WACHOVIA

Form 10-Q

Third Quarter 2000

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

**QUARTERLY REPORT UNDER SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934**

(Mark One)
[X] Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended September 30, 2000

or

[ ] Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Commission File Number 1-9021

Wachovia Corporation

North Carolina	**56-1473727**
(State of other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

Address and Telephone Number:

100 North Main Street	**191 Peachtree Street NE**
Winston-Salem, North Carolina 27101	**Atlanta, Georgia 30303**
(336) 770-5000	**(404) 332-5000**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. [X] Yes [ ] No

As of September 30, 2000, Wachovia Corporation had 203,463,756 shares of common stock outstanding.

PART I — FINANCIAL INFORMATION

Item 1. Financial Statements

The unaudited consolidated financial statements referred to above do not include all information and footnotes required under generally accepted accounting principles. However, in the opinion of management, the interim financial information includes all adjustments, consisting of normal recurring adjustments, necessary to present fairly the results of operations for the periods presented. The results of operations shown in the interim statements are not necessarily indicative of the results that may be expected for the entire year.

$ IN THOUSANDS

WACHOVIA CORPORATION AND SUBSIDIARIES

	SEPTEMBER 30 2000	DECEMBER 31 1999	SEPTEMBER 30 1999
ASSETS			
Cash and due from banks	**$ 3,356,356**	$ 3,475,004	$ 2,984,574
Interest-bearing bank balances	**107,672**	184,904	128,605
Federal funds sold and securities purchased under resale agreements	**774,121**	761,962	532,681
Trading account assets	**886,783**	870,304	970,027
Securities available-for-sale	**7,180,779**	7,095,790	8,014,376
Securities held-to-maturity (fair value of $1,069,393, $1,061,150 and $1,295,169, respectively)	**1,053,283**	1,048,724	1,271,137
Loans, net of unearned income	**54,225,184**	49,621,225	47,625,021
Less allowance for loan losses	**799,461**	554,810	553,894
Net loans	**53,425,723**	49,066,415	47,071,127
Premises and equipment	**917,253**	953,832	963,599
Due from customers on acceptances	**82,647**	111,684	122,745
Other assets	**4,235,611**	3,783,918	3,746,828
Total assets	**$72,020,228**	$67,352,537	$65,805,699
LIABILITIES			
Deposits in domestic offices:			
Demand	**$ 9,193,860**	$ 8,730,673	$ 8,325,960
Interest-bearing demand	**4,682,768**	4,527,711	4,780,153
Savings and money market savings	**12,692,961**	13,760,479	13,063,582
Savings certificates	**9,477,964**	8,701,074	8,841,306
Large denomination certificates	**3,508,194**	3,154,754	3,271,805
Total deposits in domestic offices	**39,555,747**	38,874,691	38,282,806
Interest-bearing deposits in foreign offices	**4,706,698**	2,911,727	1,426,044
Total deposits	**44,262,445**	41,786,418	39,708,850
Federal funds purchased and securities sold under repurchase agreements	**5,770,638**	5,372,493	6,736,805
Commercial paper	**1,993,503**	1,658,988	1,540,129
Other short-term borrowed funds	**2,114,132**	3,071,493	1,493,525
Long-term debt	**9,334,849**	7,814,263	8,575,556
Acceptances outstanding	**82,647**	111,684	122,745
Other liabilities	**2,371,850**	1,878,741	2,000,006
Total liabilities	**65,930,064**	61,694,080	60,177,616
SHAREHOLDERS' EQUITY			
Preferred stock, par value $5 per share: Authorized 50,000,000 shares; none outstanding	—	—	—
Common stock, par value $5 per share: Authorized 1,000,000,000 shares; issued and outstanding 203,463,756, 201,812,295 and 202,742,870 shares, respectively	**1,017,319**	1,009,061	1,013,714
Capital surplus	**731,137**	598,149	679,200
Retained earnings	**4,373,813**	4,125,524	3,964,163
Accumulated other comprehensive loss	**(32,105)**	(74,277)	(28,994)
Total shareholders' equity	**6,090,164**	5,658,457	5,628,083
Total liabilities and shareholders' equity	**$72,020,228**	$67,352,537	$65,805,699

$ IN THOUSANDS, EXCEPT PER SHARE

WACHOVIA CORPORATION AND SUBSIDIARIES

	Three Months Ended September 30		Nine Months Ended September 30	
	2000	1999	**2000**	1999
INTEREST INCOME				
Loans, including fees	**$1,219,273**	$ 999,849	**$3,482,285**	$2,943,877
Securities available-for-sale	**112,580**	127,032	**343,058**	380,837
Securities held-to-maturity:				
State and municipal	**3,878**	2,969	**11,245**	8,367
Other investments	**15,140**	19,452	**46,161**	61,680
Interest-bearing bank balances	**1,424**	1,631	**4,347**	5,215
Federal funds sold and securities purchased under resale agreements	**6,803**	7,062	**21,091**	21,293
Trading account assets	**11,395**	7,348	**32,774**	21,065
Total interest income	**1,370,493**	1,165,343	**3,940,961**	3,442,334
INTEREST EXPENSE				
Deposits:				
Domestic offices	**362,875**	286,907	**1,032,551**	854,740
Foreign offices	**63,288**	24,730	**177,518**	72,689
Total interest on deposits	**426,163**	311,637	**1,210,069**	927,429
Short-term borrowed funds	**148,474**	112,336	**403,997**	327,807
Long-term debt	**165,119**	124,265	**437,280**	344,915
Total interest expense	**739,756**	548,238	**2,051,346**	1,600,151
NET INTEREST INCOME	**630,737**	617,105	**1,889,615**	1,842,183
Provision for loan losses	**123,956**	76,770	**470,987**	231,931
Net interest income after provision for loan losses	**506,781**	540,335	**1,418,628**	1,610,252
OTHER INCOME				
Service charges on deposit accounts	**106,765**	94,595	**311,956**	273,004
Fees for trust services	**56,636**	60,066	**162,059**	164,109
Credit card income	**82,337**	70,786	**224,982**	190,197
Investment fees	**80,065**	69,364	**258,274**	156,603
Capital markets income	**40,092**	41,914	**129,892**	121,806
Electronic banking	**26,254**	23,310	**75,803**	64,323
Mortgage fees	**7,373**	7,378	**18,295**	28,207
Other operating income	**120,468**	65,428	**279,827**	172,405
Total other operating revenue	**519,990**	432,841	**1,461,088**	1,170,654
Securities (losses) gains	**(163)**	147	**63**	10,834
Total other income	**519,827**	432,988	**1,461,151**	1,181,488
OTHER EXPENSE				
Salaries	**275,249**	266,488	**845,488**	744,336
Employee benefits	**50,494**	50,572	**159,627**	151,662
Total personnel expense	**325,743**	317,060	**1,005,115**	895,998
Net occupancy expense	**40,229**	38,955	**120,439**	112,796
Equipment expense	**45,274**	49,081	**140,377**	145,637
Merger-related charges	**11,928**	5,293	**28,958**	13,640
Litigation settlement charge	**—**	—	**20,000**	—
Restructuring charge	**87,944**	—	**87,944**	—
Other operating expense	**197,579**	166,803	**575,133**	481,936
Total other expense	**708,697**	577,192	**1,977,966**	1,650,007
Income before income taxes	**317,911**	396,131	**901,813**	1,141,733
Income tax expense	**112,587**	138,632	**314,211**	393,448
NET INCOME	**$ 205,324**	$ 257,499	**$ 587,602**	$ 748,285
Net income per common share:				
Basic	**$ 1.01**	$ 1.27	**$ 2.90**	$ 3.69
Diluted	**$ 1.00**	$ 1.25	**$ 2.87**	$ 3.62
Average shares outstanding:				
Basic	**203,347**	202,167	**202,848**	203,007
Diluted	**204,621**	205,345	**204,470**	206,562

$ IN THOUSANDS, EXCEPT PER SHARE

WACHOVIA CORPORATION AND SUBSIDIARIES

	Common Stock		Capital	Retained	Accumulated Other Comprehensive	
	Shares	Amount	Surplus	Earnings	Income (Loss)	Total
PERIOD ENDED SEPTEMBER 30, 1999						
Balance at beginning of year	202,986,100	$1,014,931	$ 669,244	$3,571,617	$ 82,440	$5,338,232
Net income				748,285		748,285
Unrealized holding losses on securities available-for-sale, net of deferred tax benefit and reclassification adjustment					(111,434)	(111,434)
Comprehensive income*						636,851
Cash dividends declared on common stock — $1.52 a share				(309,174)		(309,174)
Common stock issued pursuant to:						
Stock option and employee benefit plans	1,018,957	5,094	100,342			105,436
Dividend reinvestment plan	208,182	1,041	16,300			17,341
Conversion of debentures	2,304	11	178			189
Acquisitions	4,801,989	24,010	399,059			423,069
Common stock acquired	(6,274,662)	(31,373)	(505,891)			(537,264)
Miscellaneous			(32)	(46,565)		(46,597)
Balance at end of period	202,742,870	$1,013,714	$ 679,200	$3,964,163	$ (28,994)	$5,628,083
PERIOD ENDED SEPTEMBER 30, 2000						
Balance at beginning of year	201,812,295	$1,009,061	$ 598,149	$4,125,524	$ (74,277)	$5,658,457
Net income				587,602		587,602
Unrealized holding gains on securities available-for-sale, net of deferred tax benefit and reclassification adjustment					42,172	42,172
Comprehensive income*						629,774
Cash dividends declared on common stock — $ 1.68 a share				(341,589)		(341,589)
Common stock issued pursuant to:						
Stock option and employee benefit plans	895,933	4,480	48,279			52,759
Dividend reinvestment plan	280,503	1,403	15,726			17,129
Acquisitions	2,254,947	11,275	167,674			178,949
Common stock acquired	(1,779,922)	(8,900)	(98,691)			(107,591)
Miscellaneous				2,276		2,276
Balance at end of period	203,463,756	$1,017,319	$ 731,137	$4,373,813	$ (32,105)	$6,090,164

* Comprehensive income for the third quarters of 2000 and 1999 was $252,776 and $239,098, respectively.

$ IN THOUSANDS

WACHOVIA CORPORATION AND SUBSIDIARIES

	Nine Months Ended September 30 2000	1999
OPERATING ACTIVITIES		
Net income	$ 587,602	$ 748,285
Adjustments to reconcile net income to net cash provided by operations:		
Provision for loan losses	470,987	231,931
Depreciation and amortization	219,900	178,153
Deferred income taxes	149,082	289,634
Securities gains	(63)	(10,834)
Loss (gain) on sale of noninterest-earning assets	86	(12,833)
(Decrease) increase in accrued income taxes	(10,242)	29,956
Increase in accrued interest receivable	(37,793)	(26,042)
Increase in accrued interest payable	47,724	42,529
Net change in other accrued and deferred income and expense	128,811	76,003
Net trading account activities	(16,479)	(190,848)
Net loans held for resale	(76,673)	244,305
Net cash provided by operating activities	1,462,942	1,600,239
INVESTING ACTIVITIES		
Net decrease (increase) in interest-bearing bank balances	92,616	(17,527)
Net decrease in federal funds sold and securities purchased under resale agreements	6,158	188,920
Purchases of securities available-for-sale	(959,658)	(2,146,210)
Purchases of securities held-to-maturity	(129,277)	(57,339)
Sales of securities available-for-sale	485,616	227,791
Calls, maturities and prepayments of securities available-for-sale	611,721	1,743,378
Calls, maturities and prepayments of securities held-to-maturity	149,075	171,444
Net increase in loans made to customers	(4,300,867)	(3,395,011)
Credit card receivables securitized	418,398	1,395,954
Capital expenditures	(75,074)	(175,024)
Proceeds from sales of premises and equipment	14,369	23,241
Net increase in other assets	(76,808)	(247,009)
Business combinations	(762,629)	(11,016)
Net cash used by investing activities	(4,526,360)	(2,298,408)
FINANCING ACTIVITIES		
Net decrease in demand, savings and money market accounts	(690,963)	(221,057)
Net increase (decrease) in certificates of deposit	2,653,841	(1,064,822)
Net increase in federal funds purchased and securities sold under repurchase agreements	394,265	1,213,243
Net increase in commercial paper	334,515	180,747
Net decrease in other short-term borrowings	(957,361)	(452,410)
Proceeds from issuance of long-term debt	2,369,884	1,583,199
Maturities and repayments of long-term debt	(862,765)	(643,519)
Common stock issued	33,730	35,234
Dividend payments	(341,589)	(309,174)
Common stock repurchased	(104,213)	(520,702)
Net increase in other liabilities	115,426	81,739
Net cash provided (used) by financing activities	2,944,770	(117,522)
DECREASE IN CASH AND CASH EQUIVALENTS	(118,648)	(815,691)
Cash and cash equivalents at beginning of year	3,475,004	3,800,265
Cash and cash equivalents at end of period	$ 3,356,356	$ 2,984,574

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Selected Period-End Data **Table 1**

	September 30	
	2000	1999
Banking offices:		
North Carolina	**187**	190
Virginia	**195**	237
Georgia	**139**	131
South Carolina	**118**	119
Florida	**40**	38
Total	**679**	715
Automated banking machines:		
North Carolina	**449**	445
Virginia	**273**	288
Georgia	**314**	302
South Carolina	**284**	289
Florida	**44**	37
Total	**1,364**	1,361
Employees (full-time equivalent)	**21,110**	21,722
Common stock shareholders of record	**51,009**	52,500
Common shares outstanding (thousands)	**203,464**	202,743

Common Stock Data — Per Share **Table 2**

	2000			1999	
	Third Quarter	Second Quarter	First Quarter	Fourth Quarter	Third Quarter
Market value:					
Period-end	**$56.69**	$54.25	$67.56	$68.00	$78.63
High	**60.38**	75.25	68.94	88.88	85.25
Low	**53.38**	53.56	53.63	65.44	75.31
Book value at period-end	**29.93**	29.20	28.88	28.04	27.76
Dividend	**.60**	.54	.54	.54	.54
Price/earnings ratio (1)	**13.7x**	12.3x	13.7x	13.9x	16.4x
Price/earnings ratio without nonrecurring items (1), (2)	**12.3**	11.9	13.3	13.7	16.2

(1) Based on the most recent four quarters of net income per diluted share and end of period stock price.
(2) Excludes the after-tax impact of nonrecurring charges.

Forward-Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements regarding Wachovia, including, without limitation, statements relating to Wachovia's expectations with respect to revenue, credit losses, levels of nonperforming assets, expenses, earnings and other measures of financial performance. Words such as "may," "could," "would," "should," "believes," "expects," "anticipates," "estimates," "intends," "plans," "targets" or similar expressions are intended to identify forward-looking statements. These forward-looking statements are not guarantees of future performance and involve certain risks and uncertainties that are subject to change based on various factors (many of which are beyond Wachovia's control). The following factors, among others, could cause Wachovia's financial performance to differ materially from the expectations expressed in such forward-looking statements: (1) business increases, productivity gains and other investments are lower than expected or do not occur as quickly as anticipated; (2) competitive pressures among financial service companies increase significantly; (3) the strength of the United States economy in general and/or the strength of the local economies of the States in which Wachovia conducts operations changes; (4) trade, monetary and fiscal policies and laws, including interest rate policies of the Board of Governors of the Federal Reserve System, change; (5) inflation, interest rates and/or market conditions fluctuate; (6) conditions in the stock market, the public debt market and other capital markets deteriorate, and impact Wachovia's activities; (7) Wachovia fails to develop competitive new products and services and/or new and existing customers do not accept these products and services; (8) financial services' laws and regulations change; (9) technology changes and Wachovia fails to adapt to those changes; (10) consumer spending and saving habits change; (11) unanticipated regulatory or judicial proceedings occur; and (12) Wachovia is unsuccessful at managing the risks involved in the foregoing. Additional information with respect to factors that may cause actual results to differ materially from those contemplated by such forward-looking statements may also be included in other reports that Wachovia files with the Securities and Exchange Commission. Wachovia cautions that the foregoing list of factors is not exclusive and not to place undue reliance on forward-looking statements. Wachovia does not intend to update any forward-looking statement, whether written or oral, relating to the matters discussed in this Quarterly Report on Form 10-Q.

	TWELVE MONTHS ENDED SEPTEMBER 30, 2000	2000 THIRD QUARTER	2000 SECOND QUARTER	2000 FIRST QUARTER	1999 FOURTH QUARTER	1999 THIRD QUARTER	NINE MONTHS ENDED SEPTEMBER 30 2000	NINE MONTHS ENDED SEPTEMBER 30 1999
SUMMARY OF OPERATIONS (thousands, except per share data)								
Interest income	$5,165,447	**$1,370,493**	$1,325,111	$1,245,357	$1,224,486	$1,165,343	**$3,940,961**	$3,442,334
Interest expense	2,647,929	**739,756**	685,729	625,861	596,583	548,238	**2,051,346**	1,600,151
Net interest income	2,517,518	**630,737**	639,382	619,496	627,903	617,105	**1,889,615**	1,842,183
Provision for loan losses	537,161	**123,956**	273,365	73,666	66,174	76,770	**470,987**	231,931
Net interest income after provision for loan losses	1,980,357	**506,781**	366,017	545,830	561,729	540,335	**1,418,628**	1,610,252
Other operating revenue	1,900,557	**519,990**	470,299	470,799	439,469	432,841	**1,461,088**	1,170,654
Securities gains (losses)	123	**(163)**	59	167	60	147	**63**	10,834
Total other income	1,900,680	**519,827**	470,358	470,966	439,529	432,988	**1,461,151**	1,181,488
Personnel expense	1,329,403	**325,743**	335,491	343,881	324,288	317,060	**1,005,115**	895,998
Merger-related charges	34,627	**11,928**	8,872	8,158	5,669	5,293	**28,958**	13,640
Litigation settlement charge	20,000	—	—	20,000	—	—	**20,000**	—
Restructuring charge	87,944	**87,944**	—	—	—	—	**87,944**	—
Other expense	1,106,610	**283,082**	286,928	265,939	270,661	254,839	**835,949**	740,369
Total other expense	2,578,584	**708,697**	631,291	637,978	600,618	577,192	**1,977,966**	1,650,007
Income before income tax expense	1,302,453	**317,911**	205,084	378,818	400,640	396,131	**901,813**	1,141,733
Income tax expense	451,915	**112,587**	67,513	134,111	137,704	138,632	**314,211**	393,448
Net income	$ 850,538	**$ 205,324**	$ 137,571	$ 244,707	$ 262,936	$ 257,499	**$ 587,602**	$ 748,285
Net income per common share:								
Basic	$ 4.20	**$ 1.01**	$ .68	$ 1.21	$ 1.30	$ 1.27	**$ 2.90**	$ 3.69
Diluted	$ 4.15	**$ 1.00**	$ .67	$ 1.20	$ 1.28	$ 1.25	**$ 2.87**	$ 3.62
Cash dividends paid per common share	$ 2.22	**$ .60**	$ .54	$ .54	$ .54	$ .54	**$ 1.68**	$ 1.52
Cash dividends paid on common stock	$ 450,862	**$ 121,990**	$ 109,505	$ 110,094	$ 109,273	$ 109,220	**$ 341,589**	$ 309,174
Cash dividend payout ratio	53.01%	**59.41%**	79.60%	44.99%	41.56%	42.42%	**58.13%**	41.32%
Average basic shares outstanding	202,677	**203,347**	202,728	202,464	202,168	202,167	**202,848**	203,007
Average diluted shares outstanding	204,627	**204,621**	204,572	204,213	205,096	205,345	**204,470**	206,562
SELECTED AVERAGE BALANCES (millions)								
Total assets	$ 68,477	**$ 69,709**	$ 69,466	$ 67,755	$ 66,982	$ 64,815	**$ 68,979**	$ 64,894
Loans — net of unearned income	51,007	**52,758**	52,133	50,550	48,593	47,003	**51,817**	46,761
Securities	8,511	**8,224**	8,407	8,395	9,016	9,461	**8,342**	9,449
Other interest-earning assets	1,382	**1,197**	1,241	1,245	1,844	1,464	**1,227**	1,455
Interest-bearing deposits	34,607	**34,800**	35,663	34,873	33,107	31,996	**35,111**	32,062
Short-term borrowed funds	9,101	**9,019**	8,621	8,920	9,836	8,848	**8,854**	9,254
Long-term debt	8,690	**9,498**	8,851	8,081	8,327	8,571	**8,812**	8,069
Noninterest-bearing deposits	8,373	**8,474**	8,373	8,319	8,326	8,368	**8,389**	8,232
Shareholders' equity	5,757	**5,952**	5,833	5,688	5,555	5,391	**5,824**	5,388
RATIOS (averages)								
Annualized net loan losses to loans	.66%	**.94%**	.56%	.58%	.54%	.61%	**.70%**	.64%
Annualized return on assets	1.24	**1.18**	.79	1.44	1.57	1.59	**1.14**	1.54
Annualized return on shareholders' equity	14.77	**13.80**	9.43	17.21	18.93	19.11	**13.45**	18.52
OPERATING PERFORMANCE EXCLUDING NONRECURRING ITEMS (1) (thousands, except per share data)								
Net income	$ 944,708	**$ 270,241**	$ 143,337	$ 264,510	$ 266,620	$ 260,939	**$ 678,088**	$ 757,234
Net income per diluted share	$ 4.62	**$ 1.32**	$ .70	$ 1.30	$ 1.30	$ 1.27	**$ 3.32**	$ 3.67
Annualized return on assets	1.38%	**1.55%**	.83%	1.56%	1.59%	1.61%	**1.31%**	1.56%
Annualized return on shareholders' equity	16.41	**18.16**	9.83	18.60	19.20	19.36	**15.52**	18.74
Cash dividend payout ratio	47.73	**45.14**	76.40	41.62	40.98	41.86	**50.38**	40.83
CASH BASIS FINANCIAL INFORMATION (1), (2)								
Net income	$1,013,438	**$ 289,882**	$ 162,566	$ 281,589	$ 279,401	$ 272,265	**$ 734,036**	$ 788,218
Net income per diluted share	$ 4.95	**$ 1.42**	$ .79	$ 1.38	$ 1.36	$ 1.33	**$ 3.59**	$ 3.82
Annualized return on assets	1.48%	**1.69%**	.95%	1.69%	1.69%	1.70%	**1.44%**	1.64%
Annualized return on shareholders' equity	17.60	**24.08**	13.84	24.27	24.02	23.40	**20.74**	22.43

(1) Excludes the effects of nonrecurring merger-related, litigation settlement and restructuring charges.
(2) Excludes the effects of purchase accounting related intangibles.

Results of Operations

This Quarterly Report on Form 10-Q should be read in conjunction with Wachovia's 1999 Annual Report on Form 10-K, and will serve to update previously reported information for current interim period results.

Overview

The U.S. economy expanded at a moderate pace during the third quarter with some continuing evidence of slowing from the rapid pace of growth earlier in the year. This led the Federal Reserve to leave short-term interest rates unchanged after a 50 basis point increase on May 16, 2000, that followed five 25 basis point increases since July 1999. Most of the twelve Federal Reserve Districts reported that consumer spending was flat to modestly higher compared with late spring and early summer. Home sales and construction continued to soften, but several Districts reported that commercial real estate activity was robust. Overall, loan demand remained strong. Gross domestic product rose 2.7 percent, based on preliminary data. Also based on preliminary data, the nation's average unemployment rate fell to 3.9 percent from 4.2 percent during third quarter 1999. Within Wachovia's five-state operating area, unemployment averaged 3.5 percent.

Wachovia's strategy is to focus on entering and expanding businesses with strong potential for growth, and redirecting resources as appropriate for the most attractive returns. This will continue to be accomplished by enhancing products and services through internal development, as well as by selective acquisitions and partnerships.

During the third quarter, Wachovia announced plans to realign resources and eliminate 1,800 positions as part of a continuing performance improvement project designed to lift pre-tax earnings by $425 million by 2002. The performance project, which began in 1999, seeks to improve earnings through revenue enhancement, productivity gains, sharper capital deployment and expense management.

On February 1, Wachovia completed its purchase of a majority of the credit card business of Partners First Holdings LLC, adding 1.2 million customers and approximately $2 billion of managed receivables. The acquisition of B C Bankshares, Inc., parent company of the Bank of Canton, also was completed in February. On June 1, Wachovia completed the acquisition of Commerce National Corporation, the parent company of the National Bank of Commerce. These transactions followed several purchase acquisitions completed in 1999 that strengthened Wachovia's wealth advisory and capital markets capabilities.

On September 7, Wachovia announced an agreement to acquire DavisBaldwin, Inc., a Tampa, Florida based insurance agency specializing in property and casualty insurance services for commercial customers. The acquisition of DavisBaldwin, Inc. was completed on November 1. On September 21, Wachovia announced a branch swap transaction with another financial institution. The branch swap transaction, which will be completed in the first quarter of 2000, will provide Wachovia with its first retail branch in Tennessee and will allow for future branches in that state. On October 30, Wachovia announced an agreement to acquire Republic Security Financial Corporation, headquartered in West Palm Beach, Florida, and parent company of Republic Security Bank. Republic Security, which operates 99 banking facilities in 11 Florida counties, had assets of $3.4 billion and deposits of $2 billion at September 30, 2000. The transaction will be accounted for as a purchase and is expected to be completed in the first quarter of 2001.

COMPUTATION OF EARNINGS PER COMMON SHARE — TABLE 4

(THOUSANDS, EXCEPT PER SHARE)

	Three Months Ended September 30		Nine Months Ended September 30	
	2000	1999	**2000**	1999
BASIC				
Average common shares outstanding	**203,347**	202,167	**202,848**	203,007
Net income	**$205,324**	$257,499	**$587,602**	$748,285
Per share amount	**$ 1.01**	$ 1.27	**$ 2.90**	$ 3.69
DILUTED				
Average common shares outstanding	**203,347**	202,167	**202,848**	203,007
Dilutive common stock options at average market price	**1,141**	2,715	**1,440**	3,113
Dilutive common stock awards at average market price	**110**	440	**159**	417
Convertible long-term debt assumed converted	**23**	23	**23**	25
Average diluted shares outstanding	**204,621**	205,345	**204,470**	206,562
Net income	**$205,324**	$257,499	**$587,602**	$748,285
Add interest on convertible long-term debt — net of tax	**17**	18	**45**	54
Adjusted net income	**$205,341**	$257,517	**$587,647**	$748,339
Per share amount	**$ 1.00**	$ 1.25	**$ 2.87**	$ 3.62

Wachovia's operating net income for the third quarter of 2000 was $270 million or $1.32 per diluted share versus $261 million or $1.27 per diluted share a year earlier. On a reported basis, net income for the quarter was $205 million or $1.00 per diluted share versus $257 million or $1.25 per diluted share a year earlier. The third quarter continued the trend of slower revenue growth in market-sensitive businesses begun in the second quarter. The provision for loan losses remained above historical levels as loan charge offs and the balance of nonperforming loans rose from earlier levels. Year-to-date operating earnings were $678 million or $3.32 per diluted share compared with $757 million or $3.67 per diluted share for the same period in 1999. Operating earnings exclude merger-integration and other nonrecurring charges. Reported earnings for the first nine months of 2000 were $588 million or $2.87 per diluted share and $748 million or $3.62 per diluted share a year earlier. Comparisons between the 2000 and 1999 periods are also impacted by the results of acquisitions that are included in reported results from their respective acquisition dates each year.

Expanded discussion of results of operations and financial condition follows. Interest income is stated on a taxable equivalent basis, which is adjusted for the tax-favored status of earnings from certain loans and securities. References to changes in assets and liabilities represent daily average levels unless otherwise noted.

BUSINESS SEGMENTS

Wachovia has five reportable business segments: Asset and Wealth Management, Corporate, Credit Card, Consumer and Treasury & Administration.

Business segment results are reported on a management accounting basis. They reflect evolving information needs specific to a company's business managers and may differ by company due to wide discretion in application. As a result, Wachovia's business segment results are not necessarily comparable with those of other financial institutions with similar segments or with those of other companies that compete directly in one or more of its lines of business. In addition, business segment results may be restated in the future as Wachovia's management structure, information needs or reporting systems evolve.

The provision for loan losses is charged to each business segment based on the credit risk of each segment's loan portfolio. Operating expenses to support business unit revenues are either charged directly as incurred or allocated from support areas based on usage. In addition, general overhead expense that cannot be specifically identified to a business unit is allocated based on the proportion of each segment's direct expenses to total direct expenses of the combined segments. Income tax expense is calculated for each business segment with a blended tax rate. This rate is adjusted as applicable for the assumed tax effect of tax-exempt income and nondeductible intangible amortization expense.

Beginning January 2000, Wachovia adopted a marginal matched maturity funds transfer pricing methodology for management reporting. Formerly, Wachovia utilized a multiple pool method to simulate matched funding. This change in management accounting has been reflected for all periods. Given the complexity of products and services and their impact on cash and balance sheet management, the marginal matched maturity method provides an improved method of measuring the economics of products, services and business unit results. The new approach evaluates the cash flows and repricing characteristics of all balance sheet transactions at an instrument level by benchmarking pricing decisions against Wachovia's wholesale cost of funds. This approach removes most forms of interest rate risk, prepayment risk and liquidity risk from the balance sheets of the business units and isolates them in Treasury & Administration for centralized evaluation and management. Under marginal matched maturity funds transfer pricing, business unit results more closely represent the economic impact of growth and pricing decisions. Other minor changes in management accounting were implemented during the year with all prior periods restated to reflect the changes.

Financial results by business segment are discussed below.

BUSINESS SEGMENTS **TABLE 5**

(THREE MONTHS ENDED SEPTEMBER 30)

	Asset and Wealth Management		Corporate		Credit Card		Consumer		Treasury & Administration		Eliminations		Total Corporation	
	2000	1999	**2000**	1999	**2000**	1999	**2000**	1999	**2000**	1999	**2000**	1999	**2000**	1999
OPERATIONS SUMMARY (millions)														
External net interest margin	**$ 37**	$ 28	**$ 677**	$ 547	**$ 305**	$ 214	**$ (46)**	$ (39)	**$ (333)**	$ (123)	**$ (9)**	$ (10)	**$ 631**	$ 617
Internal funding (charge) credit	**(3)**	5	**(430)**	(316)	**(132)**	(82)	**275**	254	**316**	163	**(26)**	(24)	**—**	—
Net interest income*	**34**	33	**247**	231	**173**	132	**229**	215	**(17)**	40	**(35)**	(34)	**631**	617
Total other income	**151**	134	**103**	100	**57**	43	**156**	110	**53**	46	**—**	—	**520**	433
Total revenue	**185**	167	**350**	331	**230**	175	**385**	325	**36**	86	**(35)**	(34)	**1,151**	1,050
Provision for loan losses	**—**	—	**76**	15	**99**	55	**4**	4	**(55)**	3	**—**	—	**124**	77
Total other expense	**155**	141	**176**	170	**76**	51	**232**	231	**96**	8	**(26)**	(24)	**709**	577
Pretax profit	**30**	26	**98**	146	**55**	69	**149**	90	**(5)**	75	**(9)**	(10)	**318**	396
Income taxes (benefit)	**12**	10	**36**	53	**20**	25	**55**	33	**(1)**	28	**(9)**	(10)	**113**	139
Net income (loss)	**$ 18**	$ 16	**$ 62**	$ 93	**$ 35**	$ 44	**$ 94**	$ 57	**$ (4)**	$ 47	**$—**	$—	**$ 205**	$ 257
Percentage contribution to total revenue**	**15.6%**	15.4%	**29.5%**	30.5%	**19.4%**	16.2%	**32.5%**	30.0%	**3.0%**	7.9%				
Percentage contribution to net income	**8.8%**	6.2%	**30.2%**	36.2%	**17.1%**	17.1%	**45.9%**	22.2%	**(2.0%)**	18.3%				
AVERAGE BALANCES (millions)														
Total assets	**$4,076**	$3,242	**$38,119**	$34,101	**$7,958**	$6,246	**$11,341**	$9,591	**$8,215**	$11,635			**$69,709**	$64,815

* Net interest income is reported on a taxable equivalent basis by segment and on a nontaxable equivalent basis for the corporation, reflecting segment eliminations.
** Percentage contribution to total revenue is based on the proportion of each segment's revenue to the combined revenue of all segments. Revenue for the total corporation is presented based on nontaxable equivalent net interest income and total other income, including securities transactions.

(NINE MONTHS ENDED SEPTEMBER 30)

	Asset and Wealth Management		Corporate		Credit Card		Consumer		Treasury & Administration		Eliminations		Total Corporation	
	2000	1999	**2000**	1999	**2000**	1999	**2000**	1999	**2000**	1999	**2000**	1999	**2000**	1999
OPERATIONS SUMMARY (millions)														
External net interest margin	**$ 107**	$ 73	**$ 1,940**	$ 1,586	**$ 865**	$ 634	**$ (132)**	$ (112)	**$ (862)**	$ (310)	**$ (28)**	$ (29)	**$ 1,890**	$ 1,842
Internal funding (charge) credit	**2**	19	**(1,207)**	(907)	**(371)**	(238)	**809**	749	**842**	448	**(75)**	(71)	**——**	——
Net interest income*	**109**	92	**733**	679	**494**	396	**677**	637	**(20)**	138	**(103)**	(100)	**1,890**	1,842
Total other income	**467**	338	**321**	294	**163**	121	**370**	313	**140**	115	**——**	——	**1,461**	1,181
Total revenue	**576**	430	**1,054**	973	**657**	517	**1,047**	950	**120**	253	**(103)**	(100)	**3,351**	3,023
Provision for loan losses	**1**	1	**317**	33	**286**	199	**15**	13	**(148)**	(14)	**——**	——	**471**	232
Total other expense	**475**	355	**530**	480	**219**	159	**699**	685	**130**	42	**(75)**	(71)	**1,978**	1,650
Pretax profit	**100**	74	**207**	460	**152**	159	**333**	252	**138**	225	**(28)**	(29)	**902**	1,141
Income taxes (benefit)	**40**	28	**76**	165	**55**	57	**122**	92	**49**	80	**(28)**	(29)	**314**	393
Net income (loss)	**$ 60**	$ 46	**$ 131**	$ 295	**$ 97**	$ 102	**$ 211**	$ 160	**$ 89**	$ 145	**$——**	$——	**$ 588**	$ 748
Percentage contribution to total revenue**	**16.7%**	13.8%	**30.5%**	31.2%	**19.0%**	16.5%	**30.3%**	30.4%	**3.5%**	8.1%				
Percentage contribution to net income	**10.2%**	6.2%	**22.3%**	39.4%	**16.5%**	13.6%	**35.9%**	21.4%	**15.1%**	19.4%				
AVERAGE BALANCES (millions)														
Total assets	**$3,876**	$2,730	**$37,656**	$34,035	**$7,914**	$6,279	**$10,826**	$9,607	**$8,707**	$12,243			**$68,979**	$64,894

* Net interest income is reported on a taxable equivalent basis by segment and on a nontaxable equivalent basis for the corporation, reflecting segment eliminations.
** Percentage contribution to total revenue is based on the proportion of each segment's revenue to the combined revenue of all segments. Revenue for the total corporation is presented based on nontaxable equivalent net interest income and total other income, including securities transactions.

Asset and Wealth Management

Asset and Wealth Management provides integrated financial services to the affluent marketplace. During 1999, Wachovia made three acquisitions to further advance its capabilities. In April 1999, Wachovia acquired Interstate/Johnson Lane Inc. ("IJL") and in September, Wachovia completed the acquisitions of OFFITBANK Holdings, Inc. ("OFFITBANK") and Barry, Evans, Josephs & Snipes, Inc. ("BEJS"). Also in the third quarter of 1999, Wachovia sold its master trust and institutional custody business in order to focus on more strategically oriented businesses. In September 2000, Wachovia announced an agreement to acquire Tampa, Florida-based DavisBaldwin, Inc. ("DavisBaldwin"), a leading insurance agency specializing in property and casualty insurance services for commercial customers. The acquisition of DavisBaldwin was completed on November 1, 2000.

Products and Services. Asset and Wealth Management delivers innovative tailored products and services through a variety of channels. The Private Financial Advisors group provides a full range of products and services to affluent customers, including banking and credit services, tax planning and consulting, trust services, portfolio management, estate planning, investment counseling and insurance. OFFITBANK and BEJS provide wealth management and specialized investment and insurance products for the high-end of the affluent market.

Wachovia's brokerage business offers a wide variety of services and investment products including the Wachovia Funds through full-service brokers and branch-based investment consultants. Customers making their own investment decisions can trade through Wachovia Investments Direct using a broker, a touch-tone telephone service or the Internet.

Institutional Client Services provides asset management, retirement services and philanthropy management services to businesses, individuals and charitable institutions. Executive Services is a nationally recognized leader in providing retirement and wealth accumulation products for high-net-worth individuals. It also provides change-of-control and employee benefit protection services to client management teams. Wachovia Asset Management provides investment strategies and portfolio management for individuals and institutions, in addition to managing the Wachovia Funds.

Industry Dynamics and Strategy. Wachovia believes the current marketplace is underserved with few national brands and fragmented competition. Within Wachovia's five-state geographic footprint, households are growing much faster than the national average, and over the next five years, the subset of affluent households is expected to grow substantially. Market volatility and the projected need for intergenerational wealth transfer capabilities also will drive demand. These factors combine to create an attractive market opportunity. Asset and Wealth Management's market presence, brand names and strategic focus position it to take unique advantage of this environment.

The integration of the acquisitions has allowed this business segment to increase its product offerings, leverage existing services and expand distribution channels. In September 2000, Wachovia launched the Market Acceleration Project that expands the penetration of the successful Private Financial Advisor model in new and existing markets. The goal of the project is to increase profit by generating more successful client leads and improving linkages among Wachovia's other lines of business.

Financial Results. Comparisons of financial results between periods were affected by acquisitions. Net interest income increased 4 percent over the third quarter last year mainly due to strong loan growth in Private Financial Advisors net of the additional cost of funding intangible assets resulting from acquisitions. Other income rose $17 million or 13 percent with acquisitions accounting for approximately $8 million of the growth. Other expense increased $14 million or 10 percent from the third quarter of 1999 almost entirely caused by goodwill amortization expense and the expense base from the acquisitions of OFFITBANK and BEJS.

Year-to-date pretax profit increased $26 million or 35 percent over the same period last year. Loan growth was primarily responsible for the $17 million increase in net interest income. Other income was up $129 million or 38 percent from a year ago reflecting acquisitions and core business growth. Record market trading activity in first quarter 2000 contributed to a strong increase in investment fees over a year ago despite some softness during the second and third quarters of 2000. The $120 million increase in expenses reflects goodwill amortization and the added expense base of the acquired entities.

Corporate

Corporate strives to be the preferred provider of services to targeted corporate clients through comprehensive relationship management. To achieve this goal, it works to know its customers better than the competition; anticipate customer needs and provide innovative solutions; align products, services and delivery channels with customer needs; and serve customers through insightful, trusted professionals.

Products and Services. Corporate provides a comprehensive array of corporate banking, investment banking, capital markets and cash management services. Global Corporate Finance has a significant market penetration with companies with annual sales between $200 million and $2 billion across the U.S. The group also serves select industry sectors including communications and diversified financial services, as well as leveraged finance customers. Global Corporate Finance maintains relationships with domestic, multinational, and foreign companies and institutions through offices in the Southeast, Chicago, London, Sao Paulo, and Hong Kong.

Regional Corporate Financial Services has relationships with more than 25,000 clients in the Southeast. Business Banking and Regional Corporate Finance serve clients ranging from business banking firms with sales as low as $2 million to major corporations with sales up to $200 million. The group also serves commercial real estate developers, investors and REITs through its real estate financial services group and serves automobile and other specialty finance customers through its dealer financial services group.

Capital Markets products include investment banking, mergers and acquisitions, loan syndication finance, asset backed finance, commercial paper, corporate bonds, interest rate and foreign exchange risk management services, leasing, public equity research, sales and trading, and private equity investments. Capital Markets closely aligns its products and services based upon the needs of targeted segments in Global Corporate Finance and Regional Corporate Financial Services.

Corporate also provides treasury consulting and cash management solutions through its Treasury Services Group. This area has been consistently cited for its superior quality of service, technology, and operations performance. The Treasury Services

Group achieved top honors in the Phoenix-Hecht Quality Index 2000. In addition to treasury consulting, the group provides an array of cash management products and has become a leading provider of Internet-based electronic access.

Industry Dynamics and Strategy. While general demand for corporate services has been firm, the credit cycle in the U.S. large corporate market has continued to show signs of weakness and deterioration. Rising bond default rates, the significant increase in credit rating downgrades versus upgrades, widening credit spreads, greater incidence of public company bankruptcies, and the velocity of borrower deterioration signal rising risk in the commercial lending environment. In this highly competitive environment, Corporate maintains a strong market position in the Southeast and in the U.S. large corporate market.

The strategy of Corporate is to build strong and long-lasting relationships with targeted clients through deep knowledge of their unmet needs combined with superior execution. Continuing and dynamic customer segmentation and sales model development will enhance customer service and productivity. The strategy is to sharply focus on capital markets products and improve investment banking expertise. Treasury Services is accelerating the development of innovative new products, eBusiness applications and outsourcing services.

Financial Results. Net interest income increased by $16 million or 7 percent compared to the third quarter of 1999 as average loans outstanding increased by almost 13 percent. The effect on net interest income of growth in volume was partially offset by the rise in the level of nonperforming loans. Loan fees were up 17 percent due to higher origination activity. The loan loss provision increased by $61 million to $76 million, as specific reserves were adjusted to reflect some downward migration of watch list credits and the rise in nonperforming loans, particularly in the large corporate portfolio. Other income rose 3 percent, led by increases in letter of credit fees and Treasury Services revenue. Noninterest expense increased 4 percent due primarily to higher expenditures on product development and technology initiatives.

Year to date net interest margin increased $54 million or 8 percent over the same period in 1999, reflecting 13 percent growth in average loans, offset partially by loan spread compression. The loan loss provision increased by $284 million, due to credit deterioration primarily in the large corporate portfolio. Other income grew by 9 percent, reflecting the inclusion of the IJL Capital Markets businesses for the full nine months in 2000, in addition to stronger letter of credit fees and Treasury Services results. Noninterest expense increased 10 percent, due to the addition of the former IJL business units, as well as higher technology spending.

Credit Card

Credit Card's mission is to be the preferred credit card issuer, recognized for value, fairness and long-term customer and employee relationships.

Products and Services. The Credit Card business segment is a full-service provider of consumer and business credit cards and merchant acquirer services. Credit Card manages most components of credit card processing in-house, with the exception of servicing business card products and the Partners First portfolio that are processed through outside vendors. Currently, 92 percent of Wachovia's credit card portfolio accrues interest at a variable rate and 34 percent of the accounts are within Wachovia's five-state geographic footprint.

Industry Dynamics and Strategy. The credit card industry is in a period of intense competition and consolidation. Response rates to direct mail solicitations are below those of prior years; however, Wachovia's response rates remain higher than the industry average. These pressures have prompted issuers to pursue new card-based products in attempt to capture market share. Credit Card's strategy focuses on serving above-average credit quality customers who carry higher-than-average loan balances while maintaining an efficient and cost-effective process.

Financial Results. On February 1, 2000, Credit Card acquired the Partners First credit card portfolio that significantly impacted comparability. The acquisition of Partners First added approximately $2 billion in managed receivables. Quarterly pretax profit fell below the amount reported for the third quarter of 1999, mostly due to the favorable charge off environment a year ago. Net interest income grew 31 percent, primarily due to the Partners First acquisition, partially offset by lower late fees. The loan loss provision increased 82 percent, primarily as a result of the acquisition and more favorable loss and bankruptcy experience a year ago. Noninterest income increased 32 percent largely due to the acquisition and higher overlimit fees.

Year to date pretax profit decreased 5 percent. The acquisition of the Partners First portfolio was the cause for the 25 percent increase in net interest income, which was partially offset by lower spreads resulting from rising interest rates and the lag effect of repricing accounts, and lower late fees. The increase in the loan loss provision was generally due to higher balances subject to charge off as well as higher loss experience in the current year. Noninterest income grew 34 percent mainly due to the acquisition; strong interchange income from increased purchase volume; and higher overlimit fees. Total expenses rose by 38 percent primarily due to the acquisition and increased business volume.

Consumer

Consumer develops customer relationships for the greatest lifetime value, manages the cost of the sales and service network and pursues opportunities to attract and serve customers through traditional and digital channels. It targets consumers, worksite groups and small businesses throughout the Southeast, offering a broad array of competitively priced products and services. Consumer is also important to the entire Wachovia franchise because of the intangible value provided to Wachovia's other business segments by its branch network, brand identity and customer base.

Products and Services. Consumer provides the more traditional retail banking services, including mortgage lending, deposit products and consumer loans, as well as services for the small business market. It also offers access to investment and insurance products. Delivery channels include 679 traditional and in-store branches and worksite centers, 1,364 ATMs and 31 kiosks, supported by four automated phone centers and the Internet. Campus Card programs provide card-based banking access to students and faculty at 10 university campuses, and Wachovia At Work serves employees of more than 4,600 companies.

The Internet is growing in importance as a forum for financial services. Four hundred fifty-two thousand of Wachovia's demand deposit customers are enrolled in Internet banking, up from 226 thousand at year-end and 146 thousand the prior year. Wachovia's Internet site, *www.wachovia.com*, serves as a financial portal with extensive account information and transaction capability supported by relevant financial news.

Industry Dynamics and Strategy. Consumer serves more than 3.8 million consumers and approximately 180 thousand small business customers. The majority of Wachovia's deposits are in large, high-growth metropolitan areas. Consumer's strategy is to assess customer potential, identify their financial needs and achieve alignment between their needs, service expectations and price. Specific initiatives to implement this strategy include:

- **Profitable Relationship Optimization (PRO).** Desktop technology connects to data warehouses that analyze customer information and anticipate the next likely desired service. This technology is combined with solution-selling skills by Personal Financial Advisors, small business bankers and branch bankers to serve more than 400 thousand high-potential customers.

- **Wachovia at Work and Campus Banking Programs.** These strategies involve deploying Wachovia products and services through employers and universities to provide access to employees and students.

- **Market Network Strategy.** Network optimization models provide an analytical framework to reduce branch network expenses, while at the same time maximizing customer points of presence. Earlier in the year, Wachovia identified 15 branches in Virginia and four in North Carolina that were sold during the third quarter as part of this strategy.

- **Selective Geographic Expansion.** Wachovia continues to evaluate merger and branching opportunities in high-growth areas. During the first quarter of 2000, Wachovia completed the acquisition of Bank of Canton in the suburban Atlanta area. Wachovia completed the acquisition of the National Bank of Commerce in suburban Orlando, Florida, in early June.

During the third quarter, Wachovia announced a branch swap transaction that will allow entry into the Tennessee market during the first quarter of 2001.

eBusiness activities at Wachovia are enterprise-wide. Advances in technology are rapidly transforming the financial services industry. The *e*Business Division provides corporate-wide *e*Business strategic planning, leadership and operational management for the entire enterprise. Business units sponsor specific Internet initiatives to meet the dynamic demands of their customer groups. This collaborative structure maximizes the leverage from technology and research with the necessary responsiveness to customer requirements and deliverables. Wachovia's *e*Business strategy is to develop a personalized and seamlessly delivered customer experience when using *www.wachovia.com* and Wachovia's other web sites, *www.macroworld.net, www.ijlwachovia.com* and *www.offitbank.com.* Value is created by aligning customer acquisition, retention, cross-selling and cost reduction throughout all customer segment and delivery channels.

Financial Results. Consumer's pretax profit grew $59 million or 65 percent from the same quarter last year. Net interest income increased 7 percent to $229 million, driven by a 20 percent increase in loans to $10.7 billion and a 4 percent increase in net deposits to $27.5 billion. Other income increased 42 percent to $156 million. The divestiture premium for the 19 branches sold in 2000 at $42 million was $34 million greater than the premium for the 6 branches sold in third quarter 1999. Excluding the impact of branches divested in both periods (operating results and divestiture premium), pretax profit increased $23 million, or 28 percent. Service charges on deposit accounts increased 9 percent primarily in returned check charges. Electronic banking revenues grew 16 percent, driven by ATM, check card and interchange revenues. Total expenses increased less than 1 percent, despite the investment in Wachovia's Internet site to support retail delivery and the additions of Bank of Canton and National Bank of Commerce expenses.

Nine-month pretax profit increased $81 million or 32 percent over the same period in the prior year. Excluding the impact of the branch divestitures in both years, pretax profit increased $45 million or 19 percent. Strong results for the branch-based consumer business offset a difficult mortgage lending environment and investments in Wachovia's retail delivery through the Internet. Results included eight months of Bank of Canton and four months of National Bank of Commerce. Net interest income increased 6 percent on good loan and deposit growth and higher interest rates, which caused spreads to widen on deposit products. Loan growth was solid in the Bankline and Equity Bankline categories, and savings certificates was the highest growth category in deposits as a result of the deposit mix of acquired banks, special marketing promotions and a shift in customer preference. Other income was up 18 percent driven by the divestiture premium, healthy deposit account and electronic banking fee growth. Excluding the divestiture premium from both years, other income increased 7 percent. Electronic banking revenue grew 19 percent due to rising ATM, debit card volumes and interchange revenue, and deposit-related fees increased 10 percent. Mortgage fees declined 25 percent on lower volume and a continued shift from fixed-rate to adjustable-rate mortgages. Expenses grew 2 percent as a result of the addition of the acquired banks and investment in the Internet site to support retail customers.

Treasury & Administration

The Treasury & Administration segment principally reflects asset and liability management for interest rate risk, management of the securities portfolio, internal compensation for funding sources and charges for funds used. Also reflected is the financial statement impact of credit card securitization transactions, since the Credit Card business segment is reported on a managed basis. Securitization involves the transfer of a pool of assets from the balance sheet to a master trust which then issues and sells to investors certificates representing a pro rata interest in the underlying assets. The transaction reduces interest income and the credit exposure associated with the transferred receivables while increasing credit card noninterest income in the form of gains on card sales, servicing fees and other excess revenue earned on the securitized loans. Other unallocated corporate costs and certain nonrecurring expenses are also included.

Financial Results. Credit card securitization transactions and the securitized portion of the acquired Partners First credit card portfolio have a large impact on comparability with prior year results. In March 1999, September 1999 and August 2000, Wachovia completed the securitization of $896 million, $500 million and $750 million, respectively, in credit card receivables. In comparing 2000 to 1999, the securitization transactions had the net effect of reducing average loans outstanding by $826 million for the quarter and $878 million year to date. The securitized portion of the acquired Partners First portfolio reduced average balances by $1.5 billion for the quarter and $1.3 billion year to date. The remaining reduction in average assets in both period comparisons was largely caused by attrition in the securities portfolio.

Quarterly pretax profit declined by $80 million almost entirely due to the restructuring charge recorded in third quarter 2000. Although securitization transactions impacted various income statement line items, their net effect on pretax profits was minimal. Net interest income decreased $57 million with $54 million resulting from the increase in securitized credit card receivables. The increase in securitized credit card receivables also accounted for most of the decrease in the provision for loan losses from the third quarter of 1999. Fees for servicing securitized credit cards increased by $11 million from a year ago, accounting for all of the $7 million increase in other income. The increase of $88 million in other expense for the quarter is primarily the result of the restructuring charge taken in the third quarter of 2000. The $7 million increase in merger-related charges was mostly offset by $5 million in expenses incurred in the third quarter of 1999 related to Year 2000 preparations.

Year to date pretax profit declined $87 million principally as a result of the restructuring charge. The increase in the amount of securitized credit cards accounted for $153 million of the $158 million decrease in net interest income. Securitizations and the securitized portion of the acquired Partners First portfolio are also the primary cause of the decrease in loan loss provision. The $25 million increase in other income primarily results from a $33 million increase in fees received for servicing the larger volume of securitized cards, offset by a $18 million decrease in gains from securitization transactions. Other expense increased $88 million due to a higher level of nonrecurring expenses including $88 million in restructuring charges, $15 million in merger integration expenses, and $20 million in litigation settlement charges. The increase in nonrecurring expenses was offset by $16 million in expenses incurred through the first nine months of 1999 in connection with Year 2000 preparations.

Average Volume 2000	Average Volume 1999	Average Rate 2000	Average Rate 1999		Interest 2000	Interest 1999	Variance	Variance Attributable to Rate	Variance Attributable to Volume
(Millions)				**INTEREST INCOME**			(Thousands)		
				Loans:					
$17,190	$15,444	8.74	7.24	Commercial	$ 377,657	$ 281,875	$ 95,782	$ 61,915	$ 33,867
663	751	9.49	8.97	Tax-exempt	15,809	16,983	(1,174)	920	(2,094)
17,853	16,195	8.77	7.32	Total commercial	393,466	298,858	94,608	62,278	32,330
1,275	1,063	8.95	8.54	Direct retail	28,680	22,875	5,805	1,111	4,694
4,071	3,551	8.48	7.85	Indirect retail	86,806	70,243	16,563	5,891	10,672
4,237	4,894	15.20	13.47	Credit card	161,891	166,201	(4,310)	19,674	(23,984)
772	598	11.97	10.82	Other revolving credit	23,215	16,326	6,889	1,845	5,044
10,355	10,106	11.55	10.82	Total retail	300,592	275,645	24,947	18,234	6,713
3,067	2,257	9.53	8.49	Construction	73,444	48,287	25,157	6,388	18,769
8,661	7,403	8.77	8.12	Commercial mortgages	190,873	151,501	39,372	12,591	26,781
8,785	7,431	8.17	7.77	Residential mortgages	180,351	145,576	34,775	7,584	27,191
20,513	17,091	8.62	8.02	Total real estate	444,668	345,364	99,304	27,241	72,063
2,741	2,359	8.43	10.70	Lease financing	58,109	63,604	(5,495)	(14,789)	9,294
1,296	1,252	8.30	6.67	Foreign	27,036	21,067	5,969	5,232	737
52,758	47,003	9.23	8.48	Total loans	1,223,871	1,004,538	219,333	91,927	127,406
				Securities:					
				Held-to-maturity:					
465	626	6.37	6.03	U.S. Government and agency	7,444	9,520	(2,076)	499	(2,575)
370	456	8.16	8.16	Mortgage-backed	7,576	9,384	(1,808)	(8)	(1,800)
221	161	9.13	10.27	State and municipal	5,078	4,168	910	(503)	1,413
17	52	8.13	6.41	Other	350	845	(495)	183	(678)
1,073	1,295	7.58	7.32	Total held-to-maturity	20,448	23,917	(3,469)	806	(4,275)
				Available-for-sale:**					
2,798	3,574	6.40	6.20	U.S. Government and agency	45,011	55,830	(10,819)	1,755	(12,574)
3,722	4,031	6.50	6.31	Mortgage-backed	60,808	64,103	(3,295)	1,848	(5,143)
631	561	6.18	7.38	Other	9,809	10,446	(637)	(1,836)	1,199
7,151	8,166	6.43	6.33	Total available-for-sale	115,628	130,379	(14,751)	1,963	(16,714)
8,224	9,461	6.58	6.47	Total securities	136,076	154,296	(18,220)	2,605	(20,825)
104	124	5.43	5.23	Interest-bearing bank balances	1,424	1,631	(207)	61	(268)
403	550	6.71	5.09	Federal funds sold and securities purchased under resale agreements	6,803	7,062	(259)	1,908	(2,167)
690	790	6.57	3.68	Trading account assets	11,396	7,335	4,061	5,097	(1,036)
$62,179	$57,928	8.83	8.05	Total interest-earning assets	1,379,570	1,174,862	204,708	116,484	88,224
				INTEREST EXPENSE					
$ 4,676	$ 4,617	1.45	1.31	Interest-bearing demand	17,038	15,279	1,759	1,570	189
12,814	13,566	4.52	3.54	Savings and money market savings	145,463	121,106	24,357	31,446	(7,089)
9,543	8,696	5.87	5.04	Savings certificates	140,898	110,569	30,329	19,034	11,295
3,831	3,076	6.18	5.15	Large denomination certificates	59,476	39,954	19,522	8,718	10,804
30,864	29,955	4.68	3.80	Total interest-bearing deposits in domestic offices	362,875	286,908	75,967	67,134	8,833
3,936	2,041	6.40	4.81	Interest-bearing deposits in foreign offices	63,288	24,730	38,558	10,133	28,425
34,800	31,996	4.87	3.86	Total interest-bearing deposits	426,163	311,638	114,525	85,711	28,814
5,985	5,682	6.23	4.90	Federal funds purchased and securities sold under repurchase agreements	93,763	70,153	23,610	19,756	3,854
1,801	1,499	6.14	4.79	Commercial paper	27,799	18,082	9,717	5,665	4,052
1,233	1,667	8.68	5.74	Other short-term borrowed funds	26,912	24,101	2,811	10,170	(7,359)
9,019	8,848	6.55	5.04	Total short-term borrowed funds	148,474	112,336	36,138	33,933	2,205
2,127	2,551	6.77	5.51	Bank notes	36,196	35,468	728	7,249	(6,521)
7,371	6,020	6.96	5.85	Other long-term debt	128,923	88,797	40,126	18,340	21,786
9,498	8,571	6.92	5.75	Total long-term debt	165,119	124,265	40,854	26,641	14,213
$53,317	$49,415	5.52	4.40	Total interest-bearing liabilities	739,756	548,239	191,517	146,086	45,431
		3.31	3.65	Interest rate spread					
		4.09	4.29	Net yield on interest-earning assets and net interest income	$ 639,814	$ 626,623	$ 13,191	(30,432)	43,623

* Interest income and yields are presented on a fully taxable equivalent basis using the federal income tax rate and state tax rates, as applicable, reduced by the nondeductible portion of interest expense. Any variance attributable jointly to volume and rate changes is allocated to the volume and rate in proportion to the relationship of the absolute dollar amount of the change in each.

** Volume amounts are reported at amortized cost; excludes pretax unrealized losses of $107 million in 2000 and $47 million in 1999.

Taxable Equivalent Rate/Volume Analysis — Nine Months* — Table 8

Average Volume 2000	Average Volume 1999	Average Rate 2000	Average Rate 1999		Interest 2000	Interest 1999	Variance	Variance Attributable to Rate	Variance Attributable to Volume
(Millions)				**Interest Income**			(Thousands)		
				Loans:					
$17,325	$15,426	8.43	7.04	Commercial	$1,093,707	$ 812,194	$281,513	$173,584	$107,929
670	838	9.36	9.12	Tax-exempt	46,912	57,124	(10,212)	1,465	(11,677)
17,995	16,264	8.47	7.15	Total commercial	1,140,619	869,318	271,301	172,165	99,136
1,207	1,069	8.83	8.68	Direct retail	79,812	69,398	10,414	1,252	9,162
3,927	3,411	8.17	7.91	Indirect retail	240,188	201,804	38,384	6,848	31,536
4,620	5,222	14.23	13.36	Credit card	492,196	521,904	(29,708)	32,677	(62,385)
735	572	11.62	10.85	Other revolving credit	63,891	46,460	17,431	3,474	13,957
10,489	10,274	11.16	10.92	Total retail	876,087	839,566	36,521	18,431	18,090
2,774	2,167	9.48	8.40	Construction	196,844	136,178	60,666	19,003	41,663
8,288	7,220	8.53	8.05	Commercial mortgages	529,197	434,547	94,650	27,285	67,365
8,307	7,360	8.00	7.80	Residential mortgages	497,742	429,583	68,159	11,293	56,866
19,369	16,747	8.44	7.99	Total real estate	1,223,783	1,000,308	223,475	59,440	164,035
2,680	2,190	9.01	11.50	Lease financing	180,840	188,283	(7,443)	(45,055)	37,612
1,284	1,286	7.77	6.44	Foreign	74,721	61,925	12,796	12,883	(87)
51,817	46,761	9.01	8.46	Total loans	3,496,050	2,959,400	536,650	201,621	335,029
				Securities:					
				Held-to-maturity:					
451	603	6.36	6.15	U.S. Government and agency	21,468	27,758	(6,290)	925	(7,215)
392	514	8.10	8.24	Mortgage-backed	23,786	31,669	(7,883)	(543)	(7,340)
215	163	9.38	10.00	State and municipal	15,064	12,154	2,910	(793)	3,703
31	62	6.88	6.72	Other	1,573	3,115	(1,542)	70	(1,612)
1,089	1,342	7.60	7.44	Total held-to-maturity	61,891	74,696	(12,805)	1,507	(14,312)
				Available-for-sale:**					
2,849	3,441	6.48	6.39	U.S. Government and agency	138,323	164,569	(26,246)	2,321	(28,567)
3,749	4,099	6.50	6.36	Mortgage-backed	182,482	195,068	(12,586)	4,248	(16,834)
655	567	6.51	7.15	Other	31,931	30,361	1,570	(2,877)	4,447
7,253	8,107	6.50	6.43	Total available-for-sale	352,736	389,998	(37,262)	3,934	(41,196)
8,342	9,449	6.64	6.57	Total securities	414,627	464,694	(50,067)	4,565	(54,632)
103	112	5.63	6.20	Interest-bearing bank balances	4,347	5,215	(868)	(454)	(414)
457	580	6.16	4.91	Federal funds sold and securities purchased under resale agreements	21,091	21,293	(202)	4,830	(5,032)
667	763	6.56	3.70	Trading account assets	32,778	21,095	11,683	14,600	(2,917)
$61,386	$57,665	8.64	8.05	Total interest-earning assets	3,968,893	3,471,697	497,196	263,814	233,382
				Interest Expense					
$ 4,889	$ 4,658	1.43	1.21	Interest-bearing demand	52,263	41,995	10,268	8,088	2,180
13,011	13,295	4.27	3.53	Savings and money market savings	415,689	351,129	64,560	72,175	(7,615)
9,252	8,762	5.59	5.11	Savings certificates	387,163	334,944	52,219	32,703	19,516
4,018	3,281	5.90	5.16	Large denomination certificates	177,436	126,672	50,764	19,745	31,019
31,170	29,996	4.42	3.81	Total interest-bearing deposits in domestic offices	1,032,551	854,740	177,811	143,123	34,688
3,941	2,066	6.02	4.70	Interest-bearing deposits in foreign offices	177,518	72,689	104,829	24,640	80,189
35,111	32,062	4.60	3.87	Total interest-bearing deposits	1,210,069	927,429	282,640	188,473	94,167
5,810	5,950	5.84	4.56	Federal funds purchased and securities sold under repurchase agreements	253,862	203,147	50,715	55,613	(4,898)
1,689	1,457	5.82	4.59	Commercial paper	73,598	49,997	23,601	14,814	8,787
1,355	1,847	7.54	5.41	Other short-term borrowed funds	76,537	74,663	1,874	24,859	(22,985)
8,854	9,254	6.09	4.74	Total short-term borrowed funds	403,997	327,807	76,190	90,838	(14,648)
2,101	2,614	6.42	5.55	Bank notes	101,027	108,522	(7,495)	15,626	(23,121)
6,711	5,455	6.69	5.79	Other long-term debt	336,253	236,393	99,860	40,188	59,672
8,812	8,069	6.63	5.71	Total long-term debt	437,280	344,915	92,365	58,611	33,754
$52,777	$49,385	5.19	4.33	Total interest-bearing liabilities	2,051,346	1,600,151	451,195	335,189	116,006
		3.45	3.72	Interest rate spread					
		4.17	4.34	Net yield on interest-earning assets and net interest income	$1,917,547	$1,871,546	$ 46,001	(72,953)	118,954

* Interest income and yields are presented on a fully taxable equivalent basis using the federal income tax rate and state tax rates, as applicable, reduced by the nondeductible portion of interest expense. Any variance attributable jointly to volume and rate changes is allocated to the volume and rate in proportion to the relationship of the absolute dollar amount of the change in each.

** Volume amounts are reported at amortized cost; excludes pretax unrealized losses of $138 million in 2000 and unrealized gains of $46 million in 1999.

Consolidated Financial Results

Net Interest Income

Wachovia's taxable equivalent net interest income rose $13 million or 2.1 percent from the third quarter of 1999 to $640 million. Year-to-date net interest income increased $46 million from the same period a year ago. During the second quarter, the Federal Reserve continued to take action to slow the economy with a 50 basis point rate increase on May 16 that followed five 25 basis point increases from July 1999 through the end of the first quarter. Although the Federal Reserve took no further action on rates since May 16, third quarter results reflected the full effect of the earlier rate adjustments. Upon each action by the Federal Reserve, Wachovia raised its prime lending rate to keep pace with the rise in funding costs. For third quarter 2000, Wachovia's average prime lending rate and the average federal funds rate were 9.50 percent and 6.52 percent, respectively, compared with 8.10 percent and 5.09 percent, respectively, a year ago.

Wachovia's net yield on interest-earning assets was 4.09 percent compared with 4.29 percent reported for the third quarter of 1999. For the nine-month period, the net yield on interest-earning assets was 4.17 percent compared with 4.34 percent a year ago. Several factors contributed to the lower net yield on interest earning assets including credit card securitization transactions and the reversal of accrued interest on loans transferred to non accrual status. Loan growth continued to outpace growth in core deposits leading to greater use of wholesale sources to fund loan demand. Although this contributed positively to net interest income, it had a slightly dilutive effect on the net yield on interest-earning assets. Competitive pressures, primarily in the consumer (excluding credit card) and real estate loan categories where most of the growth occurred, kept pricing for new loans from including the full impact of the Federal Reserve's rate increases. Competition for deposits also resulted in narrowing spreads on new certificates of deposit.

Managed Credit Card Data **Table 9**

$ in thousands	2000 Third Quarter	2000 Second Quarter	2000 First Quarter	1999 Fourth Quarter	1999 Third Quarter	Nine Months Ended September 30 2000	Nine Months Ended September 30 1999
Average credit card loans	**$8,012,939**	$8,135,853	$7,771,010	$6,397,350	$6,343,811	**$7,973,412**	$6,367,035
Period-end loans	**7,981,510**	8,085,573	8,256,409	6,632,439	6,371,927	**7,981,510**	6,371,927
Net loan losses	**99,146**	100,207	87,040	57,720	59,261	**286,345**	199,456
Annualized net loan losses to average loans	**4.95%**	4.93%	4.48%	3.61%	3.74%	**4.79%**	4.18%
Delinquencies (30 days or more) to period-end loans	**4.03**	3.74	3.72	3.22	3.35	**4.03**	3.35

The average yield on interest-earning assets increased 78 basis points from the third quarter of 1999 and 59 basis points year-to-date. The rise in rates resulted in higher yields in all loan categories except lease financing. Changes in portfolio mix resulting from credit card securitization transactions completed during 1999 and 2000 subdued retail loan yields in 2000. The effect of the securitizations was most evident in comparing year-to-date yields to 1999 as the Series 1999-1 transaction, representing $896 million in receivables, occurred late in the first quarter of 1999. The Series 1999-2 transaction, representing $500 million in receivables, occurred in late third quarter 1999. At the beginning of the third quarter of 2000, Wachovia completed the 2000-1 series securitization representing $750 million in receivables. Also during the third quarter, the 1995-1 series securitization transaction began to mature which resulted in the loans returning to the balance sheet.

The average rate paid on interest-bearing liabilities increased by 112 basis points from the third quarter of 1999 and 86 basis points year-to-date from 1999. Comparisons with prior year reflect the rising rate environment that began with the Federal Reserve's actions to slow the economy in early third quarter 1999. Liability mix also contributed to the increase in the rate on interest bearing liabilities as most of the growth in the balance sheet was funded from wholesale sources. Deposit mix added to the increase in funding costs as customer preference shifted toward certificates of deposit from lower rate money market savings accounts. Interest-bearing core deposit funding increased $154 million and $437 million, respectively, compared to the third quarter and the first nine months of 1999 despite the loss of $438 million in deposits with the sale of branches in the third quarter of 2000. The acquisitions of Bank of Canton and National Bank of Commerce and the third quarter 1999 sale of branches also affected comparability of core deposits balances between periods.

For the remainder of the year, management expects the net yield on interest-earning assets to remain comparable to that reported in the third quarter. Net interest income is anticipated to grow modestly for the remainder of the year.

NET INTEREST INCOME AND AVERAGE BALANCES **TABLE 10**

	Twelve Months Ended September 30	2000			1999		Nine Months Ended September 30	
	2000	**Third Quarter**	Second Quarter	First Quarter	Fourth Quarter	Third Quarter	**2000**	1999
NET INTEREST INCOME — TAXABLE EQUIVALENT (thousands)								
Interest income:								
Loans — including fees	$4,558,712	**$1,223,871**	$1,173,755	$1,098,424	$1,062,662	$1,004,538	**$3,496,050**	$2,959,400
Securities	564,932	**136,076**	141,689	136,862	150,305	154,296	**414,627**	464,694
Interest-bearing bank balances	6,522	**1,424**	1,400	1,523	2,175	1,631	**4,347**	5,215
Federal funds sold and securities purchased under resale agreements	30,494	**6,803**	6,796	7,492	9,403	7,062	**21,091**	21,293
Trading account assets	43,842	**11,396**	11,025	10,357	11,064	7,335	**32,778**	21,095
Total	5,204,502	**$1,379,570**	1,334,665	1,254,658	1,235,609	1,174,862	**3,968,893**	3,471,697
Interest expense:								
Interest-bearing demand	68,702	**17,038**	17,379	17,846	16,439	15,279	**52,263**	41,995
Savings and money market savings	542,117	**145,463**	139,095	131,131	126,428	121,106	**415,689**	351,129
Savings certificates	499,802	**140,898**	128,528	117,737	112,639	110,569	**387,163**	334,944
Large denomination certificates	223,303	**59,476**	61,816	56,144	45,867	39,954	**177,436**	126,672
Interest-bearing deposits in foreign offices	213,911	**63,288**	62,308	51,922	36,393	24,730	**177,518**	72,689
Short-term borrowed funds	533,351	**148,474**	132,206	123,317	129,354	112,336	**403,997**	327,807
Long-term debt	566,743	**165,119**	144,397	127,764	129,463	124,265	**437,280**	344,915
Total	2,647,929	**739,756**	685,729	625,861	596,583	548,239	**2,051,346**	1,600,151
Net interest income	$2,556,573	**$ 639,814**	$ 648,936	$ 628,797	$ 639,026	$ 626,623	**$1,917,547**	$1,871,546
Annualized net yield on interest-earning assets	4.20%	**4.09%**	4.22%	4.20%	4.26%	4.29%	**4.17%**	4.34%
AVERAGE BALANCES (millions)								
Assets:								
Loans — net of unearned income	$ 51,007	**$ 52,758**	$ 52,133	$ 50,550	$ 48,593	$ 47,003	**$ 51,817**	$ 46,761
Securities	8,511	**8,224**	8,407	8,395	9,016	9,461	**8,342**	9,449
Interest-bearing bank balances	111	**104**	108	97	136	124	**103**	112
Federal funds sold and securities purchased under resale agreements	513	**403**	444	525	681	550	**457**	580
Trading account assets	758	**690**	689	623	1,027	790	**667**	763
Total interest-earning assets	60,900	**62,179**	61,781	60,190	59,453	57,928	**61,386**	57,665
Cash and due from banks	3,121	**3,023**	2,946	2,981	3,532	2,888	**2,984**	2,978
Premises and equipment	938	**920**	931	945	955	962	**932**	948
Other assets	4,264	**4,485**	4,565	4,355	3,653	3,632	**4,468**	3,797
Unrealized (losses) gains on securities available-for-sale	(120)	**(107)**	(159)	(149)	(65)	(47)	**(138)**	46
Allowance for loan losses	(626)	**(791)**	(598)	(567)	(546)	(548)	**(653)**	(540)
Total assets	$ 68,477	**$ 69,709**	$ 69,466	$ 67,755	$ 66,982	$ 64,815	**$ 68,979**	$ 64,894
Liabilities and shareholders' equity:								
Interest-bearing demand	$ 4,719	**$ 4,676**	$ 4,793	$ 4,755	$ 4,653	$ 4,617	**$ 4,889**	$ 4,658
Savings and money market savings	13,237	**12,814**	13,305	13,363	13,470	13,566	**13,011**	13,295
Savings certificates	9,132	**9,543**	9,243	8,966	8,774	8,696	**9,252**	8,762
Large denomination certificates	3,869	**3,831**	4,198	4,025	3,428	3,076	**4,018**	3,281
Interest-bearing deposits in foreign offices	3,650	**3,936**	4,124	3,764	2,782	2,041	**3,941**	2,066
Short-term borrowed funds	9,101	**9,019**	8,621	8,920	9,836	8,848	**8,854**	9,254
Long-term debt	8,690	**9,498**	8,851	8,081	8,327	8,571	**8,812**	8,069
Total interest-bearing liabilities	52,398	**53,317**	53,135	51,874	51,270	49,415	**52,777**	49,385
Demand deposits	8,373	**8,474**	8,373	8,319	8,326	8,368	**8,389**	8,232
Other liabilities	1,949	**1,966**	2,125	1,874	1,831	1,641	**1,989**	1,889
Shareholders' equity	5,757	**5,952**	5,833	5,688	5,555	5,391	**5,824**	5,388
Total liabilities and shareholders' equity	$ 68,477	**$ 69,709**	$ 69,466	$ 67,755	$ 66,982	$ 64,815	**$ 68,979**	$ 64,894
Total deposits	$ 42,979	**$ 43,274**	$ 44,036	$ 43,192	$ 41,433	$ 40,364	**$ 43,500**	$ 40,294

Loan growth continued through the third quarter of 2000 mostly in the real estate categories. Demand remained strong although Management's view of rising risk in the lending environment led to more caution and selectivity in taking on new business. Adjusting for acquisitions and securitization transactions, loan growth was approximately 13 percent and 11 percent, respectively, year over year in comparing the third quarter and the first nine months. In comparison with the fourth quarter of 1999, average loan volume, excluding acquisitions, grew approximately $4 billion. Economic conditions in Wachovia's five state primary lending area, as well as nationally have been good, but showed continued evidence of slowing. For the remainder of the year, management expects loan growth to continue at a slower rate.

PERIOD-END LOANS BY CATEGORY **TABLE 11**

(THOUSANDS)	SEP. 30 2000	JUN. 30 2000	MAR. 31 2000	DEC. 31 1999	SEP. 30 1999
Commercial	**$18,005,046**	$17,823,579	$17,160,717	$17,042,740	$16,166,045
Tax-exempt	**657,441**	668,953	673,634	690,053	757,601
Total commercial	**18,662,487**	18,492,532	17,834,351	17,732,793	16,923,646
Direct retail	**1,286,724**	1,270,661	1,160,287	1,063,619	1,053,909
Indirect retail	**4,159,669**	3,985,073	3,856,229	3,740,683	3,616,862
Credit card	**4,167,158**	4,690,595	4,860,455	4,736,485	4,475,973
Other revolving credit	**787,515**	761,049	715,317	667,149	620,342
Total retail	**10,401,066**	10,707,378	10,592,288	10,207,936	9,767,086
Construction	**3,206,898**	2,960,285	2,577,621	2,311,362	2,235,387
Commercial mortgages	**8,893,611**	8,423,985	8,164,304	7,754,206	7,550,770
Residential mortgages	**8,987,962**	8,558,292	7,994,283	7,756,983	7,498,541
Total real estate	**21,088,471**	19,942,562	18,736,208	17,822,551	17,284,698
Lease financing	**2,777,382**	2,701,108	2,696,605	2,597,271	2,453,749
Foreign	**1,295,778**	1,308,777	1,265,864	1,260,674	1,195,842
Total loans	**$54,225,184**	$53,152,357	$51,125,316	$49,621,225	$47,625,021

Average balances of securities for the third quarter of 2000 declined in comparison to both the third and fourth quarters of 1999. During 1999, Wachovia allowed portfolio attrition to fund a portion of the loan growth. During the first nine months of 2000, maturing securities were replaced to maintain the portfolio at a relatively constant level.

SECURITIES **TABLE 12**

SEPTEMBER 30, 2000 (THOUSANDS)

Securities available-for-sale at fair value:	
U.S. Government and agency	$2,738,954
Mortgage-backed	3,848,199
Other	593,626
Total available-for-sale	7,180,779
Securities held-to-maturity:	
U.S. Government and agency	465,773
Mortgage-backed	352,152
State and municipal	221,255
Other	14,103
Total held-to-maturity	1,053,283
Total securities	$8,234,062

The increase in other assets from the third and fourth quarters of 1999 is primarily the result of increased intangible assets resulting from acquisitions.

Excluding the effects of acquisitions and branch sales in both the third quarters of 2000 and 1999, average interest-bearing core deposits held steady compared with the third and fourth quarters of 1999. Bank of Canton and National Bank of Commerce added approximately $275 million and approximately $80 million, respectively, to third quarter 2000 average balances. The mix of interest bearing core deposits shifted more to savings certificates in the third quarter 2000 compared with the same period a year ago due to certificate of deposit promotions and a shift in customer preference.

Wachovia utilizes a wide variety of wholesale funding sources including large denomination certificates of deposit, foreign deposits, repurchase agreements, federal funds, Federal Home Loan Bank advances, bank notes and senior and subordinated debt to fund the balance sheet. The mix and characteristics of wholesale funding are determined based on interest rate risk management, liquidity needs and available pricing. Subordinated debt is used for capital management purposes since it qualifies for inclusion in Tier II capital for risk based capital purposes. Several large debt transactions affect comparability of both period-end and average balances between reported periods. During 1999, Wachovia issued $1 billion in senior and subordinated debt. On March 31, 2000, Wachovia issued $300 million in subordinated debt that replaced $300 million in subordinated debt that matured on December 15, 1999. On July 6, 2000, Wachovia issued $550 million in senior debt securities followed by $300 million in subordinated securities issued by Wachovia Bank on July 24, 2000. On October 4, 2000, Wachovia issued $300 million in fixed rate senior securities.

Liquidity Management

Wachovia manages liquidity at both the parent and subsidiary levels through active management of the balance sheet. Parent company liquidity comes from short-term investments that can be sold immediately, the ability to issue debt and equity securities, and from dividends and interest income from subsidiaries. At September 30, 2000, Wachovia Corporation had $1.704 billion in interest-bearing balances with Wachovia Bank, N.A. ("Wachovia Bank"), and $1.050 billion available for issuance as senior or subordinate debt securities under existing shelf registrations filed with the Securities and Exchange Commission. At October 1, 2000, $780 million was available from Wachovia Bank to pay dividends to Wachovia Corporation without prior regulatory approval. As a back-up liquidity facility for commercial paper, Wachovia has $490 million in lines of credit from unaffiliated banks. No borrowings have occurred under these lines.

Wachovia Corporation's senior notes are rated Aa3 by Moody's, AA- by Fitch and AA- by Standard & Poor's, and its subordinated notes are rated A1 by Moody's, A+ by Fitch and A+ by Standard & Poor's. The subordinated debt securities qualify for inclusion in Tier II capital under risk-based capital guidelines. Capital securities, also classified as part of other long-term debt, totaled $997 million at September 30, 2000. The capital securities are rated aa3 by Moody's, A+ by Fitch and A by Standard & Poor's and qualify as Tier I capital under risk-based capital guidelines.

Through its global bank note program, Wachovia Bank is authorized to issue up to $21.557 billion of bank notes. The global bank note program consists of issuances with original maturities beginning at seven days. Bank notes with original maturities of one year or less are included in other short-term borrowed funds, and bank notes with original maturities greater than one year are considered medium-term in nature and are classified as long-term debt. Under the existing offering circular, Wachovia Bank can have outstanding up to $10 billion of notes at any one time with original maturities from 7 to 270 days. Wachovia Bank may issue up to an aggregate of $8 billion of notes with maturities of more than 270 days. At September 30, 2000, Wachovia Bank had approximately $6.6 billion of the notes with maturities of more than 270 days available under the existing authorization. Short-term bank notes outstanding as of September 30, 2000 were $851 million, with an average cost of 6.56 percent and an average maturity of one month. Medium-term bank notes were $2.029 billion on the same date, with an average cost of 6.52 percent and an average maturity of 4.7 years. Short-term issues under the global bank note program are rated P-1 by Moody's, F1+ by Fitch and A-1+ by Standard & Poor's, while medium-term issues are rated Aa2 by Moody's, AA- by Fitch and AA by Standard & Poor's.

On October 6, 2000, Moody's placed Wachovia Corporation's and Wachovia Bank's ratings on review for possible downgrade. All long-term ratings were placed under review. Wachovia's short-term rating of P-1 was confirmed.

ALLOWANCE FOR LOAN LOSSES **TABLE 13**

(THOUSANDS)

	2000 Third Quarter	2000 Second Quarter	2000 First Quarter	1999 Fourth Quarter	1999 Third Quarter	Nine Months Ended September 30 2000	Nine Months Ended September 30 1999
SUMMARY OF TRANSACTIONS							
Balance at beginning of period	**$799,351**	$595,655	$554,810	$553,894	$548,540	**$554,810**	$547,992
Additions from acquisitions	**—**	3,289	40,504	—	—	**43,793**	39
Provision for loan losses	**123,956**	273,365	73,666	66,174	76,770	**470,987**	231,931
Deduct net loan losses:							
Loans charged off:							
Commercial	**70,573**	14,991	11,280	17,805	15,509	**96,844**	28,963
Credit card	**57,099**	62,469	62,883	49,478	54,925	**182,451**	198,638
Other revolving credit	**2,819**	2,219	2,379	1,332	2,305	**7,417**	8,320
Other retail	**8,437**	8,124	9,875	8,905	8,561	**26,436**	25,359
Real estate	**887**	1,612	1,220	2,632	4,005	**3,719**	6,890
Lease financing	**226**	404	568	908	855	**1,198**	2,032
Foreign	**—**	—	—	—	—	**—**	—
Total	**140,041**	89,819	88,205	81,060	86,160	**318,065**	270,202
Recoveries:							
Commercial	**1,673**	583	621	2,400	1,018	**2,877**	4,641
Credit card	**10,446**	12,096	10,129	8,152	8,967	**32,671**	24,630
Other revolving credit	**480**	641	647	610	774	**1,768**	2,309
Other retail	**2,441**	3,018	2,566	2,886	2,674	**8,025**	8,205
Real estate	**1,033**	402	786	1,627	1,124	**2,221**	3,809
Lease financing	**122**	121	131	127	187	**374**	540
Foreign	**—**	—	—	—	—	**—**	—
Total	**16,195**	16,861	14,880	15,802	14,744	**47,936**	44,134
Net loan losses	**123,846**	72,958	73,325	65,258	71,416	**270,129**	226,068
Balance at end of period	**$799,461**	$799,351	$595,655	$554,810	$553,894	**$799,461**	$553,894
NET LOAN LOSSES (RECOVERIES) BY CATEGORY							
Commercial	**$ 68,900**	$ 14,408	$ 10,659	$ 15,405	$ 14,491	**$ 93,967**	$ 24,322
Credit card	**46,653**	50,373	52,754	41,326	45,958	**149,780**	174,008
Other revolving credit	**2,339**	1,578	1,732	722	1,531	**5,649**	6,011
Other retail	**5,996**	5,106	7,309	6,019	5,887	**18,411**	17,154
Real estate	**(146)**	1,210	434	1,005	2,881	**1,498**	3,081
Lease financing	**104**	283	437	781	668	**824**	1,492
Foreign	**—**	—	—	—	—	**—**	—
Total	**$123,846**	$ 72,958	$ 73,325	$ 65,258	$ 71,416	**$270,129**	$226,068
Net loan losses — excluding credit cards	**$ 77,193**	$ 22,585	$ 20,571	$ 23,932	$ 25,458	**$120,349**	$ 52,060
ANNUALIZED NET LOAN LOSSES (RECOVERIES) TO AVERAGE LOANS BY CATEGORY							
Commercial	**1.54%**	.32%	.24%	.35%	.36%	**.70%**	.20%
Credit card	**4.40**	4.25	4.32	3.67	3.76	**4.32**	4.44
Other revolving credit	**1.21**	.85	1.00	.45	1.02	**1.03**	1.40
Other retail	**.45**	.40	.60	.51	.51	**.48**	.51
Real estate	**—**	.03	.01	.02	.07	**.01**	.02
Lease financing	**.02**	.04	.07	.13	.11	**.04**	.09
Foreign	**—**	—	—	—	—	**—**	—
Total loans	**.94**	.56	.58	.54	.61	**.70**	.64
Total loans — excluding credit cards	**.64**	.19	.18	.22	.24	**.34**	.17
Period-end allowance to outstanding loans	**1.47**	1.50	1.17	1.12	1.16	**1.47**	1.16

ALLOWANCE FOR LOAN LOSSES

Wachovia's allowance for loan losses is maintained at a level adequate to absorb probable losses inherent in the loan portfolio as of the date of the financial statements. At September 30, 2000, the allowance for loan losses was $799 million or 1.47 percent of outstanding loans compared with $555 million or 1.12 percent and $554 million or 1.16 percent at December 31, 1999 and September 30, 1999, respectively. The allowance for loan losses varied over the periods presented as a result of changes in the portfolio's risk profile. The increase in the allowance at September 30, 2000 was due to a rise in the level of nonperforming loans and management's view that rising interest rates and the slowing economy had affected corporate borrowers' ability to service debt.

While commercial loan losses and nonperformings have risen from the third and fourth quarters of 1999, the impact on the allowance for loan losses has been partially offset by changes in portfolio mix. At September 30, 2000, commercial loans accounted for 34.4 percent of the loan portfolio compared with 35.7 percent and 35.5 percent at December 31, 1999 and

September 30, 1999, respectively. Credit card loans, which carry the highest historical charge off rates, represented 7.7 percent of the loan portfolio at September 30, 2000 compared with 9.5 percent and 9.4 percent at December 31, 1999 and September 30, 1999, respectively. Credit card balances declined in proportion to the rest of portfolio as a result of asset securitizations and robust growth in other loan categories. Real estate loans, which historically have experienced the most favorable charge off rates accounted for 38.9 percent of the loan portfolio at September 30, 2000, up from 35.9 percent and 36.3 percent at December 31, 1999 and September 30, 1999, respectively.

The provision for loan losses charged to earnings was an amount sufficient to position the allowance for loan losses at the appropriate level as described above. For the third quarter and the first nine months of 2000, the provision for loan losses was $124 million and $471 million, respectively, compared with $77 million and $232 million for the same periods of 1999. The increase in the provision reflected deterioration in some commercial credits as evidenced in the increase in nonperforming loans. External indicators in the market, such as rising default rates, several high profile bankruptcies, the significant increase in credit rating downgrades versus upgrades and widening credit spreads also suggest that deterioration in the credit cycle is developing. These factors led to management's conclusion that the historical loss rates used in determining the adequacy of the allowance for loan loss did not reflect the risk in the portfolio and therefore did not accurately measure losses inherent in the portfolio. Management's views were further supported by downward migration in credit quality ratings and a resulting increase in the number of loans appearing on Wachovia's internal watch list during the second quarter. The watch list began to show some stability during the third quarter with the exception of some downward migration within categories and the rise in nonperforming loans.

Management is closely monitoring the loan portfolio while paying particular attention to changing business and economic conditions. Appropriate actions will be taken if and when the circumstances dictate. Provision expense levels for the remainder of the year will be affected by changing conditions in the market and the resulting impact on Wachovia's customers. Provision expense for the fourth quarter is expected to be down from the third quarter but higher than the historical run rate.

Nonperforming assets increased $238 million from December 31, 1999 to $462 million at September 30, 2000. The rise in nonperforming loans resulted primarily from a few high profile bankruptcies involving multibank credits. These loans had been monitored on Wachovia's internal watch list prior to nonperforming classification. At Wachovia, multibank credits are subject to the same underwriting standards and credit review as other corporate loans. The slowing economy and rising rates have pressured large corporate customers that may have expanded aggressively. In some cases, the speed with which corporate borrowers are filing bankruptcy, even though their liquidity and net worth are positive, has accelerated as a result of changing corporate strategies and external events. Any loss expected on the corporate nonperforming loans has been specifically reserved under FAS 114 and such specific reserves were included within the total allowance for loan losses. In many cases, management anticipates that the amount of loss will be low to moderate. Outside of the large corporate loan portfolio, credit quality remained solid with no increase in nonperforming assets and delinquencies.

Looking forward, management remains watchful of credit quality issues and expects some further increase in nonperforming loans over the next few quarters. It is difficult to predict the exact magnitude and timing as much of the credit deterioration is driven by specific events that are not easily predicted.

At September 30, 2000, Wachovia's nonperforming assets represented .85 percent of total loans and foreclosed property compared with .45 percent and .50 percent at December 31, 1999 and September 30, 1999, respectively. There were no significant concentrations of loans in any one industry at September 30, 2000.

Nonperforming Assets and Contractually Past Due Loans — Table 14

(THOUSANDS)

	Sep. 30 2000	Jun. 30 2000	Mar. 31 2000	Dec. 31 1999	Sep. 30 1999
Nonperforming assets:					
Cash-basis assets	**$444,880**	$283,577	$226,176	$204,098	$214,594
Restructured loans	—	—	—	—	—
Total nonperforming loans	**444,880**	283,577	226,176	204,098	214,594
Foreclosed property:					
Foreclosed real estate	**12,794**	12,946	17,665	19,759	24,540
Less valuation allowance	**2,429**	2,867	4,077	5,941	7,456
Other foreclosed assets	**6,501**	5,060	6,343	5,874	6,602
Total foreclosed property	**16,866**	15,139	19,931	19,692	23,686
Total nonperforming assets	**$461,746**	$298,716	$246,107	$223,790	$238,280
Nonperforming loans to period-end loans	**.82%**	.53%	.44%	.41%	.45%
Nonperforming assets to period-end loans and foreclosed property	**.85**	.56	.48	.45	.50
Period-end allowance for loan losses times nonperforming loans	**1.80x**	2.82x	2.63x	2.72x	2.58x
Period-end allowance for loan losses times nonperforming assets	**1.73**	2.68	2.42	2.48	2.32
Contractually past due loans — accruing loans past due 90 days or more	**$123,079**	$127,218	$126,318	$ 97,642	$106,755

Noninterest Income — Table 15

(THOUSANDS)

	2000			1999		Nine Months Ended September 30	
	Third Quarter	Second Quarter	First Quarter	Fourth Quarter	Third Quarter	**2000**	1999
Service charges on deposit accounts	**$106,765**	$104,380	$100,811	$ 96,642	$ 94,595	**$ 311,956**	$ 273,004
Fees for trust services	**56,636**	54,189	51,234	52,283	60,066	**162,059**	164,109
Credit card income — net of interchange payments	**82,337**	71,463	71,182	65,046	70,786	**224,982**	190,197
Investment fees	**80,065**	81,439	96,770	78,747	69,364	**258,274**	156,603
Capital markets income	**40,092**	45,014	44,786	48,965	41,914	**129,892**	121,806
Electronic banking	**26,254**	26,153	23,396	24,303	23,310	**75,803**	64,323
Mortgage fees	**7,373**	5,921	5,001	5,006	7,378	**18,295**	28,207
Bankers' acceptance and letter of credit fees	**15,102**	13,671	11,597	12,444	11,688	**40,370**	33,593
Other service charges and fees	**34,038**	30,361	29,181	26,720	19,494	**93,580**	53,173
Other income	**71,328**	37,708	36,841	29,313	34,246	**145,877**	85,639
Total other operating revenue	**519,990**	470,299	470,799	439,469	432,841	**1,461,088**	1,170,654
Securities (losses) gains	**(163)**	59	167	60	147	**63**	10,834
Total	**$519,827**	$470,358	$470,966	$439,529	$432,988	**$1,461,151**	$1,181,488

Noninterest Income

Other operating revenue, which excludes securities transactions, grew $87 million or 20.1 percent for the third quarter from a year earlier and was higher by $290 million or 24.8 percent for the first nine months. The largest portion of the growth was attributable to the strategic acquisitions of IJL, OFFITBANK and BEJS and their respective impact on investment fee income and capital markets income. Credit card securitizations and the acquired Partners First portfolio also contributed substantially. Adjusting for the effects of acquisitions and securitization transactions, operating revenue grew approximately 13 percent for the quarter and approximately 11 percent year to date. Gains from branch sales totaled $42 million and $8 million during the third quarters of 2000 and 1999, respectively.

For the remainder of the year, fee income is expected to remain in line with the third quarter, absent the gains from branch sales. Market sensitive sources such as capital markets income and investment fee income will be the key to whether the growth rate in overall fee income returns to the pace experienced last year. The outlook for the remaining fee income categories remains good.

Service charges on deposit accounts for the third quarter and year to date grew $12 million or 12.9 percent and 39 million or 14.3 percent, respectively from the same periods in 1999. Returned check charges for overdraft and insufficient funds and commercial analysis fees were the main drivers of the increase.

Credit card income for the third quarter and year to date increased $12 million or 16.3 percent and $35 million or 18.3 percent, respectively from the same periods in 1999 driven by credit card securitizations and the Partners First acquired portfolio. Exclusive of these transactions, credit card income was up approximately 5 percent for the quarter and up approximately 9 percent year to date. The increase in both periods reflected higher overlimit charges and interchange fees.

Investment fees were up for both the quarter and year to date by $11 million or 15.4 percent and $102 million or 64.9 percent, respectively from the same periods a year ago largely as a result of the expanded customer base from acquisitions. The acquisitions of OFFITBANK, which was completed late in the third quarter of 1999, and Interstate/Johnson Lane, which was completed on April 1, 1999, affected comparability between periods and accounted for most of the increase. Excluding those acquisitions, investment fees increased approximately 6 percent for the quarter and 10 percent for the first nine months from the same periods a year ago. This income is sensitive to market conditions that softened during the second and third quarters after trading activity reached record levels in the first quarter. In addition to resulting in lower levels of equity commissions, market conditions unfavorably impacted capital markets income leaving it $2 million or 4.4 percent lower than the third quarter of 1999 but up approximately 4 percent year to date excluding the effect of the acquisition of IJL. Part of the decline in capital markets income is due to lower loan syndication fees reflecting more selectivity in light of a riskier lending environment.

Electronic banking fees and bankers' acceptance and letter of credit fees experienced strong growth in comparison to prior year. For the third quarter and first nine months, electronic banking fees increased $3 million or 12.6 percent and $11 million or 17.8 percent, respectively with acquisitions having minimal impact. Debit card interchange fees accounted for substantially all of the increase reflecting a continued trend of growing consumer acceptance. Bankers' acceptance and letter of credit fees increased $3 million or 29.2 percent for the quarter and $7 million or 20.2 percent year to date compared with the same periods in 1999 reflecting strong demand for domestic letters of credit and more favorable pricing.

Other service charges and fees increased by $15 million or 74.6 percent and $40 million or 76 percent, respectively, for the third quarter and first nine months compared with the same periods in 1999. Most of the increase was in fees for servicing the securitized portion of the Partners First credit card portfolio and the assets securitized in 1999 and 2000. Excluding the effects of Partners First and other acquisitions and the securitization transactions, this revenue category remained relatively level over the comparable periods of 1999.

NONINTEREST EXPENSE **TABLE 16**

(THOUSANDS)	2000			1999		NINE MONTHS ENDED SEPTEMBER 30	
	THIRD QUARTER	SECOND QUARTER	FIRST QUARTER	FOURTH QUARTER	THIRD QUARTER	2000	1999
Salaries	**$275,249**	$282,610	$287,629	$276,048	$266,488	**$ 845,488**	$ 744,336
Employee benefits	**50,494**	52,881	56,252	48,240	50,572	**159,627**	151,662
Total personnel expense	**325,743**	335,491	343,881	324,288	317,060	**1,005,115**	895,998
Net occupancy expense	**40,229**	40,684	39,526	38,486	38,955	**120,439**	112,796
Equipment expense	**45,274**	45,908	49,195	52,425	49,081	**140,377**	145,637
Postage and delivery	**13,196**	13,661	13,817	13,912	13,700	**40,674**	41,498
Outside data processing, programming and software	**27,419**	25,918	26,874	27,370	26,385	**80,211**	75,403
Stationery and supplies	**9,484**	10,037	9,072	9,270	9,262	**28,593**	26,669
Advertising and sales promotion	**16,752**	16,938	16,649	21,090	16,086	**50,339**	44,264
Professional services	**21,245**	18,639	13,532	23,008	18,619	**53,416**	51,994
Travel and business promotion	**9,483**	11,202	9,572	10,106	9,138	**30,257**	23,838
Telecommunications	**15,373**	15,471	14,726	14,801	13,915	**45,570**	43,287
Amortization of intangible assets	**24,330**	23,906	20,797	14,540	13,156	**69,033**	36,339
Foreclosed property expense — net of income	**(349)**	(220)	(2,722)	(602)	(470)	**(3,291)**	(251)
Merger-related charges*	**11,928**	8,872	8,158	5,669	5,293	**28,958**	13,640
Litigation settlement charge*	**—**	—	20,000	—	—	**20,000**	—
Restructuring charge*	**87,944**	—	—	—	—	**87,944**	—
Other expense	**60,646**	64,784	54,901	46,255	47,012	**180,331**	138,895
Total	**$708,697**	$631,291	$637,978	$600,618	$577,192	**$1,977,966**	$1,650,007
Overhead ratio	**61.1%**	56.4%	58.0%	55.7%	54.5%	**58.5%**	54.2%
Overhead ratio without nonrecurring charges	**52.5**	55.6	55.5	55.2	54.0	**54.5**	53.8

* Nonrecurring charges

Noninterest Expense

Noninterest expense rose $132 million or 22.8 percent for the quarter and $328 million or 19.9 percent for the first nine months compared to the same periods in 1999. Excluding nonrecurring expenses, noninterest expense rose $37 million or 6.5 percent for the quarter and $205 million or 12.5 percent year to date. These increases primarily resulted from the added expense base of acquired entities. Nonrecurring expenses include restructuring charges, merger-related expenses, and a litigation settlement charge. The restructuring charge recorded in the third quarter of 2000 is explained in more detail on page 29. The litigation settlement charge recorded in the first quarter of 2000 resulted from an agreement reached with the U. S. Department of Labor to settle litigation stemming from a lawsuit begun against South Carolina National Bank (a predecessor of Wachovia Bank) in May 1991. Excluding these transactions, expense control initiatives were effective in holding noninterest expense flat for the quarter and to an increase of approximately 2 percent year to date. Expenses are expected to decline for the remainder of the year as the effects of the resource realignment begin to be realized.

Total personnel expense increased $9 million or 2.7 percent for the quarter and $109 million or 12.2 percent from the comparable periods in 1999. Exclusive of acquisitions, total personnel expense was flat for the quarter and increased approximately 3 percent year to date compared with 1999. At September 30, 2000, Wachovia had 21,110 full time equivalent employees compared with 21,722 a year earlier.

Amortization of intangible assets rose from prior year levels as a result of goodwill and purchased credit card premiums added by acquisitions. The acquisition of the Partners First portfolio had the most significant impact on intangible amortization due to the shorter period over which it is being amortized.

Other expense increased $14 million or 29 percent for the quarter and $41 million or 29.8 percent for the first nine months compared with 1999. Acquisitions accounted for most of the increase with the largest component being external processing fees paid to service the acquired Partners First credit card portfolio. Aside from the impact of acquisitions, overall expenses in the remaining categories were generally level with a year ago.

Restructuring Charge

On August 28, 2000, Wachovia announced the realignment of resources that called for the elimination of 1,800 positions. The positions being eliminated were identified through a productivity review focused on improving work processes, introducing new technology, broadening spans of control and eliminating levels of management across the company. The effected positions are diversely scattered among all lines of business and at all levels throughout the organization. The staff reductions are expected to reduce annual expenses by more than $100 million beginning next quarter, mostly in salaries and employee benefits. Much of this savings will be reinvested in high growth areas such as Asset and Wealth Management and Corporate Financial Services.

As part of the restructuring plan, Wachovia will be closing its Raleigh, North Carolina operations center. Functions currently performed at that location will move to other operations centers within the Wachovia system. Wachovia also plans to close several underperforming branches over the next few quarters including 11 in store branches in Atlanta and Fayetteville, North Carolina which was announced in September 2000. The branches to be closed had a marginal contribution to financial results and the customers will continue to be served by nearby branches. The resource realignment also included exiting the municipal finance business.

Wachovia incurred an $88 million charge, pretax, in the third quarter, mostly in severance costs for the positions eliminated. The amounts expensed and paid during the third quarter are reported below.

	Charge to Earnings	Utilized During the Third Quarter	Balance at September 30, 2000
Severance and personnel related costs	$69,983	$ 2,207	$67,776
Occupancy and other costs	17,961	16,578	1,383
Total	$87,944	$18,785	$69,159

Severance and personnel related costs include severance payments to terminated employees as well as benefits including pension, medical and job transition assistance. The amount charged to earnings in the third quarter included benefits for 1,245 employees that received notice or had otherwise been identified prior to September 30. Severance benefits will not be paid for all 1,800 eliminated positions since some of the positions will vacate through normal attrition.

Occupancy and other costs represent asset impairment charges and other facility exit costs associated with the project. Included in occupancy and other costs are non-cash items of approximately $13 million. Additional expenses of approximately $30 million are expected to be incurred over the next few quarters.

Income Taxes — Table 17

(thousands)

	Three Months Ended September 30		Nine Months Ended September 30	
	2000	1999	**2000**	1999
Income before income taxes	**$317,911**	$396,131	**$901,813**	$1,141,733
Federal income taxes at statutory rate	**$111,268**	$138,646	**$315,634**	$ 399,607
State and local income taxes — net of federal benefit	**7,594**	7,791	**18,198**	23,413
Effect of tax-exempt securities interest and other income	**(12,067)**	(12,944)	**(34,790)**	(35,022)
Other items	**5,792**	5,139	**15,169**	5,450
Total tax expense	**$112,587**	$138,632	**$314,211**	$ 393,448
Current:				
Federal	**$ 39,548**	$ 38,950	**$134,064**	$ 81,600
Foreign	**774**	492	**1,474**	989
State and local	**10,876**	8,153	**29,591**	21,225
Total	**51,198**	47,595	**165,129**	103,814
Deferred:				
Federal	**60,581**	87,201	**150,675**	274,837
State and local	**808**	3,836	**(1,593)**	14,797
Total	**61,389**	91,037	**149,082**	289,634
Total tax expense	**$112,587**	$138,632	**$314,211**	$ 393,448

Income Taxes

Applicable income taxes for the third quarter and first nine months of 2000 decreased $26 million or 18.8 percent and $79 million or 20.1 percent, respectively from the prior year. Wachovia's effective tax rate is higher than 1999 for both the quarter and year to date due to an increase in nondeductible amortization associated with purchase business combinations.

New Accounting Standards

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" (FASB 133). FASB 133 establishes new accounting and reporting requirements for derivative instruments embedded in other contracts and hedging activities. The standard requires all derivatives to be measured at fair value and recognized as either assets or liabilities in the statement of condition. Under certain conditions, a derivative may be specifically designated as a hedge. Accounting for the changes in the fair value of a derivative depends on the intended use of the derivative and the resulting designation. Adoption of the standard is required for Wachovia's December 31, 2001 financial statements with early adoption allowed as of the beginning of any quarter after June 30, 1998. Management has assessed the impact and plans to adopt the standard effective January 1, 2001. Adoption is not expected to result in a material financial impact.

In September 2000, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities" (FASB 140) which replaces FASB Statement No. 125. FASB 140 revises the standards for accounting for securitizations and other tranfers of financial assets and collateral and requires certain additional disclosures regarding these activities. The statement is effective for transfers and servicing of financial assets or extinguishments of liabilities that occur after March 31, 2001. The statement is effective for recognition and reclassification of collateral and for disclosures relating to securitization transactions and collateral for fiscal years ending after December 15, 2000. Management is in the process of assessing the impact and plans to adopt the standard in accordance with the effective dates. Adoption is not expected to result in a material financial impact.

Shareholders' Equity and Capital Ratios

Shareholders' equity at September 30, 2000 was $6.090 billion, up $462 million or 8.2 percent from $5.628 billion one year earlier and up $432 million or 7.6 percent from December 31, 1999. Included in shareholders' equity at the end of the third quarter of 2000 was $32 million, net of tax, of unrealized losses on securities available-for-sale compared with unrealized losses of $29 million, net of tax, one year earlier and unrealized losses of $74 million at December 31, 1999.

Wachovia repurchased a total of 1,674,300 shares of its common stock as authorized by the Board of Directors during the first nine months of 2000 at an average price of $60 per share for a total cost of $101 million. Included in the total were 573,594 shares repurchased to offset shares issued for the acquisition of B C Bankshares, Inc. and 633,176 shares repurchased to offset shares issued for the acquisition of Commerce National Corporation. Wachovia can repurchase up to 8 million shares of its common stock under a January 28, 2000 authorization effective through January 25, 2002. As of September 30, 2000, a total of 467,530 shares had been repurchased under the January 28, 2000 authorization. Management will continue to work within the guidelines of its share repurchase authorization while assessing the best deployment of Wachovia's capital.

At its October 27, 2000 meeting, the Board of Directors declared a fourth quarter dividend of $.60 per share, payable December 1 to shareholders of record as of November 9. The dividend is higher by 11 percent from $.54 per share paid in the same quarter of 1999.

Intangible assets at September 30, 2000 totaled $1.233 billion, consisting of $924 million of goodwill, $68 million of deposit base intangibles, $240 million of purchased credit card premiums and $1 million of other intangibles. The acquisitions of B C Bankshares, Inc., the Partners First Holdings LLC portfolio, and Commerce National Corporation added approximately $97 million, $230 million and $33 million, respectively, in intangibles based on preliminary information. Intangible assets at the end of the third quarter of 1999 were $961 million, with $832 million of goodwill, $83 million of deposit base intangibles, $36 million of purchased credit card premiums, $10 million of other intangibles.

Regulatory agencies divide capital into Tier I (consisting of shareholders' equity and certain cumulative preferred stock instruments less ineligible intangible assets) and Tier II (consisting of the allowable portion of the reserve for loan losses and certain long-term debt) and measure capital adequacy by applying both capital levels to a banking company's risk-adjusted assets and off-balance sheet items. Regulatory requirements presently specify that Tier I capital should exclude the unrealized gain or loss, net of tax, on securities available-for-sale. In addition to these capital ratios, regulatory agencies have established a Tier I leverage ratio which measures Tier I capital to average assets less ineligible intangible assets.

CAPITAL COMPONENTS AND RATIOS **TABLE 18**

(THOUSANDS)	2000			1999	
	THIRD QUARTER	SECOND QUARTER	FIRST QUARTER	FOURTH QUARTER	THIRD QUARTER
Tier I capital:					
Common shareholders' equity	**$ 6,090,164**	$ 5,936,044	$ 5,846,430	$ 5,658,457	$ 5,628,083
Trust capital securities	**997,025**	996,932	996,838	996,744	996,650
Less ineligible intangible assets	**1,040,066**	1,057,314	1,040,021	931,257	944,304
Unrealized losses on securities available-for-sale — net of tax	**29,780**	77,233	87,939	72,002	27,600
Total Tier I capital	**6,076,903**	5,952,895	5,891,186	5,795,946	5,708,029
Tier II capital:					
Allowable allowance for loan losses	**799,461**	799,351	595,655	554,810	553,894
Allowable long-term debt	**2,542,833**	2,242,780	2,407,529	2,107,334	2,137,158
Tier II capital additions	**3,342,294**	3,042,131	3,003,184	2,662,144	2,691,052
Total capital	**$ 9,419,197**	$ 8,995,026	$ 8,894,370	$ 8,458,090	$ 8,399,081
Risk-adjusted assets	**$81,073,761**	$80,796,945	$79,228,699	$77,060,603	$73,870,211
Quarterly average assets*	**$68,773,165**	$68,559,502	$66,863,406	$66,113,697	$63,916,969
Risk-based capital ratios:					
Tier I capital	**7.50%**	7.37%	7.44%	7.52%	7.73%
Total capital	**11.62**	11.13	11.23	10.98	11.37
Tier I leverage ratio	**8.84**	8.68	8.81	8.77	8.93

* Excludes ineligible intangible assets and average unrealized losses on securities available-for-sale, net of tax.

Regulatory guidelines require a minimum of total capital to risk-adjusted assets ratio of 8 percent with at least one-half consisting of tangible common shareholders' equity and a minimum Tier I leverage ratio of 3 percent. Banks that meet or exceed a Tier I ratio of 6 percent, a total capital ratio of 10 percent and a Tier I leverage ratio of 5 percent are considered well capitalized by regulatory standards. It is Wachovia's policy that it and its banking subsidiaries be well capitalized at all times.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Market Risk and Asset/Liability Management

Market risk is the risk of loss due to adverse changes in instrument values or earnings fluctuation resulting from changes in market factors including changes in interest rates, foreign exchange rates, commodity prices and other market variables such as equity price risk. Wachovia primarily is exposed to interest rate risk with immaterial risk exposure to changes in foreign exchange rates and equity prices in the nontrading portfolios.

Trading Market Risk

Trading market risk is the risk to net income from changes in the fair value of assets and liabilities and off-balance sheet instruments that are marked-to-market through the income statement. The earnings risk due to changes in fair value in the trading portfolios is limited by the short-term holding periods of some of the portfolios, entering into offsetting trades with market counterparties, establishing and monitoring market risk limits by portfolio, and utilizing various hedging techniques.

Wachovia uses a value-at-risk (VaR) methodology to gauge potential losses in various trading portfolios due to changes in interest rates. The VaR estimate represents the maximum expected loss in fair value of a trading portfolio over a one day time horizon, given a 99 percent confidence level. In other words, there is about a 1 percent chance, given historical volatility of interest rates, that a loss greater than the VaR estimate will occur by the end of the next day.

At September 30, 2000, the combined VaR exposure was $110 thousand representing .03 percent of the combined trading portfolio value of $436 million. The combined average VaR exposure for the third quarter of 2000 was $295 thousand representing .05 percent of the combined average trading portfolio value of $598 million. These VaR numbers are for the combined U. S. Treasury and government agency, municipal bond, residential mortgage-backed securities and money market instrument trading portfolios.

Nontrading Market Risk

Nontrading market risk is the risk to net income and equity capital from changes in interest rates on asset, liability and off-balance sheet portfolios other than trading. The risk is driven by potential mismatches resulting from timing differences in the repricing of assets, liabilities and off-balance sheet instruments, and potential exercise of explicit and embedded options. There also is net income risk from changes in market rate relationships known as basis risk.

Management believes that nontrading interest rate risk is best measured by simulation modeling which calculates expected net income based on projected interest-earning assets, interest-bearing liabilities, off-balance sheet financial instruments, other income and other expense. The model projections are based upon historical trends and management's expectations of balance sheet growth patterns, spreads to market rates, historical market rate relationships, prepayment behavior, current and expected product offerings, sales activity, and expected exercise of explicit and embedded options. In order to discern risk levels preset in the balance sheet beyond the 24 month time horizon used in simulation modeling, Wachovia utilizes a present value methodology commonly referred to as Economic Value of Equity or EVE.

The policy guideline limit for net income (after-tax changes in net interest income) simulation is a negative impact to net income of 7.5 percent for the up or down 200 basis point ramp scenarios when compared with the flat rate scenario. Management has generally maintained a risk position well within the policy guideline level. The model indicated the impact of a 200 basis point gradual rise in rates over the next 12 months would cause approximately a .45 percent increase in net income at September 30, 2000 versus a 2.00 percent increase one year earlier. A gradual decrease in rates over the next 12 months would cause approximately a .69 percent decrease in net income as of September 30, 2000 compared with a 2.25 percent decrease at September 30, 1999. Wachovia runs additional scenarios beyond the standard shock and ramp scenarios, including yield curve steepening, flattening and inversion scenarios. Various sensitivity analyses are performed on a regular basis to segregate interest rate risk into separate components and understand the risk attributable to prepayments, caps and floors, and other options. Extensive assumptions testing is performed to understand the degree of impact from changing key assumptions such as the speed of prepayments, the interest rate elasticity of core deposit rates and faster- or slower-growing balance sheets.

PART II — OTHER INFORMATION

Item 1. Legal Proceedings

None

Item 2. Changes in Securities and Use of Proceeds

None

Item 3. Defaults Upon Senior Securities

None

Item 4. Submission of Matters to a Vote of Security Holders

None

Item 5. Other Information

None

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits — The exhibits listed on the accompanying Exhibit Index, immediately following the signature page are filed as part of or incorporated by reference into this report.

(b) Reports on Form 8-K.

A current report on Form 8-K dated July 24, 2000 was filed with the Securities and Exchange Commission announcing Wachovia Corporation's earnings for the quarter ended June 30, 2000.

A current report on Form 8-K dated August 28, 2000 was filed with the Securities and Exchange Commission announcing Wachovia Corporation's plans for a resource realignment.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

WACHOVIA CORPORATION

/s/ ROBERT S. MCCOY, JR.

By: Robert S. McCoy, Jr.
Vice Chairman
Chief Financial Officer

/s/ ALBERT J. DEFOREST, III

By: Albert J. DeForest, III
Chief Accounting Officer

EXHIBIT INDEX

Exhibit Number	Description
3.1	Amended and Restated Articles of Incorporation of the registrant (incorporated by reference to Exhibit 3.1 of Report on Form 10-Q of Wachovia Corporation for the quarter ended June 30, 1998, File No. 1-9021).
3.2	Bylaws of the registrant as amended (incorporated by reference to Exhibit 3.2 of Form S-4 Registration Statement of Wachovia Corporation dated December 14, 1998, File No. 333-68823).
4	Instruments defining the rights of security holders, including indentures — Wachovia Corporation hereby agrees to furnish to the Commission, upon request, a copy of any instruments defining the rights of security holders that are not required to be filed.
4.1	Articles IV, VII, IX, X and XI of the registrant's Amended and Restated Articles of Incorporation (included in Exhibit 3.1 hereto).
4.2	Article 1, Section 1.8, and Article 6 of the registrant's Bylaws (included in Exhibit 3.2 hereto).
4.3	Indenture dated as of May 15, 1986 between South Carolina National Corporation and Morgan Guaranty Trust Company of New York, as Trustee, relating to $35,000,000 principal amount of 6½% Convertible Subordinated Debentures due in 2001 (incorporated by reference to Exhibit 28 of Form S-3 Registration Statement of South Carolina National Corporation, File No. 33-7710).
4.4	First Supplemental Indenture dated as of November 26, 1991 by and among South Carolina National Corporation, Wachovia Corporation and Morgan Guaranty Trust Company of New York, Trustee, amending the Indenture described in Exhibit 4.3 hereto (incorporated by reference to Exhibit 4.10 of Report on Form 10-K of Wachovia Corporation for the year ended December 31, 1991, File No. 1-9021).
4.5	Indenture dated as of March 15, 1991 between South Carolina National Corporation and Bankers Trust Company, as Trustee, relating to certain unsecured subordinated securities (incorporated by reference to Exhibit 4(a) of Form S-3 Registration Statement of South Carolina National Corporation, File No. 33-39754).
4.6	First Supplemental Indenture dated as of January 24, 1992 by and among South Carolina National Corporation, Wachovia Corporation and Bankers Trust Company, as Trustee, amending the Indenture described in Exhibit 4.5 hereto (incorporated by reference to Exhibit 4.12 of Report on Form 10-K of Wachovia Corporation for the year ended December 31, 1991, File No. 1-9021).
4.7	Indenture dated as of July 15, 1998 between Wachovia Corporation and The Chase Manhattan Bank, as Trustee, relating to subordinated debt securities (incorporated by reference to Exhibit 4(b) of Form S-3 Registration Statement of Wachovia Corporation, File No. 333-59165).
4.8	Indenture dated as of August 15, 1996 between Wachovia Corporation and The Chase Manhattan Bank, as Trustee, relating to senior debt securities (incorporated by reference to Exhibit 4(a) of Post-Effective Amendment No. 1 of Form S-3 Registration Statement of Wachovia Corporation, File No. 33-6280).
4.9	Indenture between Wachovia Corporation, Wachovia Capital Trust II and First National Bank of Chicago, as Trustee, relating to Floating-Rate Junior Subordinated Deferrable Interest Debentures (Junior Subordinated Debentures) (incorporated by reference to Exhibit 4(c) of Amendment No. 1 of Form S-3 Registration Statement of Wachovia Corporation and Wachovia Capital Trust II dated January 22, 1997, File No. 333-19365).
4.10	Amended and Restated Declaration of Trust of Wachovia Capital Trust II, relating to Preferred Securities (incorporated by reference to Exhibit 4(b)(iv) of Amendment No. 1 of Form S-3 Registration Statement of Wachovia Corporation and Wachovia Capital Trust II dated January 22, 1997, File No. 333-19365).
4.11	Preferred Securities Guarantee Agreement of Wachovia Corporation (incorporated by reference to Exhibit 4(g) of Amendment No. 1 of Form S-3 Registration Statement of Wachovia Corporation and Wachovia Capital Trust II dated January 22, 1997, File No. 333-19365).
4.12	Indenture between Central Fidelity Banks, Inc. and Chemical Bank, as Trustee, relating to $150,000,000 principal amount of subordinated debt securities (incorporated by reference to Exhibit 4.1 of Form 8-K of Central Fidelity Banks, Inc., dated November 18, 1992, File No. 0-8829).
4.13	Indenture between Central Fidelity Banks, Inc., Central Fidelity Capital Trust I and The Bank of New York, as Trustee, relating to $100,000,000 Floating-Rate Junior Subordinated Debentures (incorporated by reference to Exhibit 4.1 of Form S-3 Registration Statement of Central Fidelity Banks, Inc., dated April 23, 1997, File No. 333-28917).
4.14	Amended and Restated Declaration of Trust of Central Fidelity Capital Trust I (incorporated by reference to Exhibit 4.4 of Form S-3 Registration Statement of Central Fidelity Banks, Inc., dated April 23, 1997, File No. 333-28917).
4.15	Form of New Guarantee Agreement for the benefit of the holders of the Trust Securities (incorporated by reference to Exhibit 4.6 of Form S-3 Registration Statement of Central Fidelity Banks, Inc., dated as of April 23, 1997, File No. 333-28917).
10.1	Senior Management Incentive Plan of Wachovia Corporation as amended through January 1, 1999 (incorporated by reference to Exhibit 10.4 of Report on Form 10-Q of Wachovia Corporation for the quarter ended June 30, 1999, File No. 1-9021).

EXHIBIT INDEX (continued)

Exhibit Number	Description
10.2	Wachovia Corporation Amended and Restated Executive Deferred Compensation Plan (incorporated by reference to Exhibit 10.2 of Report on Form 10-Q for Wachovia Corporation for the quarter ended March 31, 2000, File No. 1-9021).
10.3	Employment Agreement between Wachovia Corporation and L. M. Baker, Jr. dated as of November 29, 1999 (incorporated by reference to Exhibit 10.3 of Report on Form 10-K of Wachovia Corporation for the year ended December 31, 1999, File No. 1-9021).
10.4	Employment Agreement between Wachovia Corporation and Robert S. McCoy, Jr. dated as of July 28, 2000.
10.5	Employment Agreement between Wachovia Corporation and G. Joseph Prendergast dated as of October 22, 1999 (incorporated by reference to Exhibit 10.5 of Report on Form 10-K of Wachovia Corporation for the year ended December 31, 1999, File No. 1-9021).
10.6	Employment Agreement between Wachovia Corporation and Mickey W. Dry dated as of October 22, 1999 (incorporated by reference to Exhibit 10.6 of Report on Form 10-K of Wachovia Corporation for the year ended December 31, 1999, File No. 1-9021).
10.7	Employment Agreement between Wachovia Corporation and Walter E. Leonard, Jr. dated as of October 22, 1999 (incorporated by reference to Exhibit 10.7 of Report on Form 10-K of Wachovia Corporation for the year ended December 31, 1999, File No. 1-9021).
10.8	Form of Employment Agreement between Wachovia Corporation and Executive Officers (other than Messrs. Baker, McCoy, Prendergast, Dry and Leonard) (incorporated by reference to Exhibit 10.8 of Report on Form 10-K of Wachovia Corporation for the year ended December 31, 1999, File No. 1-9021.)
10.9	Employment Agreement between Wachovia Corporation and Morris W. Offit dated as of May 13, 1999 (incorporated by reference to Exhibit 10.1 of Form S-4 Registration Statement of Wachovia Corporation dated June 25, 1999, File No. 1-9021).
10.10	Senior Executive Retirement Agreement between Wachovia Corporation and L. M. Baker, Jr. dated as of November 29, 1999 (incorporated by reference to Exhibit 10.10 of Report on Form 10-K of Wachovia Corporation for the year ended December 31, 1999, File No. 1-9021).
10.11	Senior Executive Retirement Agreement between Wachovia Corporation and Robert S. McCoy, Jr. dated as of July 28, 2000.
10.12	Senior Executive Retirement Agreement between Wachovia Corporation and G. Joseph Prendergast dated as of October 22, 1999 (incorporated by reference to Exhibit 10.12 of Report on Form 10-K of Wachovia Corporation for the year ended December 31, 1999, File No. 1-9021).
10.13	Senior Executive Retirement Agreement between Wachovia Corporation and Mickey W. Dry dated as of October 22, 1999 (incorporated by reference to Exhibit 10.13 of Report on Form 10-K of Wachovia Corporation for the year ended December 31, 1999, File No. 1-9021).
10.14	Senior Executive Retirement Agreement between Wachovia Corporation and Walter E. Leonard, Jr. dated as of October 22, 1999 (incorporated by reference to Exhibit 10.14 of Report on Form 10-K of Wachovia Corporation for the year ended December 31, 1999, File No. 1-9021).
10.15	Form of Senior Executive Retirement Agreement between Wachovia Corporation and Executive Officers (other than Messrs. Baker, McCoy, Prendergast, Dry and Leonard) (incorporated by reference to Exhibit 10.15 of Report on Form 10-K of Wachovia Corporation for the year ended December 31, 1999, File No. 1-9021).
10.16	Senior Management and Director Stock Plan of Wachovia Corporation (incorporated by reference to Exhibit 10 of Quarterly Report on Form 10-Q of First Wachovia Corporation for the quarter ended March 31, 1989, File No. 1-9021).
10.17	1990 Declaration of Amendment to Senior Management and Director Stock Plan as described in Exhibit 10.16 hereto (incorporated by reference to Exhibit 10.17 of Report on Form 10-K of First Wachovia Corporation for the year ended December 31, 1989, File No. 1-9021).
10.18	1996 Declaration of Amendment to Senior Management and Director Stock Plan as described in Exhibit 10.16 hereto (incorporated by reference to Exhibit 10.24 of Report on Form 10-K of Wachovia Corporation for the year ended December 31, 1996, File No. 1-9021).
10.19	Deferred Compensation Plan dated as of January 19, 1987, as amended (incorporated by reference to Exhibit 10(c) of Report on Form 10-K of South Carolina National Corporation for the year ended December 31, 1986, File No. 0-7042).
10.20	Amendment to Deferred Compensation Plan described in Exhibit 10.19 hereto (incorporated by reference to Exhibit 19(b) of Quarterly Report on Form 10-Q of South Carolina National Corporation for the quarter ended September 30, 1987, File No. 0-7042).

EXHIBIT INDEX (continued)

Exhibit Number	Description
10.21	Amendment to Deferred Compensation Plan described in Exhibit 10.19 hereto (incorporated by reference to Exhibit 10(d) of Report on Form 10-K of South Carolina National Corporation for the year ended December 31, 1988, File No. 0-7042).
10.22	Amendment to Deferred Compensation Plan described in Exhibit 10.19 hereto (incorporated by reference to Exhibit 10.35 of Report on Form 10-K of Wachovia Corporation for the year ended December 31, 1993, File No. 1-9021).
10.23	Amended and Restated Wachovia Corporation Stock Plan.
10.24	Wachovia Corporation Director Deferred Stock Unit Plan (incorporated by reference to Exhibit 10.37 of Report on Form 10-K of Wachovia Corporation for the year ended December 31, 1996, File No. 1-9021).
10.25	Wachovia Corporation Executive Insurance Plan (incorporated by reference to Exhibit 10.36 of Report on Form 10-K of Wachovia Corporation for the year ended December 31, 1995, File No. 1-9021).
10.26	Executive Long-Term Disability Income Plan (incorporated by reference to Exhibit 10.34 of Report on Form 10-K of Wachovia Corporation for the year ended December 31, 1997, File No. 1-9021).
10.27	Deferred Compensation Plan of Wachovia Bank of North Carolina, N.A. (incorporated by reference to Exhibit 10.1 of Report on Form 10-K of Wachovia Corporation for the year ended December 31,1992, File No. 1-9021).
10.28	1983 Amendment to Deferred Compensation Plan described in Exhibit 10.27 hereto (incorporated by reference to Exhibit 10.2 of Report on Form 10-K of Wachovia Corporation for the year ended December 31, 1992, File No. 1-9021).
10.29	1986 Amendment to Deferred Compensation Plan described in Exhibit 10.27 hereto (incorporated by reference to Exhibit 10.9 of Report on Form 10-K of First Wachovia Corporation for the year ended December 31, 1986, File No. 1-9021).
10.30	Agreement between Wachovia Corporation and John G. Medlin, Jr. (incorporated by reference to Exhibit 10.13 of Report on Form 10-Q of Wachovia Corporation for the quarter ended June 30, 1998, File No. 1-9021).
10.31	Executive Retirement Agreement between Wachovia Corporation and John G. Medlin, Jr. (incorporated by reference to Exhibit 10.18 of Report on Form 10-K of First Wachovia Corporation for the year ended December 31, 1987, File No. 1-9021).
10.32	Amendment to Executive Retirement Agreement described in Exhibit 10.31 hereto (incorporated by reference to Exhibit 10.17 of Report on Form 10-K of Wachovia Corporation for the year ended December 31, 1991, File No. 1-9021).
10.33	Amendment to Executive Retirement Agreement described in Exhibit 10.31 hereto (incorporated by reference to Exhibit 10.3 of Quarterly Report on Form 10-Q of Wachovia Corporation for the quarter ended September 30, 1993, File No. 1-9021).
10.34	Amendment to Executive Retirement Agreement described in Exhibit 10.31 hereto (incorporated by reference to Exhibit 10.4 of Quarterly Report on Form 10-Q of Wachovia Corporation for the quarter ended September 30, 1993, File No. 1-9021).
10.35	Split Dollar Life Insurance Agreement between Wachovia Corporation and L.M. Baker, Jr. dated as of September 1, 2000.
10.36	Split Dollar Life Insurance Agreement between Wachovia Corporation and Robert S. McCoy, Jr. dated as of September 1, 2000.
10.37	Split Dollar Life Insurance Agreement between Wachovia Corporation and G. Joseph Prendergast dated as of September 1, 2000.
10.38	Split Dollar Life Insurance Agreement between Wachovia Corporation and Mickey W. Dry dated as of September 1, 2000.
10.39	Form of Callable Split Dollar Life Insurance Agreement between Wachovia Corporation and Executive Officers (other than Messrs. Baker, McCoy, Prendergast and Dry).
10.40	Form of Non-Callable Split Dollar Life Insurance Agreement between Wachovia Corporation and Executive Officers (other than Messrs. Baker, McCoy, Prendergast and Dry).
11	"Computation of Earnings Per Common Share" (included on page 10 herein).
12	Statement setting forth computation of ratio of earnings to fixed charges.
27	Financial Data Schedule (for SEC purposes only).

WACHOVIA

Wachovia Corporation
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#00011-26