Effectiveness of Credit Risk Markets in Allocating Risk

2007 Credit Markets Symposium

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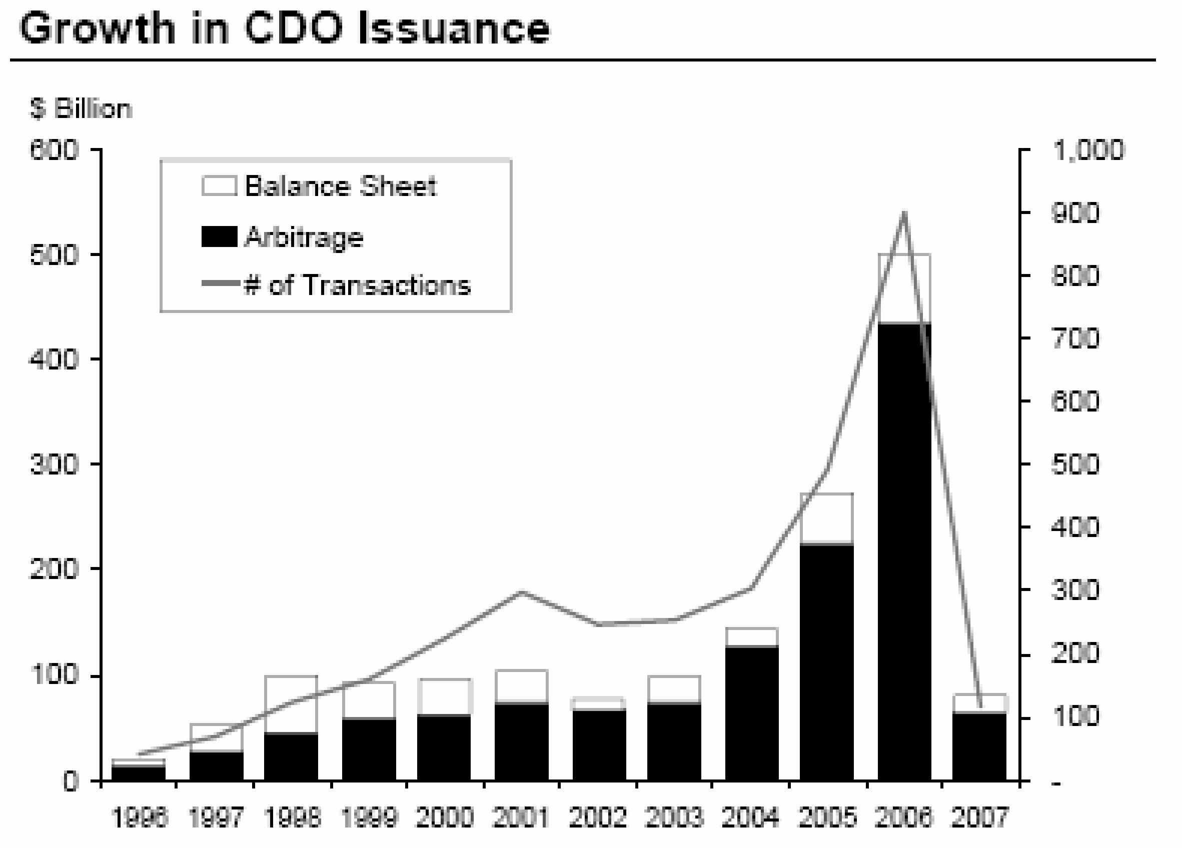
Three themes

- **Evolution of credit markets**
- **Managing Wachovia's balance sheet**
- **Creating products for our customers**

Credit markets continue to evolve

- **Continued product innovation**
  - **Increasing role of structured credit and securitization.**
  - **“Derivitization” of markets.**
- **New Players**
  - **Hedge Funds, Alternative Asset Managers (CLOs, etc…), Prop Desks.**
  - **International Capital Flows**
- **Inter-connected markets**
  - **Increased credit market relative value pricing.**
  - **Equity and credit correlation.**
- **More liquidity**
- **Our role evolved from traditional bank to originator & distributor**

Explosive growth of CDOs



Source: Morgan Stanley, Moody's, S&P, Fitch IBCA, MCM Corporate Watch, Asset-Backed Alert

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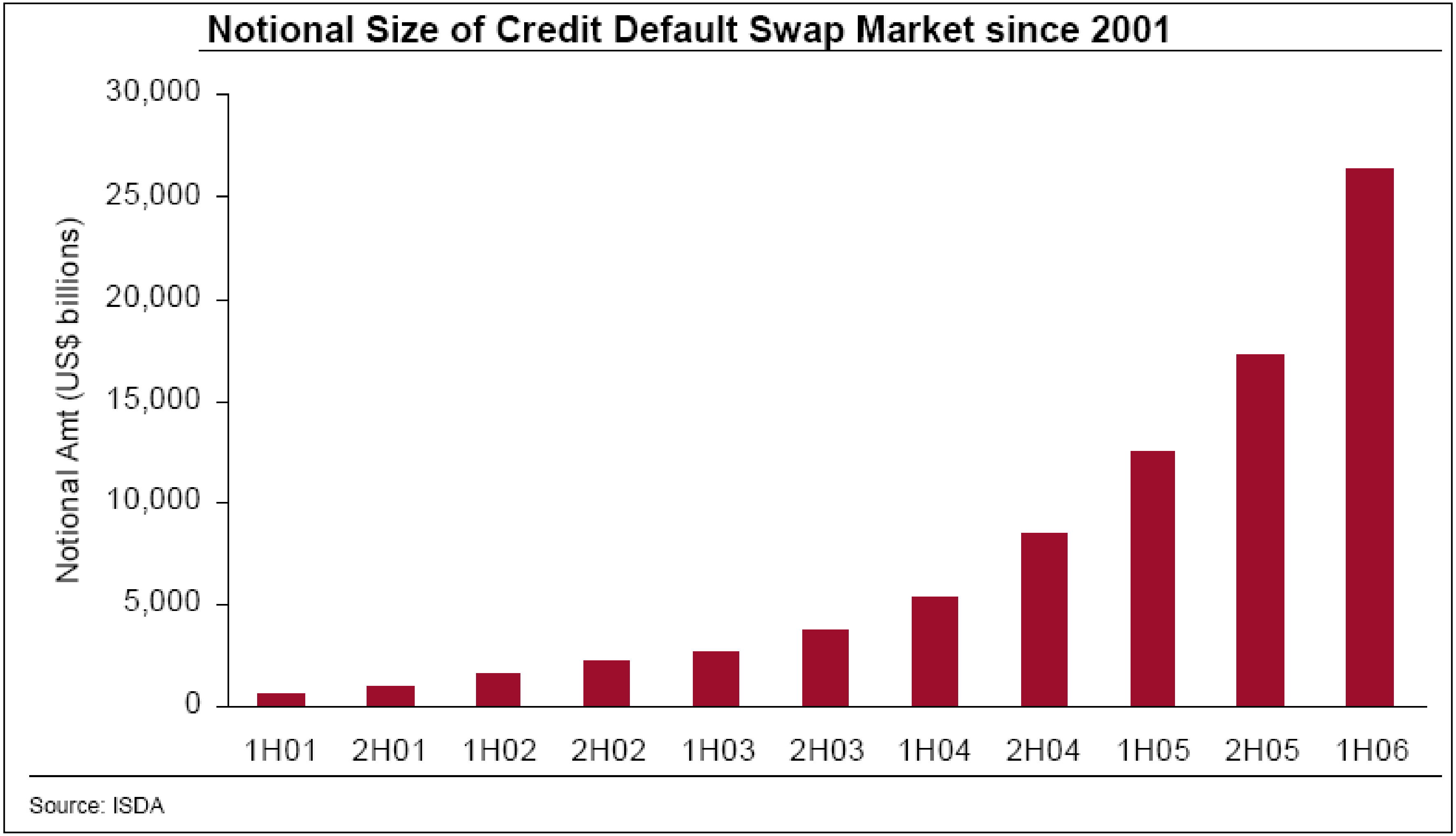
Increasing liquidity is most evident in the CDS market



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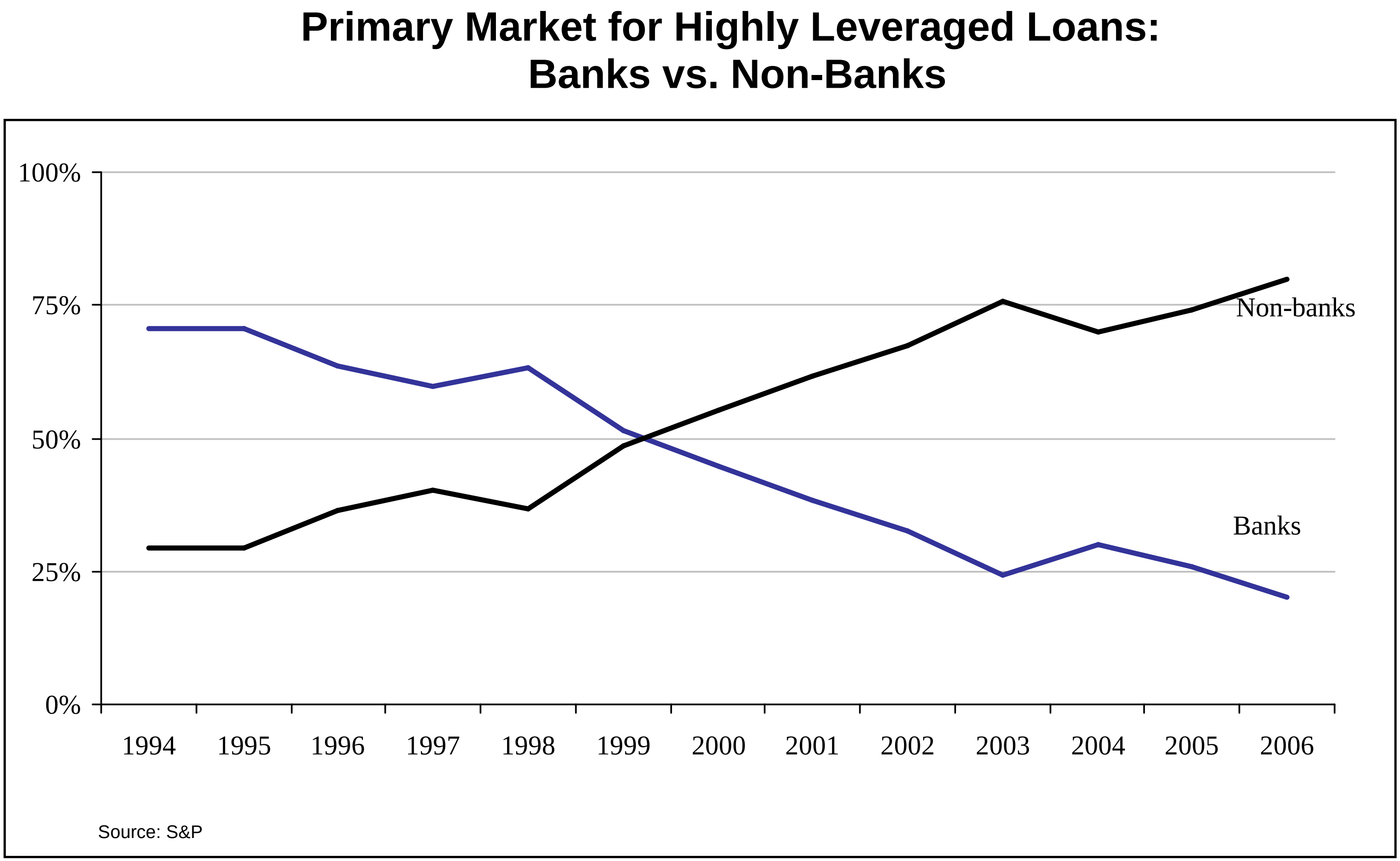
But arrangers are able to hold less risk



Non-banks include: institutional investors, insurance companies, finance companies and securities firms
Excludes all left and right agent commitments (including administrative, syndication and documentation agent as well as arranger)

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So, Yes credit markets are more effective… and banks are better off

- **Systematically, our credit capital markets are more efficient**

- **Credit markets are more effective in allocating risk**
  - **New products allow the disaggregation of risk.**
  - **Holders of risk have more options.**
  - **New players provide more liquidity.**

- **Banks are better off**
  - **Can reduce concentrations.**
  - **Have more options on what risks to retain.**

Wachovia makes use of credit market innovation

- **Securitizations/Sales**

Cash Securitizations	**Synthetic Securitizations**	**Whole Loan Sales**
Commercial Real Estate Mortgages	HELOC's	Student Loans
Auto Loans	Margin Loans	
Student Loans		
HELOC's		

- **Corporate loan syndications**
- **Single Name Corporate CDS**
  - **Manage excess exposure and credit migration.**
- **Macro Hedges**

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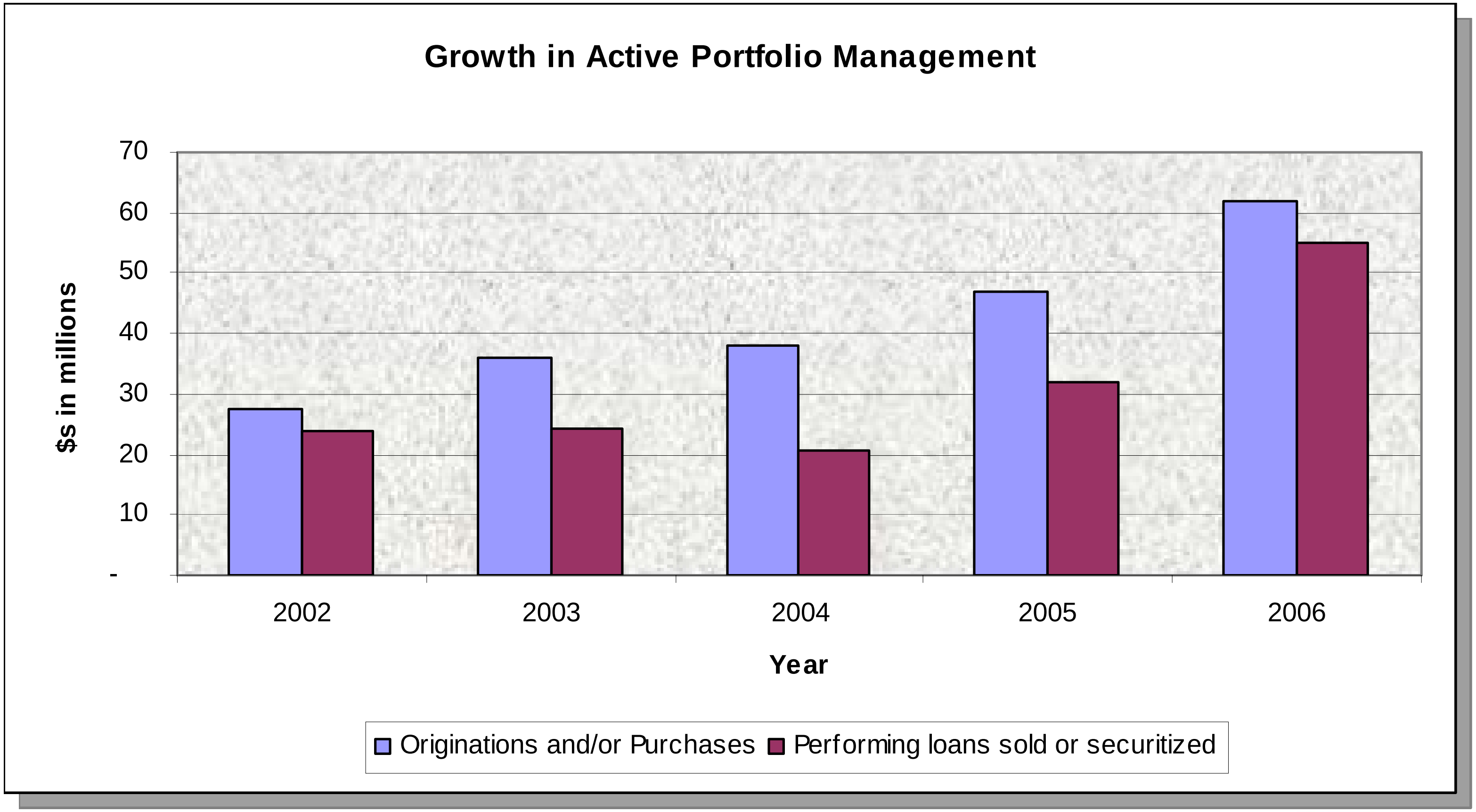
Increased balance sheet turnover

- **Last year, Wachovia sold or securitized $54 billion of loans.**
  - **$27 B Commercial Real Estate**
  - **$25 B Consumer Mortgage**
  - **$2 B Auto**



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High quality, low loss content loan portfolio

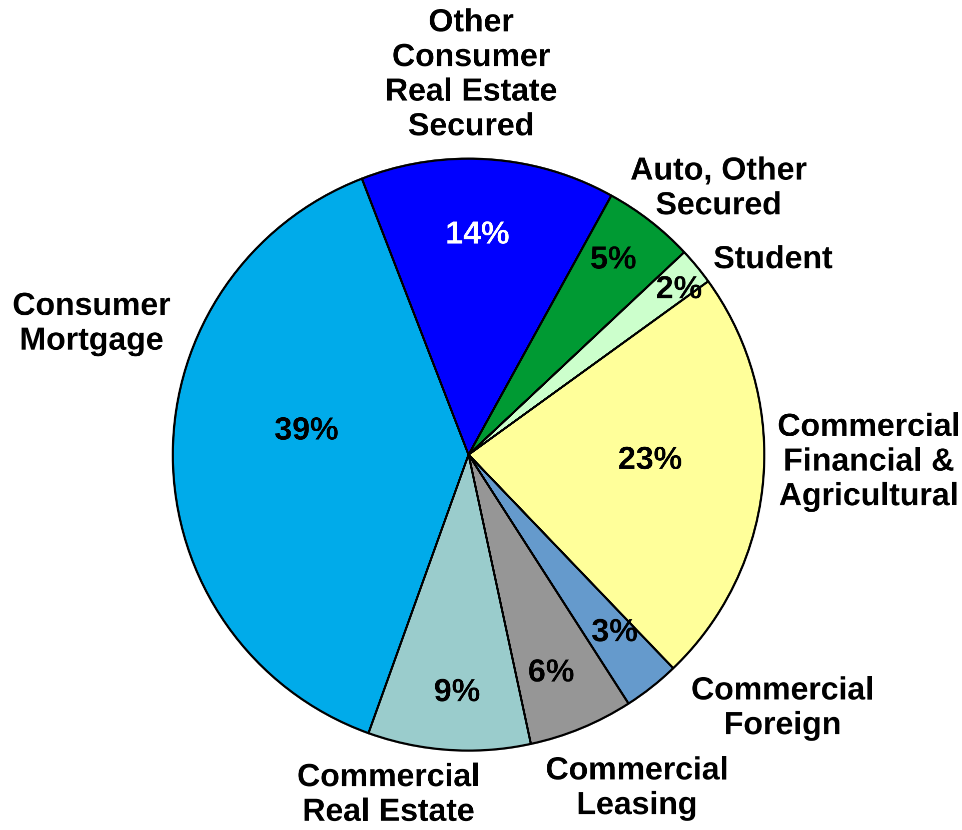
$256 billion consumer loan portfolio

- 96% secured (additional 3% guaranteed)
  - 88% secured by Real Estate
- Real Estate portfolio
  - 71% average LTV
  - Average FICO 700
  - 86% First lien secured
- 2006 net losses: 23 bps

$171 billion commercial loan portfolio

- 79% secured
- No industry > 5% (3-digit SIC)
- $1.6 million average size
- 2006 net losses: 3 bps

Total Loan Portfolio 91% Secured/Guaranteed



Period-end balance sheet as of 12/31/2006.
Includes Golden West which closed on October 1, 2006.

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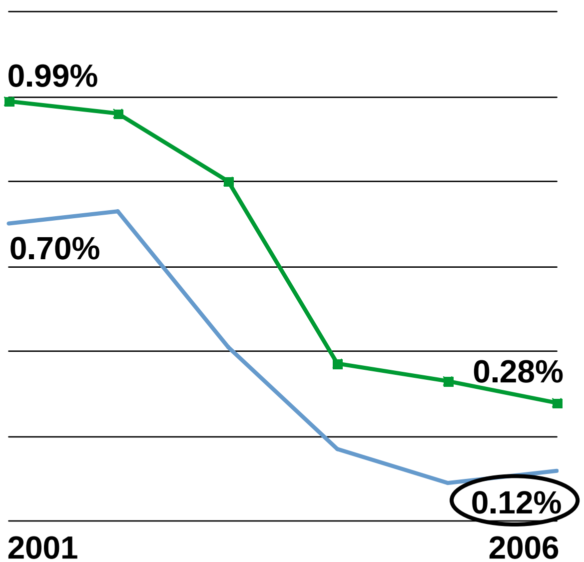
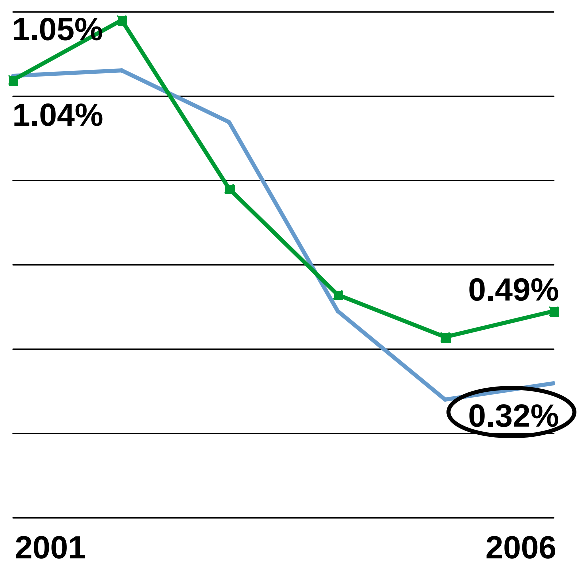
Credit quality
Risk reduction = top quality credit positioning

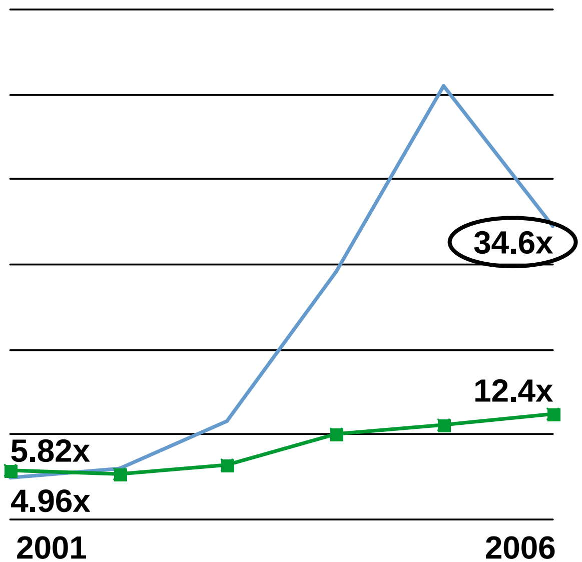
Net Charge-off Ratio



NPA/Loans Ratio



PTPP Earnings*/ Charge-offs



**Pre-tax, pre-provision earnings.*

Wachovia — Median: Top 20 U.S. Banks

WB	0.12%
USB	0.39%
JPM	0.67%
BAC	0.70%
WFC	0.73%
C	1.16%

BAC	0.26%
WB	0.32%
USB	0.41%
JPM	0.48%
WFC	0.76%
C	0.80%

WB	34.6x
USB	13.7x
BAC	8.6x
JPM	7.7x
WFC	6.7x
C	5.1x

Source: Company reports.

Creating products for investors

- **Real Estate Capital Markets**
  - **# 1 US CMBS Bookrunner**
- **CDOs**
  - **# 3 US CDO Bookrunner**
  - **# 1 Commercial Real Estate CDO Bookrunner**
- **Asset Securitization**
  - **# 3 Auto ABS**
  - **# 5 Student Loan**
- **Loan Syndications**
  - **# 4 Domestic Lead Arranger**

Conclusion

- The innovation and growth in credit markets has provided opportunities:
  - To better understand and actively manage risk.
  - To create products for customers.
- Market participants have a choice as to how much risk to retain.
- Wachovia has chosen to maintain a high quality, low risk portfolio.

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This investor presentation may contain, among other things, certain forward-looking statements, including, without limitation, (i) statements regarding certain of Wachovia's goals and expectations with respect to earnings, earnings per share, revenue, expenses and the growth rate in such items, as well as other measures of economic performance, including statements relating to estimates of credit quality trends, (ii) statements relating to the benefits of the merger between Golden West and Wachovia completed on October 1, 2006 (the "Golden West Merger"), including future financial and operating results, cost savings, enhanced revenues and the accretion or dilution to reported earnings that may be realized from the Golden West Merger, (iii) statements relating to the benefits of the merger between Wachovia and Westcorp and Wachovia's related acquisition of WFS Financial Inc ("WFS Financial"), a subsidiary of Westcorp, completed on March 1, 2006 (the "Westcorp Transaction"), including future financial and operating results, cost savings, enhanced revenues and the accretion or dilution to reported earnings that may be realized from the Westcorp Transaction, and (iv) statements preceded by, followed by or that include the words "may", "could", "should", "would", "believe", "anticipate", "estimate", "expect", "intend", "plan", "projects", "outlook" or similar expressions. These statements are based upon the current beliefs and expectations of Wachovia's management and are subject to significant risks and uncertainties. Actual results may differ from those set forth in the forward-looking statements.

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