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The information contained in this report is based on the books and records of the bank, on statements made to the examiner by directors, officers, and employees, and on information obtained from other sources believed to be reliable and presumed by the examiner to be correct. It is emphasized that this Report of Examination is not an audit of the bank and should not be construed as such. This examination does not relieve the directors of their responsibility for performing or providing for adequate audits of the bank.

Each director, in keeping with his or her responsibilities both to depositors and to shareholders, should thoroughly review this report. Subsequent to this review, the directors should sign the form attached to this report. If the board is not in substantial agreement with the contents and conclusions of this report, a request should be made promptly for a conference between selected members of the board and officers of the bank and representatives of the deputy comptroller to review these matters.

Name of Bank:	Wachovia Bank National Association
City, State:	Charlotte, NC
Charter No:	1
Examination as of:	June 30, 2005

All correspondence should be addressed to Delora Ng Jee, Deputy Comptroller, Large Bank Supervision, Comptroller of the Currency, 250 E Street, S.W., Washington, DC 20219, with a copy to David K. Wilson, Examiner-In-Charge, Two Wachovia T18/NC0100, 301 S. Tryon St., Charlotte, NC 28288.

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This Report of Examination provides an assessment of the overall condition and the risks of Wachovia Bank, National Association based on the supervisory activities performed from July 1, 2004 to June 30, 2005 with financial information as of June 30, 2005.

The condition Wachovia's National banks remains sound as reflected in each entity's composite ("CAMELS") rating of "2" under the FFIEC Uniform Financial Institutions Rating System[1]. The overall risk profile for the lead bank, the subject of this report, remains "moderate," with risk management rated satisfactory or better in all risk categories. Our view of aggregate risk is "moderate" in each category, except for "High" Transaction Risk and "Low" Foreign Currency Translation (FX) Risk.

CAMELSETCC Ratings	
6/30/05	
Composite Uniform Financial Institution Rating [1]	2
Component Ratings:	
Capital	2
Asset Quality	2
Management	2
Earnings	2
Liquidity – Asset/Liability Management	1
Sensitivity to Market Risks	2
Uniform Information Technology Rating (E)	2
Uniform Trust Rating (T)	2
Uniform Consumer Compliance Rating (C)	2
Community Reinvestment Act Rating (C)	1

Risk	Quantity of Risk	Quality of Risk MGT	Aggregate Risk	Direction of Risk
Strategic			Moderate	Stable
Reputation			Moderate	Increasing
Credit	Low	Satisfactory	Moderate	Stable
Interest Rate	Moderate	Satisfactory	Moderate	Stable
Liquidity	Moderate	Strong	Moderate	Stable
Price	Moderate	Satisfactory	Moderate	Stable
FX	Low	Satisfactory	Low	Stable
Transaction	High	Satisfactory	High	Increasing
Compliance	Moderate	Satisfactory	Moderate	Stable
Internal Audit			Satisfactory	
Internal Control			Satisfactory	

Wachovia's continued success reflects well on the oversight of the Board of Directors and the capabilities of management. You have demonstrated the ability to successfully expand the company, building a diverse revenue stream with good quality assets and earnings. Overall, risk management is effective. In particular, we are pleased to note the improvements in the internal audit function and the processes to maintain compliance with the Bank Secrecy Act and Anti-money Laundering (BSA/AML). Although we acknowledge your progress, challenges still remain within the BSA/AML program and Information Technology (IT). Management is devoting considerable attention and resources towards improving the BSA/AML program, and active remediation plans are in place for the IT issues. However, until the enterprise-wide BSA/AML improvements result in consistent performance across all business lines and the IT issues are effectively remediated, these two areas will remain Matters Requiring Board Attention. These issues are discussed in more detail in the *Matters Requiring Board Attention* section of this report.

Credit risk is moderate and well managed. Credit quality indicators continue to improve and are in line with peers. Loan loss reserves and methodology remain adequate, and management is encouraged to maintain prudent underwriting standards. Market risk is managed satisfactorily with the individual components of interest rate risk, price risk, and liquidity risk all receiving proper levels of management attention.

[1] A rating of "2" indicates satisfactory management and board performance and risk management practices relative to the institution's size, complexity and risk profile. Minor weaknesses may exist, but are not material to the safety and soundness of the institution and are being addressed. In general, significant risks and problems are effectively identified, measured, monitored, and controlled.

We are pleased to highlight that an "Outstanding" CRA rating was assigned for Wachovia Bank, N.A. in 2005. This is a significant accomplishment and reflects highly on the commitment of the Board of Directors and management toward the bank's delineated communities.

We ask that a response to this Report of Examination confirm Board and management commitments and action plans for each of the Matters Requiring Board Attention. Please provide your response by December 30, 2005.

Sincerely,

David K. Wilson
Examiner-In-Charge
Large Bank Supervision

Delora Ng Jee
Deputy Comptroller
Large Bank Supervision

This section of the report highlights the OCC's most significant supervisory concerns. The Board should ensure that management works toward the earliest possible resolution of these issues. When responding to this Report of Examination, please confirm Board and management commitments and action plans for each of these issues.

Information Technology Systems

IT risk remains a primary regulatory concern. Despite progress, the longstanding risks in Corporate Information Security (CIS), Disaster Recovery (DR), and Distributed Software Configuration Management (DSCM) are not fully resolved.

Active remediation plans have been developed for CIS and DSCM. We continue to monitor these projects along with Internal Audit. Although corrective efforts continue, overall risk in CIS is expected to remain high throughout the remediation period. CEO Thompson has confirmed the bank's commitment to a year-end 2006 resolution date. The DSCM and the System and Executable Code Development Management (SECDM) groups have plans to address control gaps identified by internal audit. These plans are on schedule to conclude by August 31, 2006.

While overall DR remediation progress has been made, Internal Audit and the OCC recently identified certain issues related to executive sign-off of Recovery Time Objectives (RTO) changes, applications that have not been assigned a RTO, applications without adequate RTO tests, and the quality of technology recovery plans. We acknowledge that recent actions have addressed many of these issues. However, management should ensure appropriate oversight and coordination of DR remediation efforts.

Details around the future DR strategy, including the role of the new Oxmoor facility, are still unresolved. The Oxmoor portion of the strategy will need to balance recovery needs with management's ability to implement as-yet unproven and leading-edge technology solutions. We are closely working with management to understand their plans to reduce DR risks in both the short term and long term.

Anti-Money Laundering

It is evident that considerable management attention and resources are being directed to improving Wachovia's BSA/AML processes, controls, and systems. For example, the Global Government Banking division has now implemented satisfactory BSA/AML processes. Also, our BSA/AML review conducted in conjunction with the Charitable Services examination revealed no Matters Requiring Attention. The London branch also showed progress, however, its BSA/AML processes still need further attention. Also, our review of the International Trust Services Division noted several self-identified weaknesses that are in the process of being corrected.

We acknowledge significant BSA/AML infrastructure improvements; including the redesign and significant increase in staffing of the enterprise level AML Office. Additionally, phase one of the SearchSpace enterprise-wide suspicious activity monitoring system recently went live as scheduled. However, this area will remain an elevated concern until the enterprise-wide BSA/AML improvements result in demonstrated, consistent performance across all business lines.

Management and the board of directors are evaluated against all factors necessary to operate the institution in a safe and sound manner and their ability to identify, measure, monitor, and control the risks of the institution's activities. Consideration is given to level and quality of oversight and support provided by management and the board; compliance with regulations and statutes; ability to plan for and respond to risks that may arise from changing business conditions or initiation of new products or services; accuracy, timeliness, and effectiveness of management information and risk monitoring systems; adequacy of and compliance with internal policies and controls; adequacy of audit and internal control systems; responsiveness to recommendations from auditors and supervisory authorities; reasonableness of compensation policies and avoidance of self-dealing; demonstrated understanding and willingness to serve the legitimate banking needs of the community; management depth and succession; the extent that management is affected by or susceptible to dominant influence or concentration of authority; and the overall performance of the institution and its risk profile.

Management Rating "2"

Risk	Aggregate Level of Risk (Low, Moderate, High)	Direction of Risk (Increasing, Stable, Decreasing)
Strategic	Moderate	Stable
Reputation	Moderate	Increasing

Overall, management and the Board demonstrate the ability to successfully compete and grow in the marketplace. Corporate governance structure and practices continue to strengthen and further improvements have been made in risk management. Basel II implementation for both AMA and IRB is receiving appropriate attention. Recent changes in the Basel Project Office, including the hiring of a new manager, are considered positive. Management is also devoting appropriate attention to several high-priority operational risk-related projects, which include the continued integration of SouthTrust. The establishment of the Implementation Risk Committee to focus on execution risk of all major projects has been a positive step to ensuring that interdependencies, sequencing of initiatives and capacity issues are understood and well managed.

Management continues to take steps to address the two Matters Requiring Board Attention (IT and BSA/AML). While significant progress has been achieved, material issues remain in both areas. Management continues to address these top concerns though a formal risk remediation process, which includes detailed implementation progress reports to the Senior Risk Committee. See the *Matters Requiring Board Attention* section for more details.

Over the past year, significant progress has been made in Internal Audit and we have removed the issue as a Matter Requiring Board Attention. Audit stature has improved, and management's responsiveness to audit issues has also increased. While we continue to have certain concerns with the IT and BSA/AML audit areas, audit leadership is making progress in strengthening these functions. See the *Internal Audit* section of this report for further discussion.

Strategic risk is moderate and stable. The Company is poised to take advantage of strategic growth opportunities made possible through its positive name recognition and market position. Management is providing effective oversight and has shown the ability to take advantage of opportunities that facilitate execution of the strategic plan.

Reputation risk remains moderate, but is increasing. Wachovia's increasing domestic and international prominence, expanding geographic footprint, and extensive, complex service and product offerings continue to heighten challenges to reputation risk. Nevertheless, we remain confident of management's ability to continue to satisfactorily resolve any developing legal, integration, and investigative issues that bear upon Wachovia's credibility and public perception.

Within the OCC's nine categories of risk, Transaction Risk captures the quality of information technology systems, the volume, type, and complexity of transactions, products, and services, and other factors such as quality of policies, processes, personnel and control systems as they relate to all aspects of banking operations. Transaction or operational risk is present in every aspect of the supervisory work we conduct. Therefore, our rating for Transaction risk and our Bank Information Technology rating is the culmination of assessments from OCC functional risk examiners, risk control examiners, and the EIC.

Bank Information Technology Rating "2"

Risk	Quantity of Risk (Low, Moderate, High)	Quality of Risk Management (Weak, Satisfactory, Strong)	Aggregate Level of Risk (Low, Moderate, High)	Direction of Risk (Increasing, Stable, Decreasing)
Transaction	High	Satisfactory	High	Increasing

Within the broader category of transaction risk, IT risk remains high at Wachovia. The longstanding risks in CIS, DR, and DSCM support the continuation of this rating until remediation is complete. It is important that the Board and management continue to ensure that appropriate resources are available to support these IT remediation activities.

Although corrective efforts continue, overall risk in CIS is expected to remain high throughout the remediation period. CEO Thompson has confirmed the bank's commitment to a year-end 2006 resolution date for the CIS issues. Likewise, the DSCM remediation efforts are on schedule to conclude by August 31, 2006.

Internal Audit and the OCC identified several DR related issues in the first half of 2005. A recent Internal Audit report identified several weaknesses in the way the Business Continuity Planning Group (BCPG) implemented their own policies and procedures for reassessing RTOs and continuity risk assessments. Our recent review found a higher than expected number of applications that have not been assigned a RTO, and another group of critical applications that require testing. Management responded immediately when we brought these issues to their attention, assigning RTOs and scheduling DR tests for those applications. Additionally, their internal QA review rates one third of all technology recovery plans as "Low Confidence." As such, much remains to be accomplished to improve the bank's recovery efforts and processes.

The bank continues to define its overall recovery strategy. WEC is the primary recovery site that also provides the bank with resiliency for daily operations. The new out-of-region data center called Oxmoor is currently under construction and will provide the bank with opportunities to diversify its recovery alternatives. The bank must identify which systems and applications will be designated for recovery at Oxmoor should recovery at WEC be unavailable. The bank is working with external vendors and monitoring beta tests results to refine its Oxmoor recovery strategy options for duplicating files and transactions. Recovery Point Objectives will become more of an issue depending on which file recovery alternative the bank selects.

Consumer Compliance is evaluated to determine if the bank is in compliance with various consumer regulations (such as Truth in Lending, Truth in Savings, Bank Secrecy Act, etc.). The bank's Fair Lending practices are evaluated to determine compliance with the Equal Credit Opportunity Act, the Fair Housing Act, Fair Housing Home Loan Data System regulation, and the Fair Credit Reporting Act. Consideration is given to compliance with the consumer regulations and fair lending statutes, the adequacy of policies or processes and internal controls, the effectiveness of management supervision, the adequacy of training, and the adequacy of review systems.

Consumer Compliance Rating "2"
Community Reinvestment Act Rating "Outstanding" or "1"

Risk	Quantity of Risk (Low, Moderate, High)	Quality of Risk Management (Weak, Satisfactory, Strong)	Aggregate Level of Risk (Low, Moderate, High)	Direction of Risk (Increasing, Stable, Decreasing)
Compliance	Moderate	Satisfactory	Moderate	Stable

Wachovia's compliance with consumer protection laws and regulations remains satisfactory. Compliance risk, while still high in certain areas, has stabilized and is considered moderate overall. The level of BSA/AML (Bank Secrecy Act/Anti-money Laundering) risk continues to be high.

Considerable management attention and resources continue to be directed to improving Wachovia's BSA/AML processes, controls, and systems. The enterprise level AML Office was redesigned in early 2004 to provide more comprehensive coverage and oversight. Staffing in this office has also increased substantially. The number of FTEs has more than doubled since year-end 2003 in order to support SearchSpace, to fund the new AML Risk Assessment Unit and to enhance other services such as training. Phase One of the SearchSpace suspicious activity monitoring system implementation went live as scheduled at the end of 2Q05. During 1Q05, the Promontory Consulting Group began an extensive 4-6 month review of Wachovia's BSA/AML practices. Results from this review will serve as an additional catalyst for BSA/AML program improvements across the company.

Based on our reviews over the past year; however, these efforts have not yet resulted in demonstrated and consistent performance across all business lines. Also, during the period we had certain concerns about the effectiveness of BSA/AML internal audit. Although it remains too soon to draw conclusions on all aspects, positive steps have been taken to address these concerns through a restructuring of the audit function. We will continue to test the effectiveness of your BSA/AML compliance efforts through a number of scheduled targeted reviews.

Privacy issues are of concern due to the frequency of several high profile potential breaches of customer information. While these situations continue to garner the prompt attention of management, every effort must be made to strengthen controls over customer information, including proper handling and transport by vendors and other outside parties. The implementation of interagency guidance on privacy notifications and customer information procedures has been achieved.

Management has effectively determined credit, investment, and service needs of the defined assessment areas and is taking meaningful actions to address those needs, especially for low- and moderate-income individuals and geographies and for small businesses. Recently, our CRA public disclosure for the bank was completed and an "Outstanding" CRA rating assigned.

Our assessment of risks includes evaluating internal audit and internal controls in accordance with OCC handbook guidance. These two areas are critical components in formulating our opinion on the quality of management and controls throughout the organization. Our ongoing approach to supervision by risk provides the opportunity to reassess these two ratings each quarter. Our quarterly assessment process incorporates input from all line of business examiners and the EIC.

	Overall Rating (Weak, Satisfactory, Strong)
Internal Audit	Satisfactory
Internal Controls	Satisfactory

Internal Audit - "Satisfactory"

The Internal Audit function is satisfactory. Good progress has been made over the past year to strengthen the audit function. Audit stature has improved, and the Audit Committee, senior management, and audit leadership have made progress in driving a cultural change whereby the audit function is viewed throughout the organization as an integral business component. Audit staffing levels and expertise have substantially improved, particularly in the areas of capital markets, treasury, finance/accounting, compliance and retail credit. As a result, Audit is now performing more comprehensive audits, and internal control issues are being escalated and appropriately addressed by management in a timely manner.

However, we continue to have certain concerns with the IT and AML audit functions. Both of these functions were recently restructured, but until the programs are fully executed and result in higher quality audits, the IT and AML audit programs will remain an area of OCC focus. We also made several recommendations in order to ensure that Audit Committee members receive balanced and appropriate information to fully understand Wachovia's risk and control weaknesses. Over the past two years, Audit leadership has demonstrated its commitment to continually enhance the Audit Committee package. Presently, a reassessment of Audit Committee reporting is underway and is expected to be completed by October 2005.

Internal Control - "Satisfactory"

Wachovia's internal controls are satisfactory and we note that positive efforts continue toward identifying and remediating control weaknesses. Management has enhanced accountability for the timely identification and correction of control deficiencies. Management successfully implemented Sarbanes-Oxley 404 requirements in 2004, and is now focusing their efforts on the sustain phase, as well as efficiencies gained during the project implementation period for use on an ongoing basis. Management is taking the appropriate actions to address and remediate the significant deficiencies.

Asset quality is evaluated in relation to the level, distribution, severity, and trend of problem, classified, delinquent, non-accrual, non-performing, and restructured assets, both on- and off-balance sheet; the adequacy of the allowance for loan and lease losses and other valuation reserves; demonstrated ability to identify, administer and collect problem assets; the diversification and quality of loan and investment portfolios; adequacy of loan and investment policies, procedures, and practices; extent of securities underwriting activities and exposure to counterparties in trading activities; credit risk arising from or reduced by off-balance sheet transactions; asset concentrations; volume and nature of documentation exceptions; effectiveness of credit administration procedures, underwriting standards, risk identification practices, controls, and management information systems.

Rating "2"

Risk	**Quantity of Risk** (Low, Moderate, High)	**Quality of Risk Management** (Weak, Satisfactory, Strong)	**Aggregate Level of Risk** (Low, Moderate, High)	**Direction of Risk** (Increasing, Stable, Decreasing)
Credit	Low	Satisfactory	Moderate	Stable

Aggregate credit risk remains on the low end of the moderate range. In 3Q04 we changed the quantity of credit risk rating to low from moderate and the direction of risk to stable from decreasing. The quality of risk management remains satisfactory. Lagging asset quality indicators (delinquency, net loss levels and nonperforming assets) are strong and have improved over the past year. Criticized and classified levels have stabilized at favorable levels. These indicators are in line with peers and continue at historical lows for the bank. While asset quality indicators remain favorable, we continue to see higher leverage and more aggressive underwriting in the loan markets, but distribution channels (hedge funds, asset managers) remain strong. We are cautioning management to consider credit risk mitigation when this positive credit cycle bottoms out. Management continues to address legacy SouthTrust portfolios, which had a slightly higher risk profile, through asset sales and enforcing the legacy Wachovia credit culture.

Management has maintained an open dialogue with us on Basel II readiness issues and continues to make progress toward full compliance. We are conducting a review of the Basel II project management office, the commercial score card project, retail projects and the risk data strategy projects. All of these areas are critical to Basel II compliance. This review will allow us to stay abreast of management's readiness assertions.

Asset quality remains good. After three years of improvement, asset quality indicators have stabilized at favorable levels. Nonperforming assets (including AHFS and foreclosed property) were 0.42% at 2Q05, compared to 0.52% at 1Q05, and .55% at 2Q04. Nonperforming levels are projected to decline moderately to 0.37% through the remainder of 2005. Annualized net charge-offs (excluding AHFS) were stable at 0.09% (projected 0.12%) in 2Q05, compared to 0.08% in 1Q05, and 0.17% for the full year 2004. Charge-offs were 0.41% in 2003. Management lowered full year 2005 loss projections to 0.11%, which is well below Wachovia's through the cycle (TTC) benchmark of 0.40%. The Allowance for Loan Losses (ALLL) is adequate to cover inherent losses in the loan portfolio.

Loan outstanding levels remain stable at $230 billion. Minor growth in on-balance sheet commercial exposures was driven by the middle market (GBG) portfolio and CRE exposures. This commercial growth was offset by declines in large corporate (CIB) due to the ability to distribute most loan originations. Consumer portfolio originations remain strong. Securitization of prime equity loans and indirect auto loans kept on-balance sheet exposures stable. Wachovia's forward-looking economic capital based measures are stable during 2005 after a slight increase at year-end 2004 due to the addition of SouthTrust. TTC expected loss for the commercial portfolio has declined from 0.50% in May 2003 to 0.25% currently. Consumer TTC expected loss also declined slightly to 0.22%.

Quality and quantity of earnings are evaluated in relation to the ability to provide for adequate capital through retained earnings; level, trend, and stability of earnings; quality and sources of earnings; level of expenses in relation to operations; vulnerability of earnings to market risk exposures; adequacy of provisions to the allowance for loan and lease losses and other valuation reserves; reliance on unusual or nonrecurring gains or losses; the contribution of extraordinary items, securities transactions, and tax effects to net income; and adequacy of budgeting systems, forecasting processes, and management information systems.

Rating "2"

Wachovia's earnings performance remains sound. Year-to-date net income as of June 30, 2005 was $3.3 billion for a diluted EPS of $2.05 as compared to 2004 year-to-date net income of $2.5 billion or $1.89 per share. The SouthTrust merger and strong credit quality bolstered earnings. However, in the past two quarters, revenue growth has slowed as a result of sluggish retail brokerage activities and lower net interest margins resulting from a flat yield curve. On a more positive note, merger synergies and expense discipline has brought about a continued reduction in non-interest expenses and improvement in the overhead efficiency ratio. Management has indicated that the efficiency initiative remains on track to recognize approximately $150MM in cost savings in 2005, with the bulk of savings coming in 2006 and 2007.

Despite the flat yield curve and slow retail brokerage activities, Wachovia continues to anticipate solid earnings in 2005 due to improved projections for charge-offs, commercial and consumer loan growth, and non-interest expenses. Management is anticipating an EPS of $4.28 for 2005. However, not included in these estimates is the potential negative impact from the change in accounting guidance for leveraged lease transactions. The result will likely be a substantial one-time charge, which could also have a negative impact on capital, future dividends, and Wachovia's ability to participate in the share repurchase program. We encourage management to closely monitor this situation as guidance is finalized in the coming months.

Capital adequacy is evaluated in relation to supervisory guidelines, the nature and extent of risks to the organization, and the ability of management to address these risks; consideration is given to the level and quality of capital and overall financial condition of the bank; the nature, trend and volume of problem assets and the adequacy of the allowance for loan and lease losses and other valuation reserves; risk exposures presented by off-balance sheet activities; quality and strength of earnings; balance sheet composition, including the nature and amount of intangible assets, market risk, concentration risk, and nontraditional activity risk; growth experiences, plans, and prospects; reasonableness of dividends; access to capital markets and other appropriate sources of financial assistance; and ability of management to address emerging needs for additional capital.

Rating "2"

Wachovia remains well capitalized. The Tier 1, Total and Leverage Capital ratios at June 30, 2005 were 7.85%, 11.25%, and 6.10%, respectively. Earnings performance remains solid with strong credit quality indicators, merger synergies and expense discipline. Earnings forecasts for 2005 appear achievable, but could be constrained by accounting changes for leveraged lease transactions. While the impact to capital resulting from these potential one time charges is not expected to be severe, they will likely have some impact on capital ratios, future dividend payouts, and share repurchases.

Management continues to plan for changes associated with the new Basel II rules. The executive steering committee is in place to guide and monitor Basel activities. The Basel Steering Group has developed action plans to address each gap, and the Project Management Office has begun to track implementation efforts. Management is in the process of finalizing their gap assessment and implementation plan for closing each of the gaps. Governance procedures have been established for the Basel Project Office to closely track and monitor these efforts.

Management has improved communications and training on topics related to risk based capital, especially on complex products, and developed internal procedures in the regulatory capital area. Management completed business unit procedures and has validated the accuracy of the risk-based capital calculations used in regulatory reporting. However, the adequacy of resources dedicated to implementing an adequate program remains a concern, particularly since increased resources will be needed to address Basel issues. Recently, management improved resources through reallocation in external reporting and usage of project managers from the Basel Project Management Office. However, a key regulatory accounting position remains open.

Liquidity – asset/liability management is evaluated in relation to the trend and stability of deposits; the degree and reliance on short-term, volatile sources of funds, including any undue reliance on borrowings or brokered deposits, to fund longer term assets; availability of assets readily convertible to cash without undue loss; availability to securitize and sell certain pools of assets; access to money markets and other sources of funding; the adequacy of liquidity sources and ability to meet liquidity needs; the effectiveness of liquidity policies and practices, funds management strategies, management information systems, and contingency funding plans; capability of management to properly identify, measure, monitor, and control liquidity; and the level of diversification of funding sources, both on- and off-balance sheet.

Rating "1"

Risk	Quantity of Risk (Low, Moderate, High)	Quality of Risk Management (Weak, Satisfactory, Strong)	Aggregate Level of Risk (Low, Moderate, High)	Direction of Risk (Increasing, Stable, Decreasing)
Liquidity	Moderate	Strong	Moderate	Stable

Liquidity management and contingency funding planning are strong. Wholesale funding is actively managed and the volume, maturity stratification, and provider diversification are adequate. Current trends reflect an increase in the level of wholesale funds due to the acquisition of SouthTrust and the financing of growing trading activities. Core deposit growth has moderated to more normal levels. Wachovia's loans to core deposits ratio is reasonable, unencumbered assets have increased, and the quantity of credit risk is low.

The direction of risk changed from "Increasing" to "Stable" during 2Q05. Current trends reflect modest increases in the use of secured wholesale funds for trading activities and expected bank growth. At the same time, with the rising rate environment, retail deposit growth, while satisfactory, has moderated. If needed, management has many options that could be executed to reduce their reliance on overnight wholesale funding. Additionally, management has identified a tolerance level of wholesale funding that will prompt actions to reduce reliance. These actions include promoting retail CD growth to lengthen maturities, planning additional securitizations, and issuing long-term debt. As a result, the increase in wholesale funds is not expected to change the aggregate risk level within the next 12 months.

Wachovia projects $20B in overnight borrowing needs before term issuance by year-end 2006 to fund anticipated loan growth. Some of these needs may be met by increased retail CDs and some term issuance may also be done. A large portion of the deposit growth in recent years has been short-term in nature. Wachovia management wants to lengthen some of their maturities and plans to increase retail CDs to accomplish this goal. The final outcome of these projections on liquidity is not expected to be material. Wachovia's market acceptance is good, as reflected by debt spreads that continue to be slightly below peer banks.

Management incorporates all key aspects of liquidity management into its overall risk management process. They operate under the clear direction of ALCO and are guided by thorough written policies. Management responds promptly to changing market conditions. In addition, MIS provides relevant information upon which to make sound decisions.

A comprehensive liquidity contingency funding plan exists. The contingency funding plan continues to show a surplus available in all scenarios. Management has improved their securitization estimates and designed a reasonable analysis. Management has also added an analysis of the impact of a $50B core deposit runoff. Included in this analysis is a Balance Sheet Mitigation Project (project is still in process) that limits loan renewals, trading asset levels, and pre-funds wholesale debt, all of which would mitigate the impact of core deposit runoff.

Sensitivity to market risk reflects: the degree to which changes in interest rates, foreign exchange rates, commodity prices, or equity prices can adversely affect earnings or the economic value of capital; the ability of management to identify, measure, monitor and control exposures to market risk given the bank's size, complexity, and risk profile; the nature and complexity of interest rate risk exposure arising from non-trading positions; and, where appropriate, the nature and complexity of market risk arising from trading and foreign operations.

Rating "2"

Risk	**Quantity of Risk** (Low, Moderate, High)	**Quality of Risk Management** (Weak, Satisfactory, Strong)	**Aggregate Level of Risk** (Low, Moderate, High)	**Direction of Risk** (Increasing, Stable, Decreasing)
Interest Rate	Moderate	Satisfactory	Moderate	Stable
Price	Moderate	Satisfactory	Moderate	Stable
Foreign Currency Translation	Low	Satisfactory	Low	Stable

Overall interest rate risk remains moderate. Short-term earnings sensitivity has remained relatively neutral since October 2004. While EVE (Economic Value of Equity) sensitivity has increased, long-term interest rate risk remains at a moderate level. As of June 2005, the level of short-term interest rate risk is relatively neutral at 0.7% asset sensitive for an up 200 basis point ramp over the next twelve months (down from 1.0% asset sensitive in March 2005). During the last two quarters of 2004, short-term earnings sensitivity had been near neutral. The rolling 12-month view, which provides a sensitivity forecast for each quarter of the next four quarters, shows sensitivity migrating to -0.4% (liability sensitive) by 1Q06, with reinvestment of portfolio runoff in par bonds and no additional discretionary hedge transactions.

Management continues to be able to achieve the bank's targeted NII levels without increasing the levels of interest rate risk. They have identified the scenarios where they are most vulnerable and execute hedges when the benefits outweigh the cost of hedging to mitigate this risk. Management and staff resources within Treasury continue to be under pressure to perform all scheduled tasks, respond to special projects, and manage new infrastructure projects. A number of major system initiatives are either underway or planned (BancWare, Blackrock, Enterprise Funding). BancWare was selected to replace RADAR and the new model implementation commenced 2Q04. The "full production" timeline has been extended to late 3Q05, as management has identified critical lack of functionality issues with a few modules of the BancWare model. Management has committed to address these, and other less critical conversion issues.

Price risk remains moderate relative to Wachovia's earnings and capital. The direction of price risk is considered to be stable. Risk levels have increased but remain within established VAR guidelines. An improving economy and moderate impairments returned Principal Investing to profitability for a second year. Trading revenues are good. Revenues are diversified and stable. Structured Products, Global Rates, and Principal Investing all performed well. Credit products revenues were good but fell below forecast, partially due to market pressure surrounding auto credit downgrades. The Equity Linked Products Division continues to experience losses mainly due to poor performance of Convertible Bonds and S&P Index Options. Wachovia's Structured Products warehouse loan levels have trended higher, in-line with larger deals being introduced in the marketplace. The risk is mitigated as there is a strong market for these products and one of the large warehouses, CMBS, is hedged for both interest rate and credit spread risk.

Risk measurement and monitoring for Principal Investing is satisfactory. Controls include a risk rating system and a satisfactory revaluation process. The Valuation Oversight Committee provides good oversight. Trading risk is monitored at appropriate levels. The independent Market Risk Management (MRM) unit sets and monitors compliance with VAR limits, desk limits and guidelines, develops and reviews stress test scenarios, and interacts with the trading desk to identify risks. MRM is upgrading its current VAR system. Management has hired a replacement for the current market risk manager. Also, plans are to build staff to better support the market risk function. Technology continues to be a concern, as a significant level of work is needed to upgrade the technology platform. Risk Technology has implemented plans to address these issues; however, this will take time and trading growth plans should be carefully evaluated given technology and infrastructure constraints.

Translation exposure from changes in foreign currency rates is minimal, and the currency translation exposure that does exist is managed satisfactorily. There have been no recent significant changes in translation exposure.

Under the Uniform Interagency Trust Rating System, the fiduciary activities of financial institutions are assigned a composite rating based on an evaluation and rating of five essential components of an institution's fiduciary activities. These components address the following: the capability of management; the adequacy of operations, controls, and audits; the quality and level of earnings; compliance with governing instruments, applicable law (including self-dealing and conflicts of interest laws and regulations), and sound fiduciary principles; and the management of fiduciary assets.

Rating "2"

The administration of fiduciary activities at Wachovia is fundamentally sound. Executive management remains committed to the growth of asset management related activities as core parts of Wachovia's diversified business model. Overall, fiduciary activities at Wachovia are profitable, and when combined with the balance of Asset Management business lines, contribute significantly to corporate net operating income. While no acquisitions have been recently announced, more are expected in the future, with the strategic goal of bolstering the Company's retail sector, especially in brokerage areas.

Risk management functions at the corporate level continue to become more clearly defined in the scope of their roles and responsibilities. The first round of unit level risk assessments in support of Basel II were completed in 2004 and provide a reasonable basis for further refining this process. With the exception of Trust Company controls and Know Your Customer process improvements, discussed below, management control reports and internal audits reflect issues in fiduciary business lines that can be addressed in the normal course of business.

Management is currently addressing a variety of control issues related to the personal trust business that became apparent as activities were centralized under a Trust Company label. These issues were initially identified in a joint effort by the business line and Corporate Compliance, and later supplemented by OCC and Internal Audit reviews. A new President for Wachovia Trust Company was recently announced, replacing the current President, who will take early retirement at the end of August 2005. We will focus on continuing implementation of a strong control environment as the Trust Company transitions to new management.

Comments from OCC reviews and internal audit reports during 2004 indicated the need for a stronger management commitment to address overall process weaknesses across Capital and Wealth Management (C&WM) units relating to BSA/AML. Management has responded to issues within the International Financial Advisory Division (IFAD) with a senior task group that is keeping regulators informed of actions taken to remediate this area. Recent updates indicate good progress in the group's action plan. We also note good progress in addressing recent process issues in Charitable Trust. BSA/AML will continue to be a focus during 2005 as we review C&WM business units and monitor management's corrective actions.

Audit coverage of fiduciary areas is adequate, and is appropriately risk focused. Recent OCC audit conclusions rated this audit area strong and confirmed our ability to place reliance on audit work in asset management business lines.

SIGNATURE OF DIRECTORS

Charter: 1

We, the undersigned directors, comprise the Audit & Compliance Committee (Committee) of Wachovia Corporation, Charlotte, NC. Board Resolutions authorize this Committee to review and sign reports of examination from federal regulatory agencies for Wachovia Corporation and its subsidiaries. We have personally reviewed the contents of the report of examination for Wachovia Bank, National Association, dated June 30, 2005.

NAMES:	SIGNATURES:	DATES:
Joseph Neubauer (Chairman)		
James S. Balloun		
John T. Casteen III		
Lloyd U. Noland III		
Lanty T. Smith		

NOTE: This form should remain attached to the report of examination and be retained in the institution's file for review during subsequent examinations. The signature of committee members will suffice only if the committee includes outside directors and a resolution has been passed by the full board delegating the review to such committee.