1.760 BILLION.

THAT'S UP $1 MILLION FROM THE FIRST QUARTER.

I WOULD ALSO POINT OUT THE CHARGE-OFFS AT 52 BASIS POINTS VERSUS 53 DURING THE FIRST QUARTER.

LAST THING I WOULD MENTION BEFORE WE GO ON WOULD BE THAT OUR DELINQUENCIES PAST DUE WERE 213 MILLION VERSUS 220 AT MARCH 31 AND CONSUMER DELINQUENCIES WERE 187 MILLION, SO NOT A BIG NUMBER.

16 IS A RECONCILIATION OF NON-PERFORMING ASSETS.

YOU CAN SEE THAT THE BALANCE AT THE END OF THE PERIOD ON THE BOTTOM WAS 1.327 BILLION, A DECREASE FROM THE FIRST QUARTER.

YOU CAN SEE THAT WE HAD TRANSFERS OF ASSETS HELD FOR SALE.

THOSE ARE CONSUMER NPLS OF $123 MILLION, AND WE EXPECT THE SALE TO CLOSE ON THOSE ASSETS IN THE THIRD QUARTER.

BUT ALSO NOTE UP ABOVE THE OTHER SIGNIFICANT NUMBER WOULD BE THE NON-ACCRUAL LOAN FOR ADVANCES FOR ACTIVITY OVER 5 MILLION OR FOR LOANS FOR OVER 5 MILLION WAS AN INCREASE VERSUS THE FIRST QUARTER.

THERE WOULD BE 17 CREDITS OVER 5 MILLION IN THAT 314 MILLION DOLLARS, AND THE AVERAGE SIZE WAS ABOUT $17

MILLION OF THOSE CREDITS.

PAGE 17 IS LOANS HELD FOR SALE, AND LET'S GO DIRECTLY TO THE 2000 STRATEGIC REPOSITIONING.

WE CAME IN AT $317 MILLION ONLY VERSUS $689 MILLION IN THE FIRST QUARTER.

THERE'S A SALE OF $153 MILLION OF LOANS EXPECTED TO CLOSE EARLY IN THE THIRD QUARTER, WHICH WILL BRING DOWN THE 317 MILLION TO ABOUT HALF OF WHAT IT IS TODAY, AND YOU CAN ALSO SEE IF YOU GO ABOVE, YOU CAN SEE WE ACTUALLY SOLD ABOUT $190 MILLION WORTH OF LOANS, SO WE NOW CONSIDER THE STRATEGICAL REPOSITIONING TO BE COMPLETE BECAUSE THE BALANCE IS SO SMALL, AND WE'LL WRAP IT INTO OTHER ACTIVITIES GOING FORWARD.

IN TERMS OF SUMMARY AND OUTLOOK ON PAGE 18, FIRSTLY, THE SECOND QUARTER CLEARLY HAD MOMENTUM.

I THINK IT'S EVIDENT IN ALL OF OUR BUSINESSES, STRONG REVENUE GROWTH AND EXPENSE CONTROL EVIDENT, REVENUE IN ALL CORE BUSINESSES IS UP, AND PARTICULARLY IN A TOUGH AND TURBULENT MARKET.

GENERAL BANK HAS DEFINITELY TURNED THE CORNER.

WE REDUCED OUR NPAs BY 6% WITH PRO-ACTIVE PORTFOLIO MANAGEMENT.

WE ADDED $30 MILLION TO THE ALLOWANCE IN EXCESS CHARGE OFFS IN PROVISIONS FOR LOANS AND WE GREW OUR TIER ONE CAPITAL RATIO 22 BASIS POINTS.

IN TERMS OF OUTLOOK FOR THE REST OF THE YEAR, OUR GOAL IS TO KEEP NPAs AND COVERAGE RATIOS CONSISTENT WITH SECOND QUARTER LEVELS, AND WE'LL BE DOING THAT WITH CONTINUED PRO-ACTIVE MANAGEMENT OF OUR CREDIT PORTFOLIOS.

WE'LL BE DOING THINGS LIKE LOAN SALES AND FUTURE QUARTERS, I WOULD EXPECT.

WE ALSO SHOULD REVISE OUR GUIDANCE FOR THE FULL YEAR.

CHARGEOFFS, AS YOU KNOW, WE'VE BEEN AT 60-80 BASIS POINTS FOR SOME QUARTERS, AND WE'RE GOING TO HAVE TO REVISE THAT DOWNWARD, AND WE WOULD PROVIDE GUIDANCE NOW TO 55 TO 65 BASIS POINT RANGE.

WE WILL CONTINUE TO BUILD OUR CAPITAL RATIOS, AND WE DO PLAN TO SETTLE ABOUT $500 MILLION IN EQUITY FORWARD IN THE FOURTH QUARTER AS PREVIOUSLY DISCLOSED SOME QUARTERS AGO.

WE VIEW THE CORE OPERATING EARNINGS OF 66 CENTS TO BE EXACTLY THAT, NEW CORE EARNINGS FOR THE COMPANY AND PROVIDES A NEW FOUNDATION FOR OUR CONTINUED GROWTH OF FIRST UNION.

MY CAVEAT TO THAT WOULD BE, -- AND I'M SURE YOU WOULD ASK THE QUESTION, WOULD BE THAT WOULD HAVE TO, OF COURSE, ASSUME THAT WE DON'T HAVE A RECESSION LATER IN THE YEAR, AND ALSO ASSUMES WE DON'T HAVE MORE TURBULENCE IN OUR EQUITY MARKETS.

WE STILL SEE -- WE'RE THINKING BACK TO OUR GUIDANCE TO YOU IN THE FOURTH QUARTER LAST YEAR, AS WELL AS THE

FIRST QUARTER.

WE STILL THINK OF OUR EARNINGS GROWTH TO BE GOOD THIS YEAR.

WE HAD INDICATED TO YOU OVER THE LAST SEVERAL QUARTERS OUR MEDIUM TERM TARGET IS 10% PLUS GROWTH IN NET INCOME.

WE CONTINUE TO EXPECT THAT OUR GROWTH THIS YEAR WOULD BE

A LITTLE LOWER THAN 10%.

THAT STILL WOULD BE GOOD GROWTH THIS YEAR, AND WHEN WE THINK OF THE 10% AS BEING A LITTLE BIT LOWER, WE WOULD CONSIDER THAT TO BE OFF OUR BASE PREVIOUSLY DISCLOSED OF CORE EARNINGS IN YEAR 2000 OF $2.43 PER SHARE.

THE WACHOVIA MERGER INTEGRATION PLANNING IS PROCEEDING ON SCHEDULE, AND I HOPE WE HAVE QUESTIONS ON THAT, AND PENDING APPROVAL SO THE WACHOVIA MERGER IS EXPECTED TO BE CLOSE TO COMPLETION IN THIRD QUARTER.

LIKELY SEPTEMBER 1st, AND THOSE ARE ALL THE COMMENTS WE HAD.

I WOULD SAY THE TEAM IS VERY PLEASED WITH THE RESULTS OF THE QUARTER.

>> Ken: OKAY. THIS IS KEN AGAIN.

I WANT TO THANK BOB FOR GOING THROUGH THOSE NUMBERS, AND AT THIS POINT, WE'RE READY TO GET INTO THE QUESTIONS AND ANSWERS, OPERATOR.

>> Operator: THANK YOU.

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AT THIS TIME, WE WILL BEGIN THE QUESTION AND ANSWER SESSION.

IF YOU HAVE A QUESTION, PRESS STAR ONE ON YOUR TOUCH TONE PHONE.

TO ASK THE QUESTION, LIFT YOUR HAND SET.

PRESS STAR TWO TO CANCEL YOUR QUESTION.

ONCE AGAIN, THAT'S STAR ONE TO ASK A QUESTION, AND STAR TWO TO CANCEL.

ONE MOMENT WHILE THE QUESTIONS REGISTER.

OUR FIRST QUESTION COMES FROM RON MANDLE.

>>Caller: RON MANDLE FROM BERNSTEIN.

>> Ken: GOOD MORNING, RON.

>>Caller: I HAVE A COUPLE OF QUESTIONS PRIMARILY RELATED

TO CREDIT QUALITY, AND YOU KNOW, I GUESS ONE THING WAS

THE -- AS YOU POINTED OUT, THE RATE OF INFLOW INTO

NON-PERFORMERS WAS A LITTLE HIGHER IN THE QUARTER THAN

IT HAD BEEN IN THE FIRST QUARTER AT 314 MILLION, SO I'M

WONDERING WHAT WAS IN THERE?

HOW DO YOU SEE THAT TRACKING?

YOU KNOW, HOW WILL YOU BE ABLE TO KEEP NPAs FLAT TO DOWN

WITH POSSIBLY THAT KIND OF INFLOW?

>> Ken: THANK YOU, RON.

I'M GOING TO ASK ROB NIMMO TO SPEAK TO THAT.

>> Rob: RON, IT'S ROB.

ON THE INFLOW, AS BOB MENTIONED, THE 314 MILLION INFLOW IS FOR 5

MILLION PLUS NAMES AND YOU'RE RIGHT.

THAT DOES REPRESENT A RATE OF INCREASE

WHICH HAS BEEN MORE THAN WHAT WE'VE HAD IN THE PREVIOUS

QUARTERS.

THERE WERE FOUR NAMES IN THAT GROUP OF 17 LOANS THAT

CAME IN, WHICH REPRESENTED ABOUT 50% OF THE INFLOW, SO

LIKE MOST COMMERCIAL PORTFOLIOS, THERE IS SOME LUMPINESS

IN OUR PORTFOLIO.

THE AVERAGE SIZE OF THOSE FOUR LOANS WAS $36 MILLION, SO

THAT WAS REALLY THE REASON FOR THE BUMP UP.

IN THE BELOW $5 MILLION CATEGORY, PERFORMANCE ON INFLOW,

AS YOU CAN SEE WITH THAT NETTED NUMBER OF $100 MILLION,

THAT WAS ACTUALLY A LOT BETTER.

WE HAD MORE PAYMENTS THAN INFLOWS, AND WE ALSO HAD SOME

CHARGE-OFFS WHICH REDUCED BALANCES IN THAT.

THERE'S A COMBINATION EFFECT THERE WHERE THE LARGER LOANS DID, IN FACT, SHOW MORE INCREASES THAN THE SMALL LOANS HAD BETTER PERFORMANCE WITH, AND THAT ALLOWED US TO SHOW ON NET A DECREASE IN NONPERFORMERS.

>>Caller: ALSO RELATED TO THE CREDIT PICTURE, THE MID-POINT OF YOUR NEW RANGE IS 60 BASIS POINTS, AND THE CHARGE-OFFS IN THE FIRST HALF WERE, YOU KNOW, 53 OR SO, SO TO GET TO THE MID-POINT, YOU WOULD HAVE TO BE UPPER 60s IN THE SECOND HALF OF THE YEAR, WHICH WOULD BE, YOU KNOW, BE ABOUT A 25%, ALMOST A 25% INCREASE, YOU KNOW,

OR MAYBE FROM ALMOST 160 MILLION UP TO 200 MILLION.

IS THAT THE WAY WE SHOULD BE THINKING ABOUT THE OUTLOOK FOR CHARGE-OFFS IN THE SECOND HALF?

>> Rob: RON, OUR OUTLOOK AT THE MOMENT IS WE'RE CLEARLY IN A DIFFICULT ECONOMY AS BOB AND KEN INDICATED.

WE DON'T THINK THERE WILL BE A RECESSION, BUT, CLEARLY, THERE ARE SECTORS IN THE ECONOMY IS VERY WEAK, AND CONSUMER CONFIDENCE AT THE MOMENT IS QUITE FRAGILE.

SO WE DID 53 CENTS OF NET CHARGE-OFFS IN THE FIRST QUARTER.

52 IN THIS MOST RECENT QUARTER.

WE DON'T THINK THERE WILL BE BIG INCREASES, WHICH IS THE REASON WE OBVIOUSLY CHANGED A RANGE OF GUIDANCE FROM 55 TO 65, BUT WE DON'T EXPECT THAT IT BE ANY MAJOR SURPRISES IN THE SECOND QUARTER SO, YOU KNOW, WE'RE BEING CONSERVATIVE WITH THAT RANGE.

>>Caller: OKAY.

ONE LAST QUESTION ON EPF GUIDANCE, YOU KNOW, WITH THE CONSENSUS OF 2.57, YOU KNOW, IF YOU JUST REPEATED WHAT YOU DID IN THE SECOND QUARTER, YOU KNOW, YOU'D BE AT 2.60 FOR THE YEAR, AND IT SEEMS LIKE YOU COULD DO BETTER THAN THAT GIVEN THE FORWARD MOMENTUM THAT YOU HAVE.

WOULD YOU LIKE TO COMMENT ON THE OUTLOOK OF EARNINGS PER SHARE FOR THE YEAR.

>> Bob: WE DO FEEL THAT 56 CENTS IS A FOUNDATION FOR

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US, AND WE FEEL COMFORTABLE WITH THAT, AND ALL OF OUR BUSINESSES ARE DOING WELL IN TOUGH MARKETS.

AGAIN, WE DO REAFFIRM OUR EPS GROWTH MEDIUM TERM TARGET OF 10 TO 12%.

66 WOULD BE, I WOULD SAY, OUR FLOOR ASSUMING THE MARKETS HOLD IN THE WAY THEY HAD IN THE SECOND QUARTER, AND, HOPEFULLY, WE CAN DO A LITTLE BETTER THAN THAT, BUT STILL LESS THAN 10% GROWTH OFF THE 2.43.

>>Caller: THANKS.

>> Ken: RON, THIS IS KEN.

I JUST WOULD SAY THAT WE DO FEEL VERY CONFIDENT, BUT I'M THINKING -- I THINK IT'S PREMATURE WHEN YOU LOOK AT THE MARKETS RIGHT NOW TO GET TOO JAZZED UP ABOUT THE POTENTIAL FOR LARGE GROWTH BECAUSE BOTH OUR CAPITAL MANAGEMENT GROUP AND OUR CAPITAL MARKETS GROUP WILL BE SUBJECT TO WHATEVER HAPPENS IN THE EQUITY MARKETS, AND IF YOU CAN TELL ME WHATEVER WILL HAPPEN THERE, I CAN BE A LOT MORE CONFIDENT TELLING YOU WHAT WILL HAPPEN GOING FORWARD.

>>Caller: I'LL PASS ON THAT OFFER, AND THANKS VERY MUCH.

>> Bob: IT'S A GOOD POINT, RON, AND ONE OF THE THINGS I'M LOOKING FORWARD TO SEEING OVER THE NEXT COUPLE OF WEEKS IS HOW THE OTHER ASSET MANAGERS REPORT AND THE RETAIL BROKERAGES REPORT BECAUSE I THINK CAPITAL MANAGEMENT HAD A GREAT QUARTER IN TOUGH MARKETS, AND I'M

LOOKING FORWARD TO PUTTING THOSE NUMBERS TOGETHER.

>>Caller: OKAY, THANKS.

>> Operator: THE NEXT QUESTION COMES FROM JOHN COFFEY FROM CITIGROUP.

>>Caller: YOU MENTIONED A COUPLE OF TIMES THAT YOU OVERPROVIDED BY $30 MILLION, YET THE RESERVE REMAINS STABLE.

CAN YOU EXPLAIN THE REASONING BEHIND THAT?

>> ROB: THE WAY WE EXPLAIN THAT, JOHN, IS ESSENTIALLY WHEN WE TRANSFER LOANS INTO ASSETS HELD FOR SALE, OR WHEN WE ACTUALLY SELL LOANS OUT OF THE LOAN PORTFOLIO, THERE IS BOTH A MARK THAT TAKES PLACE, WHICH RUNS THROUGH THE LOAN LOSS PROVISION EXPENSE, AND THEN WHEN YOU MOVE A LOAN EITHER FINALLY BY SALE OR INTO ASSETS HELD FOR SALE, YOU ALSO HAVE TO NET OFF THE RESERVE THAT YOU CARRY AGAINST THAT LOAN, SO THAT YOUR ACTUAL ALLOWANCE REDUCES, AS WELL.

WHAT REALLY HAPPENED IN THIS QUARTER IS THAT ON A NET BASIS, THE PROVISION INCREASED $1 MILLION FOR $1759 TO $1760.

IN THE PROCESS OF SELLING LOANS AND MOVING LOANS TO ASSET HELD FOR SALE THAT COST US, IF YOU WILL IN THE PROVISION AND WITH MARKS $65 MILLION, AND WE REPLACED

THAT WITH $66 MILLION.

SO THE DIFFERENCE BETWEEN OUR NET CHARGE-OFFS OF 157,

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AND WHAT WE ACTUALLY BOOKED AS THE TOTAL LOAN LOSS PROVISION EXPENSE IS $66 MILLION, SO IT'S THE 66 THAT WE'RE PUTTING BACK INTO THE PROVISION AND RUNNING THROUGH THE PROVISION.

>>Caller: OKAY. LET ME MAKE SURE I UNDERSTAND THAT.

SO THERE IS A RESERVE THAT'S ATTACHED TO THE HELD FOR SALE NOW?

THAT MIGHT BE THE $30 MILLION DIFFERENCE?

>> Rob: THERE ARE NO RESERVES FORASSETS IN THE HELD FOR SALE ASSET CATEGORY BECAUSE THESE ARE ALL MARKED TO MARKET.

WE MARK THEM OBVIOUSLY ON A MONTHLY BASIS DEPENDING ON FLUCTUATIONS IN VALUE.

>>Caller: OKAY. THANK YOU.

>> Operator: OUR NEXT QUESTION COMES FROM MARNI O'DOHERTY OF KBW.

>>Caller: GOOD MORNING.

A COUPLE OF QUICK QUESTIONS.

MY FIRST ONE, THE COMMENT IS THE RELEASE SHARE CONTRACTS INCREASED BY 5.9 MILLION. WHAT DOES THAT MEAN?

>> Tom: THIS IS TOM WURTZ.

IT MEANS THAT DURING THE QUARTER, WE ENTERED INTO FORWARD REPURCHASE CONTRACTS, AND UNDER THOSE CONTRACTS, WE PURCHASED THROUGH A COUNTERPARTY 5.9 MILLION SHARES.

>>Caller: OKAY.

IT SAID IT DIDN'T IMPACT THE SHARE COUNT.

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IT'S WHERE YOUR AGENT IS REPURCHASING THOSE SHARES, AND

YOU WILL SETTLE UP AT A LATER DATE?

>> Tom: THAT'S CORRECT.

>>Caller: IS THE AGENT SUBJECT TO BE OUT OF THE MARKET

DURING THE SOLICITATION PROCESS AS YOU ARE, AS WELL?

>> Tom: ABSOLUTELY.

>>Caller: MORE CLARIFICATION OF THE AGENCY FEES.

WHAT COMPONENT OF THAT INCREASE WAS DUE TO LOAN SYNDICATION VERSUS

M&A,

WHICH MIGHT BE MORE CHUNKY IN NATURE?

IT WAS SUCH A HUGE INCREASE VERSUS WHAT I WAS EXPECTING?

>> Barnes: THIS IS BARNES HAUPTFUHRER, AND I WILL TAKE THAT.

WE WERE ACROSS THE BOARD IN ALL OF OUR INVESTMENT

BANKING PRODUCTS.

LOAN SYNDICATIONS FOR US WERE UP OVER 20% THIS QUARTER.

M&A WOULD HAVE BEEN UP CLOSER TO 10% IN THE QUARTER.

YOU'RE RIGHT.

M&A TENDS TO BE A LITTLE BIT MORE CHUNKY THAN LOAN

SYNDICATIONS, BUT WE WERE VERY PLEASED WITH THE RESULTS.

>>Caller: I'M SORRY.

THE LOAN SYNDICATIONS WERE UP HOW MUCH?

>> Barnes: OVER 20%, Q2 VERSUS PRIOR YEAR.

ON A QUARTER-TO-QUARTER, LINKED QUARTER BASIS, LOAN

SYNDICATION IS UP OVER 100%, AND THAT JUST REFLECTED

SOME STRONG DEAL ACTIVITY THAT WE HAD IN THE SECOND

QUARTER COMING OFF OF A LIGHT FIRST QUARTER.

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>>Caller: OKAY.

MY THIRD QUESTION IS, IS THERE ANY UPDATE THAT YOU CAN

SHARE ON THE SHARED NATIONAL CREDIT EXAM?

ANY UPGRADES OR DOWNGRADES THAT YOU HAVE SEEN SO FAR?

>> Rob: THIS IS ROB NIMMO AGAIN.

AND THE ANSWER TO THE QUESTION IS THAT, AS YOU KNOW, THE EXAMINERS HAVE NOW FINISHED OR, AS YOU MAY KNOW, THE EXAMINERS HAVE FINISHED WITH EACH BANK WHO SERVES AS AN AGENT IN THE PROCESS.

THEY HAVE FINISHED WITH US, AND THIS YEAR, AS WE HAD LAST YEAR, THE RESULTS OF THE EXAM WERE ONES THAT WE WERE PLEASED WITH, THAT WERE VERY MINIMAL MOVEMENTS.

A COUPLE OF DOWNGRADES, A COUPLE OF UPGRADES.

I CHARACTERIZE IT AS A SATISFACTORY EXAM.

>> Operator: OUR NEXT QUESTION COMES FROM GEORGE BICHER OF DEUTSCHE BANK.

>>Caller: GOOD MORNING.

REGARDING THE GENERAL BANK, I WAS WONDERING IF I COULD GET A LITTLE MORE COLOR ON THE TOP-LINE PERFORMANCE IN THE GENERAL BANK.

HOW MUCH OF THAT IS COMING FROM THE -- SOME OF THE SUCCESS YOU'VE HAD IN CUSTOMER SERVICE?

HOW MUCH IS COMING FROM AN ECONOMY THAT IS STILL GROWING?

COULD YOU TALK A LITTLE BIT ABOUT CURRENT ECONOMIC

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ACTIVITY, AND WHAT THAT MEANS FOR THE GENERAL BANK AND INTO THE NEXT COUPLE OF QUARTERS?

>> Ben: THIS IS BEN JENKINS.

I WILL RAMBLE, AND IF I MISS SOMETHING AND YOU WANT SPECIFICS SPECIFICS, COME BACK TO ME.

I THINK BOB COVERED IT.

IT'S IN YOUR NOTE.

REVENUE FOR THE GENERAL BANK WAS UP 6% ON A LINKED QUARTER BASIS.

LIKE OTHER BANKS THAT HAVE REPORTED THUS FAR, MORTGAGE ORIGINATIONS WERE STRONG IN OUR FRANCHISE.

THEY WERE UP 35 TO 40%.

THAT WOULD BE ABOUT A THIRD OF THE 6% REVENUE GROWTH.

SO A THIRD OF IT CAME FROM THAT.

WE'VE HAD GOOD LOAN GROWTH YEAR TO YEAR AND LINKED QUARTER ESPECIALLY STRONG IN THE RETAIL SIDE.

WE'RE UP 3% ON A LINKED QUARTER BASIS.

CORE DEPOSITS WERE UP 1%, BUT IF YOU LOOK AT LOW COST CORE, IT WAS UP 4%.

SO SPREAD INCOME WAS UP IN OUR PART OF THE COMPANY NICELY IN THE SECOND QUARTER THAT WOULD REPRESENT PROBABLY ANOTHER 25% OF THE REVENUE GAIN.

SERVICE CHARGES WERE UP NICELY.

WE HAVE NOT INCREASED SERVICE CHARGES DRAMATICALLY GOING INTO THIS YEAR.

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WE HAD SOME MINOR INCREASES ON THE WHOLESALE SIDE, BUT NONE ON THE RETAIL SIDE.

WE HAVE, THOUGH, IMPLEMENTED A PROGRAM AROUND REVENUE ENHANCEMENT TO DO A BETTER JOB ON COLLECTION OF FEES ON WAIVERS OF FEES, AND WE THINK THAT'S WORTH PROBABLY A $50 MILLION NUMBER OVER A YEAR'S PERIOD OF TIME, AND WE REALLY JUST BEGAN IMPLEMENTING THAT IN THE SECOND QUARTER, AND WE CONTINUE TO FEEL GOOD ABOUT THE BALANCE SHEET BOTH ON THE LOAN SIDE AND THE DEPOSIT SIDE.

RETAIL CREDIT QUALITY IS VERY GOOD.

LOAN QUALITY WAS SOMEWHAT BETTER IN THE SECOND QUARTER

BETTER THAN THE FIRST MEASURED BY FICO SCORES.

PRICING EXCEPTIONS WERE LESS, AND WE THINK THAT BUSINESS

WILL CONTINUE STRONG.

IF YOU LOOK AT THE LOAN SIDE, SMALL BUSINESS WAS STRONG.

THAT WILL CONTINUE.

RETAIL LOANS WERE STRONG.

WE'RE SEEING SOME SOFTNESS IN THE MID-SIZED COMMERCIAL

MARKET, AND WE'RE SEEING SOME MARKETS WEAKER ON A

YEAR-TO-YEAR BASIS ON THE COMMERCIAL REAL ESTATE SIDE,

BUT GENERALLY, WE FEEL VERY, VERY GOOD ABOUT OUR CORE

BUSINESSES.

THE STRATEGIES THAT WE ARE IMPLEMENTING THERE ARE

STRATEGIES THAT WE'VE BEEN WORKING ON NOT JUST FOR ONE

QUARTER, BUT FOR TWO YEARS.

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WE ARE DOING THAT VERY CONSISTENTLY, BUT WE THINK THE

REAL PAYOFF IS THE CONSISTENCY OF APPLYING THE SAME

STRATEGIES QUARTER AFTER QUARTER.

>>Caller: ARE YOU SEEING THE SLOWDOWN OF THE ECONOMIC

ACTIVITY IN YOUR REGION, PARTICULARLY THE SOUTHEAST?

>> Ben: WE'RE SEEING SOME SLOWDOWN IN REAL ESTATE

MARKETS.

I WOULD POINT TO NORTHERN VIRGINIA.

I WOULD POINT TO EVEN CHARLOTTE, THE RALEIGH-DURHAM

TRIANGLE.

I WOULD POINT TO ATLANTA.

THEY'RE MARKETS THAT HAVE SLOWED DOWN REAL ESTATE WISE.

FRANKLY, THE NORTHEAST IS STILL GOOD, AND FOR THE MOST PART, FLORIDA IS STILL GOOD.

>>Caller: THANK YOU.

>> Ken: GEORGE, THIS IS KEN THOMPSON.

I WANT TO EMPHASIZE THAT WE'VE BEEN SAYING FOR SOME TIME NOW THAT WE FEEL THAT OUR GENERAL BANK HAS GAINED TRACTION AND IS REALLY MAKING PROGRESS, WE STARTED TWO YEARS AGO RUNNING GENERAL BANKING AS A LINE OF BUSINESS.

PRIOR TO THAT, IT WAS RUN GEOGRAPHICALLY.

AND I THINK WHAT YOU'RE SEEING HERE IS THE EMPHASIS THAT WE HAVE HAD ON USING CUSTOMER DATA TO HELP OUR MARKETING EFFORT, AND THE EMPHASIS THAT WE'VE HAD ON QUALITY SERVICE.

SO WHAT WE'RE SEEING IS BETTER CUSTOMER RETENTION, NINE QUARTERS IN A ROW OF BETTER CUSTOMER SERVICE, AND VERY TARGETED MARKETING, WHICH IS RESULTING IN GROWTH AND DEPOSITS, AND GROWTH IN INVESTMENT SALES THROUGH OUR GENERAL BANK, SO WE FEEL CERTAIN THAT WE'RE GAINING MARKET SHARE, AND THAT YOU'RE SEEING THE RESULTS IN THESE NUMBERS.

>> Operator: OUR NEXT QUESTIONS COMES FROM MIKE MAYO OF PRUDENTIAL.

>>Caller: GOOD MORNING.

FIRST QUESTION IS, FTEs WERE DOWN, BUT EXPENSES WERE UP.

YOU SAID THERE WERE SOME SET OF PAYMENTS.

CAN YOU TALK ABOUT WHAT GOING ON THERE?

WE WOULD HAVE EXPECTED EXPENSES, ESPECIALLY SALARIES AND BENEFITS TO BE DOWN WITH THAT SORT OF FTE REDUCTION?

>> Ken: WELL, I CAN TELL YOU THAT WITHIN THE CAPITAL

MARKETS AREA, CORPORATE AND INVESTMENT BANKING AREA, WE DID HAVE ONE PAYMENT, WHICH WAS RELATED TO AN ACQUISITION, SO THAT WOULD HAVE INCREASED SOME, AND BEYOND THAT, OUR AGENCY BUSINESSES WERE UP, AND YOU CAN SEE THE CAPITAL MANAGEMENT HAD STRONG COMMISSION INCOME, AND THAT RESULTS IN VARIABLE EXPENSE GOING UP.

>> Bob: I DON'T THINK, MIKE -- IT'S BOB AGAIN.

I DON'T THINK YOU SHOULD EXPECT TO SEE THAT SORT OF GROWTH IN THE THIRD QUARTER.

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>>Caller: YOU SAID A PAYMENT RELATED TO AN ACQUISITION.

HOW MUCH THAT WAS?

>> Bob: WASN'T VERY BIG.

>> Ken: 25 TO 30 MILLION.

>>Caller: SHOULD WE CONSIDER THAT A ONE-TIME EXPENSE THEN, OR NON-RECURRING?

>> Bob: YOU WON'T SEE IT AGAIN.

>>Caller: ALL RIGHT.

SO 25 MILLION PAYMENT RELATED ACQUISITION WAS ONE TIME.

>> Bob: RIGHT.

>>Caller: OKAY.

THEN SEPARATELY, I'M TRYING TO GET THE CORE GROWTH RATE FOR LOANS.

THE MARGIN AND NET INTEREST INCOME.

BEFORE THE IMPACT OF ANY LOAN SALES, LOANS TRANSFERRED, SECURITIZATIONS OR ANYTHING ELSE, SO IF YOU DIDN'T HAVE ANY OF THAT STUFF, BY THE WAY, WHAT DID YOU HAVE THIS QUARTER IN TERMS OF LOAN SALES AND DIVESTITURES?

IF YOU DIDN'T HAVE ANY OF THAT, WHAT WAS THE LINKED

QUARTER LOAN GROWTH AND CHANGE OF THE MARGIN AND NET INTEREST INCOME?

>> RIGHT.

LET ME START WITH IF YOU EXCLUDE DIVESTITURES AND SECURITIZATIONS, CONSUMER LOAN GROWTH WAS 2%.

SMALL BUSINESS WAS 5%.

THE CORPORATE LOAN GROWTH WAS ACTUALLY SLIGHTLY NEGATIVE MAINLY BECAUSE OF MANAGEMENT ACTION TO REDUCE LOW RAROC LOANS.

THAT'S THE FIRST THING.

MARGINS -- I DON'T KNOW IF YOU WANTED TO SPEAK TO THAT, TOM?

>> Tom: MIKE, WE'LL HAVE TO GET BACK TO YOU ON THAT EXACTLY.

BUT THE PRIMARY FACTOR AFFECTING THE MARGIN WOULD HAVE BEEN THE SECURITIZATION AND SALE OF THE MONEY STORE PRODUCT, THE SECURITIZATION OF THAT PRODUCT OCCURRED RIGHT AT THE END OF THE FIRST QUARTER, AND IT WAS SOMEWHERE AROUND $3.8 BILLION OF ASSETS WHICH WOULD HAVE HAD YIELDS SOMEWHERE IN THE NEIGHBORHOOD OF 11%, SO YOU CAN SEE THAT COMPARED TO OUR EXISTING MARGIN OF 3.5%, 11% ASSETS WOULD HAVE 7% MARGINS WOULD HAVE A SIGNIFICANT IMPACT WHEN YOU PULL THOSE OUT, AND THAT WAS OFFSET BY IMPROVEMENT IN THE REST OF THE COMPANY.

THE OTHER LOAN SALES OR SECURITIZATION OF THE PRIME EQUITY LINES WOULDN'T HAVE MEANINGFULLY AFFECTED THE MARGIN.

>> MIKE, THE OTHER THING I WOULD MENTION ON EXPENSES IS THAT ABOUT PROBABLY 10 OR 11 MILLION OF THE INCREASE IN SALARIES RELATED TO MORTGAGE PRODUCTION AND COMMISSIONS.

>>Caller: SO THAT SEEMS LIKE YOUR CORE MARGIN WENT UP QUITE A BIT THIS QUARTER.

ANY ADDITIONAL COLOR YOU CAN PROVIDE THERE?

>> AS BEN MENTIONED, WE HAD REAL STRONG GROWTH IN LOW COST CORE DEPOSITS.

YOU SAW THE RUNOFF OF HIGHER COST CDs THAT WERE A RESULT OF PROMOTIONS DONE ONE AND TWO YEARS AGO.

YOU SAW REAL STRONG GROWTH IN CONSUMER LENDING AND SMALL BUSINESS BANKING, AND WE HAVE SEEN A GREATER SENSE OF DISCIPLINE ON THE CORPORATE SIDE, AS WELL, AND TO SOME EXTENT, SPREADS HAVE WIDENED IN SOME CORPORATE SECTORS.

OVERALL, THINGS ARE HEADING IN THE RIGHT DIRECTION.

>>Caller: FINALLY, I WANT TO BE CLEAR IN HOW MUCH YOU HAD IN LOAN SALES.

PAGE 9 HAD THE SUPPLEMENTS YOU TALKED ABOUT.

$223 MILLION IN LOANS.

WOULD THAT BE ALL OF IT, OR IS THERE MORE?

>> WHAT PAGE IS THAT AGAIN?

>>Caller: PAGE 9 OF THE SUPPLEMENT.

>> RIGHT.

>> Rob: I CAN GIVE YOU THE NUMBERS, MIKE, ON LOAN SALES, IF YOU WOULD LIKE.

THIS IS ROB NIMMO.

WE ACTUALLY SOLD $189 MILLION WORTH OF LOANS IN THE QUARTER OF WHICH 67 WERE NOT ACCRUING AND 122 WERE ACCRUING.

AND THAT'S JUST LOAN SALES.

THERE WERE FUNDS MOVED INTO OR LOANS MOVED INTO HELD FOR SALE, AND THAT WAS ANOTHER $115 MILLION, BUT THEY WERE NOT SOLD.

THEY WERE JUST MOVED IN.

>>Caller: I WANT TO SQUARE THAT UP WITH WHAT'S ON PAGE 9.

IT SAYS ON THE BOTTOM OF PAGE 9, DURING THE QUARTER, THE COMPANY SOLD 54 MILLION OF COMMERCIAL AND 13 MILLION OF CONSUMER NON-PERFORMING LOANS.

>> Rob: RIGHT, THAT'S THE 67.

>>Caller: GOTCHA. I UNDERSTAND.

THE REST OF THAT IS HELD FOR SALE.

>> YEAH.

>>Caller: THANK YOU.

THAT WAS IT FOR ALL LOAN SALES, THERE WERE NO OTHER LOANS SOLD IN THE PERFORMING CATEGORY IN QUARTER?

>> THE ONLY OTHER THING THAT WOULD TECHNICALLY QUALIFY FOR LOAN SALES WOULD BE THE SECURITIZATION OF $800 MILLION OF THE PRIME EQUITY LINE

SALES, AND THE SUBSEQUENT SALES OF THOSE SECURITIES.

DEPENDING ON HOW YOU WANT TO THINK ABOUT THAT.

>>Caller: THANK YOU.

>> Operator: OUR NEXT QUESTION COMES FROM KATE BLECHER FROM SANDER O'NEILL.

>>Caller: YES, I WANT TO KNOW IF YOU CAN GIVE AN OUTLOOK ON CREDIT QUALITY BECAUSE YOU MENTION THAT SOME OF THE

SMALLER COMMERCIAL WAS LOOKING BETTER.

IF YOU COULD JUST KIND OF TOUCH ON HOW YOU SEE THE LARGE CORPORATE AND THE CONSUMER MARKETS.

>> Rob: THIS IS ROB NIMMO AGAIN.

ON THE LARGE CORPORATES, OUR BASIC THINKING ABOUT THIS IS WE EXPECT OUR LARGE CORPORATE PORTFOLIOS TO PERFORM VERY MUCH IN LINE WITH THE LARGE CORPORATE PORTFOLIOS OF OTHER SIGNIFICANT LENDERS, AND WE THINK THAT THERE WILL BE SOME PRESSURE IN THAT RESPECT.

THE EXPERIENCE THAT WE'VE HAD IN THIS LAST QUARTER, AND IN FACT, ALSO IN THE FIRST QUARTER HAD NO REAL THEMES TO IT.

YOU KNOW, THERE HAVE BEEN NON-PERFORMING ASSETS AND CHARGE-OFFS, WHICH COME PRETTY MUCH FROM ALL PARTS OF THE PORTFOLIOS, SO THERE'S NO PARTICULAR THEME, I THINK, IN THAT RESPECT.

BUT OUR OUTLOOK IS FOR PRESSURE BECAUSE THE ECONOMY IS FAIRLY WEAK.

IN THE SMALLER LOAN CATEGORY, THE LESS THAN $5 MILLION, THE -- WE'RE JUST SEEING FEWER PROBLEMS ARISING, AND SO OUR PAYMENTS ACTUALLY HAD EXCEEDED INFLOWS OF PROBLEMS.

AGAIN, I THINK IF WEAKNESS PERSISTS IN THE ECONOMY, THESE PORTFOLIOS ARE GOING TO WEAKENS ALSO JUST A LITTLE BIT.

ON THE CONSUMER SIDES, I THINK BEN MENTIONED THIS, OUR

DELINQUENCY EXPERIENCED PRETTY MUCH ACROSS THE BOARD IS FLAT TO IMPROVING.

SO WE AREN'T SEEING PRESSURE THERE AT THE MOMENT, AND WE WOULDN'T EXPECT TO SEE A GREAT DEAL THEN THROUGH THE END OF THE YEAR.

>>Caller: THANK YOU.

IF I COULD FOLLOW UP WITH A SEPARATE QUESTION.

THE VENTURE CAPITAL PORTFOLIO, YOU'VE HAD SOME OF YOUR PEERS THAT HAD SOME PRETTY LARGE WRITEDOWNS, AND BOB, YOU MENTIONED THIS QUARTER YOU TOOK IT TO WHAT YOU CONSIDER KIND OF CONSERVATIVE ACCOUNTING METHODS.

COULD YOU JUST SORT OF WALK THROUGH HOW YOU ACCOUNT FOR THE PRIVATE AND THE PUBLIC, AND IF, INDEED, YOU KNOW, WE CAN FEEL COMFORTABLE AT THESE LEVELS?

>> Barnes: I WILL GO AHEAD AND TAKE THAT, KATE.

THIS IS BARNES.

AS YOU KNOW, OUR VENTURE CAPITAL PORTFOLIO IS ON A MARK-TO-MARKET BASIS.

YOU CAN THINK OF OUR PORTFOLIO AS HAVING SEVERAL SECTORS.

THERE'S THE PUBLIC SECURITIES SECTOR OF OUR PORTFOLIO.

THAT'S STRAIGHT-FORWARD MARK-TO-MARKET BASED ON THE QUOTES THAT ARE OUT OF THE MARKETPLACE.

THERE IS OUR PRIVATE EQUITY PORTFOLIO, WHICH IS GENERALLY HELD AT COST UNLESS THERE'S OTHER THAN A

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TEMPORARY IMPAIRMENT, OR THERE'S A NEW ROUND OF FINANCING RAISED FOR PORTFOLIO COMPANY, EITHER UP OR DOWN, AND THAT WOULD TAKE THE VALUATION EITHER UP OR DOWN.

WE HAVE OUR FUNDS PORTFOLIO, WHICH IS GENERALLY HELD AT COST, UNLESS THERE IS AN IMPAIRMENT NOTED FROM THE PARTNERSHIPS THAT WE ARE A FUND INVESTOR IN.

BOB'S COMMENTS AT THE FRONT END OF THE CALL ABOUT THE

CONSERVATIVISM THAT WE APPLY TO THE PORTFOLIO IS ESSENTIALLY, AS WE LOOK FORWARD TO A THIRD AND FOURTH QUARTER, WE LOOKED AT OUR PORTFOLIO, WE SAID WHAT COMPANIES DO WE THINK ARE REASONABLY IN THE QUEUE TO RAISE NEW FINANCING, THAT COULD CAUSE A DOWN MARK?

WE KIND OF LOOKED AT THOSE COMPANIES, AND MADE THE JUDGMENT THAT THERE WAS AN IMPAIRMENT IN THIS QUARTER, AND TOOK THOSE CHARGES IN THIS QUARTER, WHICH REDUCED THE NUMBERS.

>>Caller: OKAY, THANK YOU.

>> Operator: ONCE AGAIN, THAT IS STAR ONE TO ASK A QUESTION, AND STAR TWO TO CANCEL.

ONE MOMENT WHILE THE QUESTIONS REGISTER.

>> Ken: OPERATOR, ARE THERE ANY FURTHER QUESTIONS?

>> Operator: ONE MOMENT, SIR.

OUR NEXT QUESTION COMES FROM CATHERINE MURRAY OF J.P. MORGAN.

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>>Caller: GOOD MORNING.

A COUPLE OF QUESTIONS HERE.

FIRST, JUST TO CLARIFY, EVEN THOUGH YOU FINISHED THE STRATEGIC REPOSITIONING EFFORTS, YOU DO INTEND TO CONTINUE TO PARE YOUR CORPORATE LOAN PORTFOLIO, RIGHT?

>> Ken: CORRECT.

>>Caller: OKAY.

DO YOU HAVE ANY ESTIMATE AT THIS TIME OF HOW MUCH IS LEFT OF WHAT YOU IDENTIFIED SO FAR THAT YOU INTEND TO DOWNSIZE?

>> Bob: IT'S BOB AGAIN, KATHERINE.

WE'RE LOOKING AT ALL OF OUR RAROC LOANS WHERE THE RAROC

RELATIONSHIP RAROC IS QUITE LOW, i.e., LESS THAN 10%.
WE'RE LOOKING AT THOSE AND SAYING, OKAY, WHAT'S THE POTENTIAL FOR FUTURE BUSINESS?
WE'RE SPEAKING TO THE COMPANIES INVOLVED, AND SAYING, YOU KNOW, REALISTICALLY, IF WE CAN'T IMPROVE THE RAROC, THEN, YOU KNOW, WE NEED TO TAKE SOME ACTION, SO THERE ARE LOTS OF OPPORTUNITIES STILL, SO I WOULD JUST CLASSIFY IT IN THE HUNDREDS OF MILLIONS OF DOLLARS AT THIS POINT, AND ONCE WE DEAL WITH THAT PORTFOLIO, WE'LL PROBABLY GO UP TO THE NEXT LEVEL TO SLIGHTLY HIGHER LEVEL OF RAROC.
>>Caller: OKAY. I'M WITH YOU.
THAT'S WHAT I THOUGHT.

UNRELATED, COULD YOU GIVE US AN UPDATE ON, I GUESS, THE BUSINESS ASPECT OF THE PREPARATION FOR THE ACQUISITION OF WACHOVIA? JUST ANY ELABORATION WOULD BE HELPFUL.
>> Ken: WHY DON'T WE HAVE DAVID CARROLL, WHO IS CO-HEADING THE INTEGRATION EFFORTS WITH BOB McCOY OF WACHOVIA OF OUR INTEGRATION PLANNING, AND I UNDERLINE INTEGRATION PLANNING.
>> David: THANKS, KEN.
KATHERINE, WHAT WE HAVE BEEN DOING SINCE APRIL 16th, WE HAVE PAIRED OFF EVERY BUSINESS UNIT AND STAFF AREA BETWEEN FIRST UNION AND WACHOVIA IN AN EFFORT TO ACCOMPLISH THREE THINGS.
ONE IS TO DECIDE WITH THE NEW GO-TO-MARKET BUSINESS MODEL OR THE OVERALL OVERARCHING STRUCTURE WOULD BE TO IDENTIFY THE TRANSITION ISSUES, AND WE FINISHED WITH THAT WORK

ABOUT TWO WEEKS AGO, AND SO EVERY LINE OF BUSINESS, EVERY STAFF AREA, EVERY FUNCTIONAL PART OF THE COMPANY NOW DECIDED ON A HIGH-LEVEL STRATEGY WORK STRUCTURE.

THAT'S BEEN APPROVED BY BUD AND KEN, AND WE ARE BEGINNING TOMORROW WITH THE SELECTION OF THE NEXT TIER OF LEADERSHIP.

TIER ONE HAS BEEN DECIDED.

TIER TWO WILL BE THEIR DIRECT REPORTS THAT WILL BE 120 PEOPLE.

THEY WILL BE GOING THROUGH A PROCESS OVER THE NEXT

COUPLE OF WEEKS TO DECIDE THAT.

THAT WILL BE COMPLETED PROBABLY THE FIRST WEEK OF AUGUST, AND THEN TIER THREE LEADERS, WHICH GETS US DOWN TO ANOTHER 1,000 LEADERS IN THE COMPANY WILL GO THROUGH A SIMILAR PROCESS AND BE COMPLETED BY THE END OF AUGUST.

WE'RE ALSO WORKING ON FURTHER VERIFYING VALIDATING THE COST SAVINGS THAT WE IDENTIFIED IN DUE DILIGENCE, AND WE'RE MAKING GOOD PROGRESS ON THAT.

WE FEEL VERY GOOD.

WE FOUND NOTHING THAT WOULD CAUSE US TO HAVE ANY LESS OPTIMISM.

ON THE TECHNOLOGY SIDE, WE ARE SETTING UP DIFFERENT TECHNOLOGY PLATFORMS.

WE HAVE THE GENERAL LEDGING MAPPING GOING ON, WHICH IS A TEDIOUS PROCESS TO PUT THIRD QUARTER NUMBERS TOGETHER.

WE'RE MOVING AHEAD.

>> Bob: IT'S BOB AGAIN.

IN THE THIRD QUARTER, WHAT WE'LL DO IS WE'LL PUBLISH INTEGRATION GOALS AND METRICS, AND WE'LL SHOW YOU THOSE

EVERY QUARTER, AND WE'LL INCLUDE IT IN OUR DISCUSSION DOCUMENT.

>> Alice: OPERATOR, WE'LL TAKE ONE MORE QUESTION, PLEASE.

>> Operator: THE NEXT QUESTION COMES FROM STEVE CRESTO OF SECOND CURVE CAPITAL.

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>> Ken: GOOD MORNING, STEVE.

[SILENCE]

>> Operator: YOUR LINE IS OPEN.

YOU MAY ASK YOUR QUESTION.

>>Caller: MY QUESTION HAS BEEN ANSWERED.

THANK YOU.

>> Ken: OPERATOR, I THINK IT'S TIME FOR US TO CLOSE THE CALL.

I WOULD JUST LIKE TO WRAP UP BY SAYING THAT WE ARE VERY PLEASED WITH OUR SECOND QUARTER RESULTS.

WE THINK THAT IT IS THE QUARTER THAT IS REALLY SHOWING THAT THE RESTRUCTURING THAT WE IMPLEMENTED IN JUNE OF 2000 IS WORKING AND IS WORKING VERY WELL.

WE WERE 3 CENTS BETTER THAN ANALYSTS' EXPECTATIONS IN SPITE OF THE FACT THAT WE ADDED TO OUR ALLOWANCE.

REVENUE IS GROWING IN ALL OF OUR BUSINESS LINES.

WE CONTINUE TO IMPLEMENT STRICT EXPENSE CONTROL.

WE'VE GOT GROWING CAPITAL RATIOS, AND WE JUST GOT A STRONG SENSE THAT MOMENTUM IS BUILDING AT FIRST UNION.

I WANT TO THANK ALL OF YOU FOR JOINING US, AND WE WILL BE HAPPY TO TAKE QUESTIONS LATER IN THE DAY ON AN INDIVIDUAL BASIS.

THANK YOU VERY MUCH.

>> Operator: THANK YOU FOR ATTENDING TODAY'S CONFERENCE

CALL.

YOU CAN DISCONNECT AT THIS TIME.

[END OF CALL]

THE FOLLOWING ADVERTISEMENT BY FIRST UNION RAN IN CERTAIN NATIONAL AND REGIONAL PUBLICATIONS

[FIRST UNION LOGO APPEARS HERE]

The Momentum Is Building

A report from First Union's
Chief Executive Officer, Ken Thompson

One year ago, First Union launched an ambitious strategic restructuring. We are now pleased to report that the restructuring is complete--on schedule and on budget--and that our strong second quarter 2001 operating results underscore First Union's momentum.

First Union achieved operating earnings of $649 million, or 66 cents per share, in the second quarter of 2001--exceeding consensus estimates and, we believe, providing a firm foundation for us to create future growth.

Many factors contributed to this strong performance, including:

- Solid revenue growth over the previous quarter in each of our three core businesses: the General Bank, Capital Management and the Corporate and Investment Bank. The General Bank, serving consumers, small businesses and commercial enterprises, increased revenue by nine percent and operating earnings by 28 percent versus the second quarter of last year. Our mutual funds and total assets under management hit record levels.

- Outstanding expense control. Operating expenses were down eight percent from a year ago.

- Continuing improvement in our overall financial position, as capital ratios strengthened and our non-performing assets declined.

Driving all of these results is our relentless focus on customer service.We are passionate about it. Our overall customer satisfaction scores,as measured by the Gallup organization,rose for the ninth consecutive quarter.Our goal is simple: to become "best in class" in all aspects of our service. I would like to thank the employees of First Union for their extraordinary commitment to meeting our customers' needs.

Our proposed merger of equals with Wachovia is, in our view, exactly the right combination to leverage our strengths and continue building value for shareholders. The opportunity in front of us is to create a customer-focused financial services powerhouse.We believe the future looks very bright for our combined company.

/s/ Ken Thompson

Ken Thompson Chairman, President and CEO,
First Union Corporation

If you are a Wachovia/First Union shareholder, we urge you to vote for the Wachovia/First Union merger by returning the white proxy card.

First Union and Wachovia
The Right Combination

Stockholders are urged to read the definitive joint proxy statement/prospectus regarding the proposed transaction and any other relevant documents filed with the SEC because they contain important information. You may 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 these documents can also be obtained, without charge, by directing a request to First Union Corporation, Investor Relations, One First Union Center, 301 South College Street, Charlotte, NC 28288-0206, 704-374-6782, or to Wachovia Corporation, Investor Relations, 100 North Main Street, Winston-Salem, NC 27150, 888-492-6397. Additional copies of the joint proxy statement/prospectus may also be obtained by contacting First Union's proxy solicitor, Morrow & Co., Inc., toll free at 1-877-366-1578, or Wachovia's proxy solicitors, MacKenzie Partners, Inc., toll free at 1-800-322-2885, or Georgeson Shareholder, toll free at 1-800-223-2064. The information presented above may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Factors that could cause actual results to differ materially from those described in the forward-looking statements can be found in the joint proxy statement/prospectus and in First Union's and Wachovia's public reports filed with the SEC.