

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the fiscal year ended December 31, 2001.

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 (NO FEE REQUIRED).

For the transition period from _____ to _____

Commission File No. 1-13300

CAPITAL ONE FINANCIAL CORPORATION

(Exact name of registrant as specified in its charter)

Delaware
(State or Other Jurisdiction
of Incorporation or Organization)

54-1719854
(I.R.S. Employer
Identification No.)

2980 Fairview Park Drive, Suite 1300
Falls Church, Virginia
(Address of Principal Executive Offices)

22042-4525
(Zip Code)

Registrant's telephone number, including area code: (703) 205-1000
Securities registered pursuant to section 12(b) of the act:

<u>Title of Each Class</u>	<u>Name of Each Exchange on Which Registered</u>
Common Stock, \$.01 Par Value	New York Stock Exchange
Preferred Stock Purchase Rights*	New York Stock Exchange

* Attached to each share of Common Stock is a Right to acquire 1/100th of a share of the Registrant's Cumulative Participating Preferred Stock, par value \$.01 per share, which Rights are not presently exercisable.

Securities Registered Pursuant to Section 12(g) of the Act:

None

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. Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

The aggregate market value of the voting stock held by non-affiliates of the registrant as of the close of business on February 28, 2002.

Common Stock, \$.01 Par Value: \$10,106,571,816*

* In determining this figure, the registrant assumed that the executive officers of the registrant and the registrant's directors are affiliates of the registrant. Such assumption shall not be deemed to be conclusive for any other purpose.

The number of shares outstanding of the registrant's common stock as of the close of business on February 28, 2002.

Common Stock, \$.01 Par Value: 219,516,887 shares

DOCUMENTS INCORPORATED BY REFERENCE

- Portions of the Annual Report to stockholders for the year ended December 31, 2001 are incorporated by reference into Parts I, II and IV.
- Portions of the Proxy Statement for the annual meeting of stockholders to be held on April 25, 2002 are incorporated by reference into Part III.

CAPITAL ONE FINANCIAL CORPORATION

2001 ANNUAL REPORT ON FORM 10-K

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Item 1. Business.**Overview**

Capital One Financial Corporation (the “Corporation”), is a holding company, incorporated in Delaware on July 21, 1994, whose subsidiaries market a variety of financial products and services to consumers using its proprietary information-based strategy (“IBS”). The Corporation’s principal subsidiary, Capital One Bank (the “Bank”), a limited-purpose Virginia state chartered credit card bank, offers credit card products. The Bank originally conducted its operations as a division of Signet Bank, a wholly-owned subsidiary of Signet Banking Corporation (“Signet”).¹ Capital One, F.S.B. (the “Savings Bank”), a federally chartered savings bank, offers consumer lending and deposit products. Capital One Services, Inc., another subsidiary of the Corporation, provides various operating, administrative and other services to the Corporation and its subsidiaries. Unless indicated otherwise, the terms “Company”, “we”, “us”, and “our” refer to the Corporation and its consolidated subsidiaries and for periods prior to our separation from Signet Bank, Signet Bank’s credit card division.

We began operations in 1953 as part of Signet Bank, the same year as the formation of what is now MasterCard International, and we are one of the oldest continually operating bank card issuers in the United States. The Bank separated from Signet on November 24, 1994 and became a subsidiary of the Corporation. As of December 31, 2001, we had 43.8 million accounts and \$45.3 billion in managed consumer loans outstanding. We are among the eight largest issuers of Visa and MasterCard credit cards in the United States based on managed credit card loans outstanding as of December 31, 2001. The success of IBS, which we initiated in 1988, in addition to credit card industry dynamics, has been the foundation of our growth in terms of managed credit card loans and accounts.

In June 1996, we established the Savings Bank to expand our product offerings and our relationship with our cardholders. The Savings Bank currently takes deposits and offers a variety of credit card and installment loan products. Through the Savings Bank, we expect to offer multiple financial products and services to existing cardholders and other households applying IBS and existing information technology systems.

We offer credit card products outside of the United States through Capital One Bank (Europe) plc, an indirect subsidiary of the Bank organized and located in the United Kingdom (the “UK Bank”), through a branch of the Bank in Canada, and through our involvement in a joint venture with a South African financial institution. We currently have foreign operations primarily in the United Kingdom and Canada, with additional operations in South Africa and France. We may also, from time to time, consider establishing our business in additional foreign jurisdictions as opportunities arise. We also offer various non-card consumer lending products, including automobile financing and installment loan products, through our subsidiaries both in the United States and elsewhere.

We use IBS to differentiate among customers based on credit risk, usage and other characteristics and to match customer characteristics with appropriate product offerings. IBS involves developing sophisticated models, information systems, well-trained personnel and a flexible culture to create credit card or other products and services that address the demands of changing consumer and competitive markets. By actively testing a wide variety of product and service features, marketing channels and other aspects of offerings, we design customized solicitations that are targeted at various credit customer segments, thereby enhancing customer response levels and maximizing returns on investment within given underwriting parameters.

We build on information derived from our initial sources with continued integrated testing and model development to improve the quality, performance and profitability of our solicitation and account management initiatives. We apply IBS to all areas of our business, including solicitations, account management, credit line management, pricing strategies, usage stimulation, collections, recoveries, and account and balance retention.

Our common stock is listed on the New York Stock Exchange under the symbol COF. Our principal executive office is located at 2980 Fairview Park Drive, Suite 1300, Falls Church, Virginia 22042-4525 (telephone number (703) 205-1000).

¹ Signet Bank and Signet Banking Corporation were acquired by First Union National Bank and First Union Corporation, respectively, as of November 30, 1997. On September 1, 2001 First Union Corporation merged with Wachovia Corporation and formed a new Wachovia Corporation.

Business Description

Our primary business is consumer lending, with a focus on credit card lending but including other consumer lending activities, such as unsecured installment lending and automobile financing.

We offer a wide variety of credit card products throughout the United States, and internationally primarily in the United Kingdom and Canada. Applying IBS, we customize our products to appeal to different consumer preferences and needs by combining different product features, including annual percentage rates, fees and credit limits, rewards programs and other special features. We constantly test new products to develop packages that appeal to different and changing consumer preferences. Our customized products include both products targeted at a range of consumer credit risk profiles, such as low rate cards and secured cards, as well as products aimed at special consumer interests, such as affinity, co-brand and young adult cards. Our pricing strategies are risk-based; lower risk customers may likely be offered products with more favorable pricing and we expect these products to yield lower delinquencies and credit losses. On products offered to many higher risk customers, however, we may experience higher delinquencies and losses, and we price these products accordingly. In general, however, IBS allows us to provide appropriate products to individual consumers with a wide range of credit histories.

We also apply IBS to our other products and services. Our automobile finance subsidiary, Capital One Auto Finance, Inc.², a Texas corporation which we acquired in 1998 ("Capital One Auto Finance"), purchases retail installment contracts, secured by automobiles, through dealer networks throughout the United States. Capital One Auto Finance is also applying IBS to offer automobile loans directly to the consumer using various direct marketing channels. On October 9, 2001, we acquired PeopleFirst, Inc., the nation's largest online provider of direct motor vehicle loans.

We also offer other consumer loan products, such as installment loan products. On May 21, 2001, we acquired AmeriFee Corporation, which provides financing solutions for consumers seeking elective medical and dental procedures. This acquisition, among other things, provides support for our unsecured installment lending business.

We have also expanded our existing operations outside of the United States, and are currently operating primarily in the United Kingdom and Canada, with additional operations in South Africa and France. We have experienced continuing growth in the number of accounts and loan balances in our international lending business, with most of our growth coming from our business in the United Kingdom. In 2000, to support the continued growth of our United Kingdom business and any future business in Europe, we established the UK Bank, which has authority to accept deposits and provide credit cards and installment loans.

Our internet services provide support for our lending business and, in most areas where we offer such services, include account decisioning, real-time account numbering and online account servicing.

In addition to our lending activities, we also undertake some non-lending activities. We take deposits from customers, which are originated through both direct mailing and the internet. We also cross-sell the products of others to our lending customers, and strive to offer only quality products to our customers through these activities.

Geographic Diversity

Loan portfolio concentration within a specific geographic region or demographic portion of the population may be regarded as positive or negative based upon the current and expected credit characteristics and performance of the portfolio. Our consumer loan portfolio is geographically diverse. See Note P to Consolidated Financial Statements on page 62 of the Company's Annual Report to its stockholders for the year ended December 31, 2001 (the "Annual Report"), which is incorporated herein by reference.

Operations

Marketing

IBS is the cornerstone of our marketing strategy. Since its inception in 1988 we have used IBS to increase growth and market share. We generate accounts primarily through direct mail and telemarketing solicitations, although we also solicit accounts through the internet, newspaper, magazine, partnership arrangements, radio and television advertising and location and event marketing. Many of our solicitations are targeted at potential customers that have been prescreened for creditworthiness, however, many of our products are sold through marketing channels that do not allow for prescreening, and in some locations, such as in the U.K., regulations prohibit us from prescreening customers based on credit information.

² Capital One Auto Finance, Inc. was formerly known as Summit Acceptance Corporation. We changed its name to Capital One Auto Finance, Inc. on November 7, 2000.

We track and periodically review the results of our various solicitation campaigns. In developing our targeting strategies, we respect the privacy of our customers (and potential customers) by using customer information only in accordance with our privacy policies and applicable laws.

We are also pursuing a brand marketing, or “brand awareness”, strategy with the primary intent of differentiating ourselves from other credit card issuers based on the value proposition we offer our customers. This strategy is helping us build and maintain a valuable customer franchise and support our IBS and mass customization strategies.

Risk Management

We employ a comprehensive risk management process that integrates all aspects of an account’s life cycle, from origination to closure. We have a credit policy group that makes integrated marketing and credit policy decisions. This credit policy group consists of senior management representatives from the credit operations, risk management, marketing and analysis, and legal units. This group originates credit policy from the viewpoints of both profitability and credit risk, taking into consideration a multitude of factors.

An important element of our risk management process is our use of IBS to identify and target potential consumers with a goal of appropriately managing to risks that are inherent in the consumer lending business. We attempt continuously to monitor and improve the effectiveness of our information systems and processes such that senior management possesses the tools to manage portfolio risk and respond to changing market conditions and challenges.

Credit Operations

Senior management actively manages our credit extension process which is designed to bring consistency in credit practices and operating efficiencies. Our scoring technology and verification procedures are highly automated with limited judgmental review. Our credit evaluation process is based on proprietary models using, among other things, credit scores developed by nationally recognized scoring firms which may be tailored to individual programs.

We validate, monitor and maintain these models as part of IBS. Our modeling also provides us with a tool to objectively measure our application stage credit policy decisions and account policies relating to credit lines, pricing and collections.

Our prescreened account solicitation process uses information from credit reporting agencies to identify consumers who are likely to be approved for a credit card account. We vary the underwriting criteria used to prescreen potential applicants from time to time in accordance with our established policies and procedures relating to the operation of our consumer revolving lending business. We may change such policies from time to time. In order to establish the amount of the customer’s credit line, we analyze, and in some cases verify, the information on returned applications. We usually offer each customer whose credit request meets all of the applicable underwriting criteria a line of credit equal to or in excess of a minimum level we have established for each product offering. We also may review manually applications that are rejected by our credit scoring system because of inconsistencies in application information, inquiries from rejected applicants or for other reasons. Our credit analysts then have the ability to override decisions made by the system upon the receipt of additional information from an applicant or otherwise. Similar processes are in place for prescreened automobile financing customers who receive a maximum approved loan amount enabling them to shop for the automobile of their choice or refinance their current loans.

For non-prescreened solicitations, we generate names of prospective customers from a variety of sources, including third party list vendors and our internal sources, and then edit the list using internal and external sources to ensure quality and accuracy. We approve or decline prospective customers who respond to a solicitation based on information from both their application and a credit report from one or more credit reporting agencies. Our non-prescreened automobile financing customers are primarily generated both indirectly through a dealer channel and directly through the internet. As with our credit card business, these customers are approved or declined based on information from their application and credit report.

Account Management

We have found that active account management is necessary in order to respond to the changing economic environment and cardholder risk, usage and payment patterns. We periodically evaluate all accounts in our portfolio to determine their suitability for inclusion in various account management programs related to adjusting credit lines, pricing, stimulating usage, retention and collection.

For eligible accounts, such periodic review may result in more favorable pricing, higher credit lines, product upgrades or other enhancements in order to increase account usage or the overall profitability of an account. Conversely, for delinquent or other accounts with significant credit risk, periodic review may result in an account being reassigned to a higher risk category and hence not being eligible for credit line increases or, in certain circumstances, having pricing adjusted upward or the credit line reduced.

The IBS approach is also used to develop our retention strategies. We have developed integrated systems which evaluate account profitability and risk, test various strategies for cost and effectiveness in retaining cardholders and assist service representatives in negotiating potential pricing alternatives. Some of our card products, including those offering introductory interest rates, have a repricing feature after an initial period. We have developed methodologies for retaining these accounts and the balances in these accounts after the expiration of the introductory period.

Collection Procedures

We have used IBS to customize our collections strategies to determine the appropriate timing of collection activity based on our prediction of delinquencies and charge-offs. We generally consider an account delinquent if we have not received a minimum payment by the accountholder's payment due date. We currently refer delinquent accounts for contact by phone between seven and 60 days after contractual delinquency, depending on the accountholder's risk profile. We design our policies and procedures to encourage accountholders to pay delinquent amounts; for example, once a delinquent account has re-established a payment pattern with three consecutive minimum monthly payments, it can be re-aged as current. In the US, federal guidelines restrict how frequently an account can be re-aged, renewed or extended. Our re-aging policy for our businesses outside the US may differ in an immaterial manner. We reserve the right to suspend charging privileges at any time after an account attains delinquent status. We may also, at our discretion, enter into alternative arrangements with delinquent accountholders to extend or otherwise change payment schedules.

We charge-off as uncollectible an account (net of collateral, if any) at 180 days past-due, except with respect to certain installment loans and automobile loans, which we generally charge-off as uncollectible at 120 days past-due. In connection with a secured credit card account, except as set forth below, we apply funds deposited as collateral to payment on the account shortly before (or, in some cases at the time) the account is charged off as uncollectible. In connection with automobile loans, for which we retain a security interest in the automobile which is the subject of the loan, we charge-off up to 53% of the value of the loan on the charge-off date, with additional amounts potentially charged off at a later date following our sale of the collateral and recovery of the proceeds from such sale. With respect to automobile accounts, in certain limited circumstances including bankruptcies, instances where the customer cannot be located or where the amount at issue is a deficiency on an insurance loss, we will charge-off more than 53% on the charge-off date.

With respect to bankrupt credit card customers in the US, we charge-off the account within 30 days after we receive the bankruptcy petition. With respect to bankrupt automobile customers, in most cases, we charge-off accounts within 180 days of delinquency for Chapter 13 bankrupts and on repossession following lift of the automatic stay of the secured automobile for Chapter 7 bankrupts. With respect to secured credit card accounts, we apply funds deposited as collateral in satisfaction of the account only after the bankruptcy automatic stay is lifted. With respect to customer accounts in the UK, we charge-off accounts for individuals who are subject to Individual Voluntary Arrangements ("IVA") with Creditors, which we do after we receive notification of the IVA and confirmation that the customer is failing to fulfill on the IVA. We charge-off accounts of deceased credit-card customers within 60 days of receiving proper notice if no estate exists against which a proof of claim can be filed, no other party remits payments, and no other responsible party is available. Credit card transactions suspected of being fraudulent are charged off to non-interest expense after a 60-day investigation period. We may change our credit evaluation, servicing and charge-off policies and collection practices over time in accordance with our business judgment, applicable law and guidelines established by applicable regulatory authorities.

Technology/Systems

A key part of our strategic focus is the development of flexible, high-volume computer and operational systems capable of handling our growth and changes in marketing and account management strategies. Management believes that the continued development and integration of these systems is important to our efforts to reduce our operating costs and maintain a competitive advantage.

We have developed proprietary integrated information systems which allow our employees to manage the large volumes of data collected as part of the IBS process and to use such data in our account solicitations, application processing, account management and retention strategies. Among other things, we use this information to predict consumer behavior and then match prospects to lending products with various terms and fees. These systems

also allow our customer service representatives to access account specific information when responding to customer inquiries.

Funding

Our primary methods of funding include loan securitizations, issuing certificates of deposit, senior notes and other borrowings, and fed funds purchased from financial institutions. For a discussion of our funding program, see pages 23-24 and 32-34 of the Annual Report under the respective headings “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Managed Consumer Loan Portfolio” and “—Funding,” which are incorporated herein by reference.

Competition

As a marketer of credit card and other financial products, we face intense competition in all aspects of our business from numerous bank and non-bank providers of financial services. Many of these companies are substantially larger and have more resources than we do. We compete with international, national, regional and local issuers of Visa and MasterCard credit cards. In addition, American Express, Discover Card, Diner’s Club and, to a certain extent, smart cards and debit cards, represent additional competition to the general purpose credit card. In general, customers are attracted to credit card issuers largely on the basis of price, credit limit and other product features and customer loyalty is often limited. We also face competition from lenders in our automobile finance, installment loan, and other lending activities. We believe that IBS allows us to more effectively compete in both our current and new markets. There can be no assurance, however, that our ability to market products and services successfully or to obtain adequate yield on our loans will not be impacted by the nature of the competition that now exists or may later develop.

In addition, we face competition in seeking funding from banks, savings banks, money market funds and a wide variety of other entities that take deposits and/or sell debt securities, some of which are publicly traded. Many of these companies are substantially larger, have more capital and other resources and have better financial ratings than we do. Accordingly, there can be no assurance that competition from these other borrowers will not increase our cost of funds.

Intellectual Property

As part of our overall and ongoing strategy to protect and enhance our intellectual property, we rely on a variety of protections, including copyrights, trademarks, trade secrets, patents and certain restrictions on disclosure. We actively pursue patent protection in the United States and internationally to protect certain important aspects of our business. We also undertake other measures to control access to and distribution of our other proprietary information. Despite these precautions, it may be possible for a third party to copy or otherwise obtain and use certain intellectual property without authorization. Our precautions may not prevent misappropriation or infringement of our intellectual property. In addition, our competitors also file patent applications for business methods that are used in our industry. The ability of our competitors to successfully apply for such patents may adversely effect our ability to compete. Conversely, our ability to obtain such patents may increase our competitive advantage. There can be no assurance that we will be successful in such efforts, or that the ability of our competitors to obtain such patents may not adversely impact our financial results.

Employees

As of December 31, 2001, we employed 21,648 employees, to whom we refer as “associates.” A central part of our philosophy is to attract and maintain a highly capable staff. We view current associate relations to be satisfactory. None of our associates is covered under a collective bargaining agreement.

Supervision and Regulation

General

The Bank is a banking corporation chartered under Virginia law and a member of the Federal Reserve System, the deposits of which are insured by the Bank Insurance Fund of the Federal Deposit Insurance Corporation (the “FDIC”). In addition to regulatory requirements imposed as a result of the Bank’s international operations (discussed below), the Bank is subject to comprehensive regulation and periodic examination by the Bureau of Financial Institutions of the Virginia State Corporation Commission (the “Bureau of Financial Institutions”), the Federal Reserve Board (the “Federal Reserve”), the Federal Reserve Bank of Richmond and the FDIC. The Bank is not a “bank” under the Bank Holding Company Act of 1956, as amended (the “BHCA”), because it (i) engages only in credit card operations, (ii) does not accept demand deposits or deposits that the depositor may withdraw by check or similar means for payment to third parties or others, (iii) does not accept any savings or time deposits of less than

\$100,000, other than as permitted as collateral for extensions of credit, (iv) maintains only one office that accepts deposits and (v) does not engage in the business of making commercial loans. Due to the Bank's status as a limited purpose credit card bank, our non-credit card operations must be conducted in our other operating subsidiaries.

The Savings Bank is a federal savings bank chartered by the Office of Thrift Supervision (the "OTS") and is a member of the Federal Home Loan Bank System. Its deposits are insured by the Savings Association Insurance Fund of the FDIC. The Savings Bank is subject to comprehensive regulation and periodic examination by the OTS and the FDIC.

The Corporation is not a bank holding company under the BHCA as a result of its ownership of the Bank because the Bank is not a "bank" as defined under the BHCA. If the Bank failed to meet the credit card bank exemption criteria described above, its status as an insured depository institution would make the Corporation subject to the provisions of the BHCA, including certain restrictions as to the types of business activities in which a bank holding company and its affiliates may engage. Becoming a bank holding company under the BHCA would affect the Corporation's ability to engage in certain non-banking businesses. In addition, for purposes of the BHCA, if the Bank failed to qualify for the credit card bank exemption, any entity that acquired direct or indirect control of the Bank and also engaged in activities not permitted for bank holding companies could be required either to discontinue the impermissible activities or to divest itself of control of the Bank.

As a result of the Corporation's ownership of the Savings Bank, the Corporation is a unitary savings and loan holding company subject to regulation by the OTS and the provisions of the Savings and Loan Holding Company Act. As a unitary savings and loan holding company, the Corporation generally is not restricted under existing laws as to the types of business activities in which it may engage so long as the Savings Bank continues to meet the qualified thrift lender test (the "QTL Test"). If the Corporation ceased to be a unitary savings and loan holding company as a result of its acquisition of an additional savings institution, as a result of the failure of the Savings Bank to meet the QTL Test, or as a result of a change in control of the Savings Bank, the types of activities that the Corporation and its non-savings association subsidiaries would be able to engage in would generally be limited to those eligible for bank holding companies.

Under the Gramm-Leach-Bliley Financial Services Modernization Act of 1999 (the "GLB Act"), bank holding companies may engage in an expanded range of activities, including the securities and insurance businesses. To do so, a bank holding company may voluntarily elect to become a "financial holding company." While these changes are significant in their impact upon the traditional banking, securities and insurance industries, the impact upon us is less significant in light of the fact that we are regulated as a unitary thrift holding company and not as a bank holding company or a financial holding company. As a result, we may engage in both the full range of activities authorized for bank or financial holding companies, as well as additional non-banking activities typically impermissible for such entities. In addition, the GLB Act permits a limited-purpose credit card bank such as the Bank to establish one or more foreign banking subsidiaries that are not subject to the business-line limitations credit card banks face domestically. Therefore, such foreign banking subsidiaries could engage in non-credit card lending and could accept retail deposits overseas.

While the GLB Act does not impact the permissible range of our activities, it does impose some limitations on the future activities of unitary thrift holding companies. Existing unitary thrift holding companies such as the Corporation are "grandfathered" with full powers to continue and expand their current activities. Grandfathered unitary thrift holding companies, however, may not be acquired by nonfinancial companies and maintain their grandfathered powers. In addition, if a grandfathered unitary thrift holding company is acquired by a financial company without such grandfather rights, it may lose its ability to engage in certain non-banking activities otherwise ineligible for bank holding companies or financial holding companies.

The Corporation is also registered as a financial institution holding company under Virginia law and as such is subject to periodic examination by Virginia's Bureau of Financial Institutions.

We have filed applications with the Board of Governors of the Federal Reserve System and the State Corporation Commission of Virginia, Bureau of Financial Institutions, to merge the Bank and the Savings Bank. If approved, the Bank would be the surviving institution, and would, concurrently with the merger, convert from a state-chartered limited purpose credit card bank to a state-chartered savings bank. The resulting institution would retain the name "Capital One Bank," as well as its membership in the Federal Reserve System. The merger would not change the regulatory status of the Corporation, which would remain a grandfathered unitary thrift holding company and would not be subject to the activity limitations applicable to a bank holding company or a financial holding company.

Our automobile financing activities fall under the scrutiny of the state agencies having supervisory authority under applicable sales finance laws or consumer finance laws in most states.

Dividends and Transfers of Funds

Dividends to the Corporation from its direct and indirect subsidiaries represent a major source of funds for the Corporation to pay dividends on its stock, make payments on its debt securities and meet its other obligations. There are various federal and Virginia law limitations on the extent to which the Bank and the Savings Bank can finance or otherwise supply funds to the Corporation through dividends, loans or otherwise. These limitations include minimum regulatory capital requirements, Federal Reserve, OTS and Virginia law requirements concerning the payment of dividends out of net profits or surplus, Sections 23A and 23B of the Federal Reserve Act governing transactions between an insured depository institution and its affiliates and general federal and Virginia regulatory oversight to prevent unsafe or unsound practices. In general, federal banking laws prohibit an insured depository institution, such as the Bank and the Savings Bank, from making dividend distributions if such distributions are not paid out of available earnings or would cause the institution to fail to meet applicable capital adequacy standards. In addition, the Savings Bank is required to give the OTS at least 30 days' advance notice of any proposed dividend. Under OTS regulations, other limitations apply to the Savings Bank's ability to pay dividends, the magnitude of which depends upon the extent to which the Savings Bank meets its regulatory capital requirements. In addition, under Virginia law, the Bureau of Financial Institutions may limit the payment of dividends by the Bank if the Bureau of Financial Institutions determines that such a limitation would be in the public interest and necessary for the Bank's safety and soundness.

Capital Adequacy

The Bank and the Savings Bank are currently subject to capital adequacy guidelines adopted by the Federal Reserve and the OTS, respectively. For a further discussion of the capital adequacy guidelines, see page 34 of the Annual Report under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations—Capital Adequacy" and Note J to Consolidated Financial Statements on page 57, which are incorporated herein by reference.

In January 2001, the Basel Committee on Banking Supervision issued for public comment a proposal to revise significantly the current international capital adequacy accord, the purpose of which is to ensure that banking organizations maintain prudent levels of capital, make regulatory capital standards more reflective of banking risks, and provide incentives for organizations to enhance their risk management capabilities. If ultimately adopted, this proposal may require some banks to increase their current capital levels.

FDICIA

Among other things, the Federal Deposit Insurance Corporation Improvement Act of 1991 ("FDICIA") requires federal bank regulatory authorities to take "prompt corrective action" ("PCA") in respect of insured depository institutions that do not meet minimum capital requirements. FDICIA establishes five capital ratio levels: well-capitalized, adequately-capitalized, undercapitalized, significantly undercapitalized and critically undercapitalized. The capital categories are determined solely for the purposes of applying FDICIA's PCA provisions, as discussed below, and such capital categories may not constitute an accurate representation of the overall financial condition or prospects of the Bank or the Savings Bank. As of December 31, 2000, each of the Bank and the Savings Bank met the requirements for a "well-capitalized" institution. A "well-capitalized" classification should not necessarily be viewed as describing the condition or future prospects of a depository institution, including the Bank and the Savings Bank.

Under FDICIA's PCA system, an insured depository institution in the "undercapitalized category" must submit a capital restoration plan guaranteed by its parent company. The liability of the parent company under any such guarantee is limited to the lesser of 5.00% of the insured depository institution's assets at the time it became undercapitalized, or the amount needed to comply with the plan. An insured depository institution in the undercapitalized category also is subject to limitations in numerous areas including, but not limited to, asset growth, acquisitions, branching, new business lines, acceptance of brokered deposits and borrowings from the Federal Reserve. Progressively more burdensome restrictions are applied to insured depository institutions in the undercapitalized category that fail to submit or implement a capital plan and to insured depository institutions that are in the significantly undercapitalized or critically undercapitalized categories. In addition, an insured depository institution's primary federal banking agency is authorized to downgrade the institution's capital category to the next lower category upon a determination that the institution is in an unsafe or unsound condition or is engaged in an unsafe or unsound practice. An unsafe or unsound practice can include receipt by the institution of a less than satisfactory rating on its most recent examination with respect to its capital, asset quality, management, earnings liquidity and sensitivity to market risk.

"Critically undercapitalized" insured depository institutions (which are defined to include institutions that still have a positive net worth) may not, beginning 60 days after becoming critically undercapitalized, make any payment of principal or interest on their subordinated debt (subject to certain limited exceptions). Thus, in the event an institution became critically undercapitalized, it would

generally be prohibited from making payments on its subordinated debt securities. In addition, critically undercapitalized institutions are subject to appointment of a receiver or conservator.

FDICIA also requires the FDIC to implement a system of risk-based premiums for deposit insurance pursuant to which the premiums paid by a depository institution will be based on the probability that the FDIC will incur a loss in respect of such institution. The FDIC has since adopted a system that imposes insurance premiums based upon a matrix that takes into account an institution's capital level and supervisory rating.

The Bank and the Savings Bank may accept brokered deposits as part of their funding. Under FDICIA, only "well-capitalized" and "adequately-capitalized" institutions may accept brokered deposits. Adequately-capitalized institutions, however, must first obtain a waiver from the FDIC before accepting brokered deposits, and such deposits may not pay rates that significantly exceed the rates paid on deposits of similar maturity from the institution's normal market area or the national rate on deposits of comparable maturity, as determined by the FDIC, for deposits from outside the institution's normal market area.

Liability for Commonly-Controlled Institutions

Under the "cross-guarantee" provision of the Financial Institutions Reform, Recovery and Enforcement Act of 1989 ("FIRREA"), insured depository institutions such as the Bank and the Savings Bank may be liable to the FDIC in respect of any loss or reasonably anticipated loss incurred by the FDIC resulting from the default of, or FDIC assistance to, any commonly controlled insured depository institution. The Bank and the Savings Bank are commonly controlled within the meaning of the FIRREA cross-guarantee provision.

Investment Limitation and Qualified Thrift Lender Test

Federally-chartered savings banks such as the Savings Bank are subject to certain investment limitations. For example, federal savings banks are not permitted to make consumer loans (i.e., certain open-end or closed-end loans for personal, family or household purposes, excluding credit card loans) in excess of 35% of the savings bank's assets. Federal savings banks are also required to meet the QTL Test, which generally requires a savings bank to maintain at least 65% "portfolio assets" (total assets less (i) specified liquid assets up to 20% of total assets, (ii) intangibles, including goodwill and (iii) property used to conduct business) in certain "qualified thrift investments" (residential mortgages and related investments, including certain mortgage backed and mortgage related investments, small business related securities, certain state and federal housing investments, education loans and credit card loans) on a monthly basis in nine out of every 12 months. Failure to qualify under the QTL Test could subject the Savings Bank to substantial restrictions on its activities, including the activity restrictions that apply generally to bank holding companies and their affiliates and potential loss of grandfathered rights under the GLB Act. As of December 31, 2001, 82.07% of the Savings Bank's portfolio assets were held in qualified thrift investments, and the Savings Bank was in compliance with the QTL Test.

Subprime Lending Guidelines

On January 31, 2001, the federal banking agencies, including the Federal Reserve and the OTS, issued "Expanded Guidance for Subprime Lending Programs" (the "Guidelines"). The Guidelines, while not constituting a formal regulation, provide guidance to the federal bank examiners regarding the adequacy of capital and loan loss reserves held by insured depository institutions engaged in subprime lending. The Guidelines adopt a broad definition of "subprime" loans which likely covers more than one-third of all consumers in the United States. Because our business strategy is to provide credit card products and other consumer loans to a wide range of consumers, a portion of our loan assets may be viewed by the examiners as "subprime". Thus, under the Guidelines, bank examiners could require the Bank or the Savings Bank to hold additional capital (up to one and one-half to three times the minimally required level of capital, as set forth in the Guidelines), or additional loan loss reserves, against such assets. As described above, at December 31, 2001 the Bank and the Savings Bank each met the requirements for a "well-capitalized" institution, and management believes that each institution is holding an appropriate amount of capital or loan loss reserves against higher risk assets. Management also believes we have general risk management practices in place that are appropriate in light of our business strategy. Significantly increased capital or loan loss reserve requirements, if imposed, however, could have a material impact on the Corporation's consolidated financial statements.

Regulation of Lending Activities

The activities of the Bank and the Savings Bank as consumer lenders also are subject to regulation under various federal laws, including the Truth-in-Lending Act, the Equal Credit Opportunity Act, the Fair Credit Reporting Act, the Community Reinvestment Act and the Soldiers' and Sailors' Civil Relief Act, as well as under various state laws. Depending on the underlying issue and applicable law, regulators are often authorized to impose penalties for violations of these statutes and, in certain cases, to order the

Bank and the Savings Bank to compensate injured borrowers. Borrowers may also have a private right of action to bring actions for certain violations. Federal bankruptcy and state sales finance laws (in the area of our automobile financing business) and state debtor relief and collection laws also affect the ability of the Bank and the Savings Bank to collect outstanding balances owed by borrowers.

Privacy

The GLB Act requires a financial institution to disclose its privacy policy to customers and consumers, and requires that such customers and consumers be given a choice (through an opt-out notice) to forbid the sharing of nonpublic personal information about them with nonaffiliated third persons. We have a written privacy policy posted on our web site, which we will deliver each of our customers when the customer relationship begins, and annually thereafter, in compliance with the GLB Act. Pursuant to that policy, we protect the security of information about our customers, educate our employees about the importance of protecting customer privacy, and allow our customers to remove their names from the solicitation lists we use and share with others. We require business partners with whom we share such information to abide by the redisclosure and reuse provisions of the GLB Act. We have developed and implemented programs to fulfill on the expressed requests of customers and consumers to opt out of information sharing subject to the GLB Act. With respect to our newly acquired subsidiary, PeopleFirst, Inc., we are in the process of migrating PeopleFirst's privacy policy to be in accordance with ours. As our regulators establish further guidelines for addressing customer privacy issues, we may need to amend our privacy policy and adapt our internal procedures.

In addition to adopting federal requirements regarding privacy, the GLB Act also permits individual states to enact stricter laws relating to the use of customer information. Vermont has done so by regulation, and many states, notably California, are expected to consider such proposals which may impose additional requirements or restrictions on us.

Investment in the Corporation, the Bank and the Savings Bank

Certain acquisitions of capital stock may be subject to regulatory approval or notice under federal or Virginia law. Investors are responsible for insuring that they do not, directly or indirectly, acquire shares of capital stock of the Corporation in excess of the amount which can be acquired without regulatory approval.

The Bank and the Savings Bank are each "insured depository institutions" within the meaning of the Change in Bank Control Act. Consequently, federal law and regulations prohibit any person or company from acquiring control of the Company without, in most cases, prior written approval of the Federal Reserve or the OTS, as applicable. Control is conclusively presumed if, among other things, a person or company acquires more than 25% of any class of voting stock of the Corporation. A rebuttable presumption of control arises if a person or company acquires more than 10% of any class of voting stock and is subject to any of a number of specified "control factors" as set forth in the applicable regulations.

Although the Bank is not a "bank" within the meaning of Virginia's reciprocal interstate banking legislation (Chapter 15 of Title 6.1 of the Code of Virginia), it is a "bank" within the meaning of Chapter 13 of Title 6.1 of the Code of Virginia governing the acquisition of interests in Virginia financial institutions (the "Financial Institution Holding Company Act"). The Financial Institution Holding Company Act prohibits any person or entity from acquiring, or making any public offer to acquire, control of a Virginia financial institution or its holding company without making application to, and receiving prior approval from, the Bureau of Financial Institutions.

International Regulation

We also face regulation in certain foreign jurisdictions where we currently, and may in the future, operate. Those regulations may be similar to or substantially different from the regulatory requirements we face in the United States.

In the United Kingdom, we operate through the UK Bank, which was established in 2000. The UK Bank is regulated by the Financial Services Authority and licensed by the Office of Fair Trading (the "OFT"). The UK Bank is an "authorized deposit taker" and thus is able to take consumer deposits in the UK. The UK Bank has also been granted a full license by the OFT to issue consumer credit under the Consumer Credit Act-1974. The FSA requires the UK Bank to maintain certain capital ratios at all times. In addition, the UK Bank is limited by the UK Companies Act-1985 in its distribution of dividends to the Bank in that such dividends may only be paid out of the UK Bank's "distributable profits."

In Canada, we operate principally through a recently established branch of the Bank (the "Canadian Branch") which, like the Bank, is engaged solely in the issuance of credit cards. Our installment loan business in Canada is conducted through a separately incorporated finance company subsidiary of the Corporation. The Canadian Branch is considered a federally regulated financial

institution (“FRFI”) under the Canadian Bank Act, and is authorized and supervised by the Canadian Office of the Superintendent of Financial Institutions (“OSFI”).

In France, we operate through a branch of the UK Bank which was established under the European Union’s passport authority. This branch issues credit cards and installment loans.

Interstate Taxation

Several states have passed legislation which attempts to tax the income from interstate financial activities, including credit cards, derived from accounts held by local state residents. Based on the volume of our business in these states and the nature of the legislation passed to date, we currently believe that this development will not materially affect our financial condition. The states may also consider legislation to tax income derived from transactions conducted through the Internet. We currently solicit accounts and take account information via the Internet. It is unclear at this time, however, whether and in what form any such legislation will be adopted or, if adopted, what its impact on us would be.

Legislation

Legislation has been introduced requiring additional disclosures for credit cards and other types of consumer lending. Such legislation could place additional restrictions on the practices of credit card issuers and consumer lenders generally. Additional proposals have been made to change existing federal bankruptcy laws, to expand the privacy protections afforded to customers of financial institutions, and to reform the federal deposit insurance system. It is unclear at this time whether and in what form any such legislation will be adopted or, if adopted, what its impact on the Bank, the Savings Bank or the Corporation would be. Congress or individual states may in the future consider other legislation that would materially affect the banking or credit card industries.

Risk Factors

This Annual Report on Form 10-K contains forward-looking statements. We also may make written or oral forward-looking statements in our periodic reports to the Securities and Exchange Commission on Forms 10-Q and 8-K, in our annual report to shareholders, in our proxy statements, in our offering circulars and prospectuses, in press releases and other written materials and in oral statements made by our officers, directors or employees to third parties. Statements that are not historical facts, including statements about our beliefs and expectations, are forward-looking statements. Forward-looking statements include information relating to our future earnings per share, return on equity, growth in managed loans outstanding and customer accounts, net interest margins, funding costs, operations costs and employment growth, marketing expense, delinquencies and charge-offs. Forward-looking statements also include statements using words such as “expect,” “anticipate,” “intend,” “plan,” “believe,” “estimate” or similar expressions. We have based these forward-looking statements on our current plans, estimates and projections, and you should not unduly rely on them.

Forward-looking statements are not guarantees of future performance. They involve risks, uncertainties and assumptions, including the risks discussed below. Our future performance and actual results may differ materially from those expressed in these forward-looking statements. Many of the factors that will determine these results and values are beyond our ability to control or predict. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. You should carefully consider the factors discussed below in evaluating these forward-looking statements.

This section highlights specific risks that could affect our business and us. Although we have tried to discuss key factors, please be aware that other risks may prove to be important in the future. New risks may emerge at any time and we cannot predict such risks or estimate the extent to which they may affect our financial performance.

We Face Intense Competition in all of our Markets

We face intense competition from many other providers of credit cards and other consumer financial products and services. In particular, in our credit card activities, we compete with international, national, regional and local bank card issuers, with other general purpose credit or charge card issuers, and to a certain extent, issuers of smart cards and debit cards and providers of other types of financial services (such as home equity lines and other products). We face similarly competitive markets in our automobile financing and installment loan activities. In addition, the Gramm-Leach-Bliley Financial Services Modernization Act of 1999, which permits greater affiliations between banks, securities firms and insurance companies, may increase competition in the financial services industry, including in the credit card business. Increased competition has resulted in, and may continue to cause, a

decrease in credit card response rates and reduced productivity of marketing dollars invested in certain lines of business. Other credit card companies may compete with us for customers by offering lower interest rates and fees and/or higher credit limits. Because customers generally choose credit card issuers based on price (primarily interest rates and fees), credit limit and other product features, customer loyalty is limited. We may lose entire accounts, or may lose account balances, to competing card issuers. Our automobile financing and installment products also face intense competition on the basis of price, and we may similarly face customer attrition for these products. Customer attrition from any or all of our products, together with any lowering of interest rates or fees that we might implement to retain customers, could reduce our revenues and therefore our earnings.

We face intense pricing competition in a wide array of credit card products and services, such as our low fixed-rate cards, introductory interest rate cards, secured cards and other customized cards. Thus, the cost to acquire new accounts will continue to vary among product lines and may reasonably be expected to rise as we move beyond the domestic card market depending on economies of scale. We expect that competition will continue to grow more intense with respect to most of our products, including our products offered internationally.

Fluctuations in Our Accounts and Loan Balances

The number of accounts and aggregate total of loan balances of our domestic credit card portfolio (including the rate at which they grow) will be affected by a number of factors, including how we allocate our marketing investment among different products and the rate at which customers transfer their accounts and loan balances to us or away from us to competing card issuers. Such accounts and loan balances are also affected by general economic conditions, which may increase or decrease the amount of spending by our customers and affect their ability to repay their loans, and other factors beyond our control.

Because we designed our IBS to take advantage of market opportunities by differentiating among customers and targeting growth opportunities, we cannot forecast how much we will spend for marketing, how we will spend such funds, or on which products. Accordingly, our account and loan balance growth is affected by which products our IBS identifies as targeted growth opportunities and our continual reassessment of those targets, general economic conditions, and many other factors. Our results, therefore, will vary as marketing investments, accounts and loan balances fluctuate.

It is Difficult to Sustain and Manage Growth

Our growth strategy is threefold. First, we seek to continue to grow our domestic credit card business. Second, we desire to grow our lending business, including credit cards, internationally, in the United Kingdom, Canada and beyond. Third, we hope to identify, pursue and expand new business opportunities, such as automobile financing, installment lending and other types of consumer lending activities. Our management believes that, through IBS, we can achieve these objectives. However, there are several types of factors that can affect our ability to do so, including:

- ***Funding.*** Our ability to grow may be constrained by our ability to generate funding sufficient to both create the liquidity necessary to extend loans to our customers and to provide us with the capital necessary to meet the requirements of our regulators, the rating agencies and our own prudent management principles. Our ability to generate this funding, especially capital funding which can come from only limited sources, is limited by a number of factors, such as the regulatory environment and our corporate structure. In addition, our ability to raise funds is strongly affected by the general state of the United States and world economies, and will be more difficult in a recessionary economy such as the one we currently face. See “—We May Experience Limited Availability of Financing and Variation in Our Funding Costs” below.
- ***Credit Risk.*** As a consumer lender, factors affecting our growth (including our ability to obtain funding and our ability to generate account balance growth), are also affected by the delinquency and charge-off levels of our accounts. Our delinquency and charge-off levels are also affected by the general state of the United States and world economies, and may likely be adversely impacted by a recessionary economy. See “—We May Experience Increased Delinquencies and Credit Losses” below.
- ***Business Risk.*** Our ability to grow is driven by the success of our fundamental business plan. This risk has many components, including:
 - ® ***Customer and Account Growth.*** As a business driven by customer finance, our growth is highly dependent on our ability to retain existing customers and attract new ones, grow existing and new account balances,

and have sufficient funding available for marketing activities that generate these customers and account balances. Our ability to grow and retain customers is also dependent on customer satisfaction, which may be adversely affected by factors outside of our control, such as postal service and other marketing and customer service channel disruptions and costs.

- ® *Product Risk.* Difficulties or delays in the development, production, testing and marketing of new products or services, which may be caused by a number of factors including among other things operational constraints and legal difficulties, will affect the success of such products or services and can cause losses associated with the costs to develop unsuccessful products and services. In addition, customers may not accept the new products and services offered.
- *Operational Risk.* Our ability to grow successfully is also dependent on our ability to build or acquire the necessary operational and organizational infrastructure, manage expenses as we expand and recruit experienced management and operations personnel with the experience to run an increasingly complex business. In addition, we operate in a highly regulated industry, and our ability to grow our business, both in credit card issuance and by expanding into international and new lending opportunities, may be adversely affected by the legal and regulatory environment we face, which may change at any time and which is outside of our control.
- *International Expansion.* Our expansion internationally is affected by additional factors, including limited access to information, differences in cultural attitudes toward credit, changing regulatory and legislative environments, political developments, exchange rates and differences from the historical experience of portfolio performance in the United States and other countries.
- *Consumer Finance Expansion.* Our ability to expand our business by undertaking consumer lending activities outside of our card business is also affected by additional factors, such as the ability to identify and execute on new business opportunities to which we can successfully apply our IBS.

We May Experience Limited Availability of Financing and Variation in Our Funding Costs

The securitization of consumer loans, which involves the legal sale of beneficial interests in consumer loan balances is one of our major sources of funding. As of December 31, 2001, we had \$27.4 billion, or approximately 60%, of our total loans subject to securitization transactions. Our future ability to use securitization as a funding source depends on the difficulty and expense associated with such funding. Until now, we have used securitization funding because the terms were economically acceptable. However, our continued reliance on this funding source will be affected by many factors. Economic, legal, regulatory, accounting and tax changes can make securitization funding more difficult, more expensive or unavailable on any terms both domestically and internationally, where the securitization of consumer loans may be on terms more or less favorable than in the United States. For example, securitizations that meet the criteria for sale treatment under generally accepted accounting principles may not always be an attractive source of funding for us, and we may have to seek other more expensive funding sources in the future. In such event, our earnings could be reduced and we might be unable to grow in a manner consistent with our past growth. In addition, the occurrence of certain events may cause previously completed securitization transactions to amortize earlier than scheduled, which would accelerate the need for funding. This early amortization would also have a significant effect on the ability of the Bank and the Savings Bank to meet the capital adequacy requirements as effected off-balance sheet loans would have to be recorded on the balance sheet and so would be subject to regulatory capital requirements.

In general, the amount, type and cost of our financing, including financing from other financial institutions, the capital markets and deposits, can positively or negatively affect our financial results. A number of factors could make such financing more difficult, more expensive or unavailable including, but not limited to, changes within our organization, changes in the activities of our business partners, changes affecting our investments, our corporate and regulatory structure, interest rate fluctuations and accounting and regulatory changes.

In addition, ratings agencies play an important role in determining, by means of the ratings they assign to issuers and their debt, the availability and cost of funding. As private entities, ratings agencies have broad discretion in the assignment of rating. For example, our company currently receives ratings from several ratings agencies. Because we depend on the capital markets for funding and capital a strong rating (particularly an investment grade rating) is important. A below investment grade rating typically reduces availability and increases the cost of market-based funding. Currently we are rated by one ratings agency as below investment grade. We are rated by other ratings agencies as just at investment grade. If these ratings were to be lowered, we could experience reduced availability and increased cost of funding from the capital markets. This result could make it difficult for us to grow at or to a level we

currently anticipate, or even consistent with levels of growth in prior years. The immediate impact of a ratings downgrade on other sources of funding, however, would be limited, as deposit funding and pricing are not generally determined by corporate debt ratings and our various credit facilities do not contain covenants triggered by a ratings downgrade.

In addition, we compete for funding with other banks, savings banks and similar companies. Some of these institutions are publicly traded. Many of these institutions are substantially larger, have more capital and other resources and have better financial ratings than we do. Competition from these other borrowers may increase our cost of funds. Events that disrupt capital markets and other factors beyond our control could also make our funding sources more expensive or unavailable.

Because we offer to our customers credit lines, the full amount of which is most often not used, we have exposure to these unfunded lines of credit; these credit lines could be used to a greater extent than our historical experience would predict. If actual use of these lines were to materially exceed predicted line usage, we would need to raise more funding than anticipated in our current funding plans. It could be difficult to raise such funds, either at all, or at favorable rates.

We May Experience Increased Delinquencies and Credit Losses

Like other credit card lenders and providers of consumer financing, we face the risk that we will not be able to collect on our accounts because accountholders and other borrowers will not repay their credit card and other unsecured loans. Consumers who miss payments on their credit card and other unsecured loans often fail to repay them, and consumers who file for protection under the bankruptcy laws generally do not repay their credit card and other unsecured loans. Therefore, the rate of missed payments, or “delinquencies,” on our portfolio of loans, and the rate at which consumers may be expected to file for bankruptcy, can be used to predict the future rate at which we will charge-off our consumer loans. A high charge-off rate would hurt our overall financial performance and the performance of our securitizations and increase our cost of funds.

Widespread increases in past-due payments and nonpayment are likely to occur if the country or a region experiences an economic downturn, such as a recession. In addition, credit card accounts tend to exhibit a rising trend of delinquency and credit losses as they “season,” or age. As a result of seasoning of our portfolio and other factors, we have experienced an increase in our managed net charge-off rate from 3.92% in the third quarter of 2001 to 4.42% in the fourth quarter of 2001. Delinquencies and credit losses may also occur for other reasons. For example, fraud can cause losses. Likewise, if we make fewer loans than we have in the past, the proportion of new loans in our portfolio will decrease and the delinquency rate and charge-off rate may increase. Therefore, the seasoning of accounts or a slowdown in the rate at which we acquire new accounts may require higher loan loss provisions and reserves. This would reduce our earnings unless offset by other changes. We do, as provided for by the applicable accounting rules, have allowances for losses from delinquencies and charge-offs. There can be no assurance, however, that such allowances will be sufficient to account for actual losses.

In addition, we market our products to a broad range of consumers, including those who have less experience with credit, and who therefore tend to experience higher delinquency and charge-off rates. Our goal is to use IBS to set the credit limits and price products for consumers relative to the risk of anticipated associated losses, but we cannot be certain that we have set high enough fees and rates for certain accounts to offset the higher delinquency and loss rates we may experience from such accounts.

We Face Risk From Economic Downturns and Social Factors

Delinquencies and credit losses in the consumer finance industry generally increase during economic downturns or recessions. Likewise, consumer demand may decline during an economic downturn or recession. Accordingly, an economic downturn or recession (either local or national), such as the one we are currently experiencing, can hurt our financial performance as accountholders default on their loans or, in the case of card accounts, carry lower balances. As we increasingly market our cards internationally, an economic downturn or recession outside the United States also could hurt our financial performance. A variety of social factors also may cause changes in credit card and other consumer finance use, payment patterns and the rate of defaults by accountholders and borrowers. These social factors include changes in consumer confidence levels, the public’s perception of the use of credit cards and other consumer debt and changing attitudes about incurring debt and the stigma of personal bankruptcy. Our goal is to manage these risks through our underwriting criteria and product design, but these tools may not be enough to protect our growth and profitability during a sustained period of economic downturn or recession or a material shift in social attitudes.

We Face Risk of Interest Rate and Exchange Rate Fluctuations

Like other financial institutions, we borrow money from institutions and depositors which we then lend to customers. We earn interest on the consumer loans we make, and pay interest on the deposits and borrowings we use to fund those loans. Changes in these two interest rates affect the value of our assets and liabilities. If the rate of interest we pay on our borrowings increases more than the rate of interest we earn on our loans, our net interest income, and therefore our earnings, could fall. Our earnings could also be hurt if the rates on our consumer loans fall more quickly than those on our borrowings.

The financial instruments and techniques we use to manage the risk of interest rate fluctuations, such as asset/liability matching, interest rate swaps and hedges, may not always work successfully. Our goal is generally to maintain an interest rate neutral or “matched” position, where interest rates on loans and borrowings go up or down by the same amount and at the same time so that interest rate changes for loans or borrowings will not affect our earnings. We cannot, however, always achieve this position at a reasonable cost. Furthermore, if these techniques become unavailable or impractical, our earnings could be less than we may have anticipated.

We also manage these risks partly by changing the interest rates we charge on our credit card accounts. The success of repricing accounts to match an increase or decrease in our borrowing rates depends on the overall product mix of such accounts, the actual amount of accounts repriced, the rate at which we are originating new accounts and our ability to retain accounts (and the related loan balances) after repricing. For example, if we increase the interest rate we charge on our credit card accounts and the accountholders close their accounts as a result, we won’t be able to match our increased borrowing costs as quickly if at all.

Similarly, we face some foreign currency exchange rate risk, which refers to the potential changes in current and future earnings or capital arising from movements in foreign exchange rates. Our foreign currency exchange rate risk is limited to the unhedged portion of our net investment in our foreign subsidiaries. We use forward exchange contracts and foreign exchange swap agreements to reduce our exposure to foreign currency exchange rate risk.

Changes in Regulation and Legislation Can Affect Our Results

Federal and state laws and rules, as well as rules to which we are subject in foreign jurisdictions in which we conduct business, significantly limit the types of activities in which we engage. For example, federal and state consumer protection laws and rules limit the manner in which we may offer and extend credit. From time to time, the United States Congress and the states consider changing these laws and may enact new laws or amend existing laws to regulate further the consumer lending industry. Such new laws or rules could limit the amount of interest or fees we can charge, restrict our ability to collect on account balances, or materially affect us or the banking or credit card industries in some other manner. Additional federal and state consumer protection legislation also could seek to expand the privacy protections afforded to customers of financial institutions and restrict our ability to share or receive customer information.

The laws governing bankruptcy and debtor relief, in the U.S. or in foreign jurisdictions in which we conduct business, also could change, making it more expensive or more difficult for us to collect from our customers. Congress currently is considering legislation that would change the existing federal bankruptcy laws. One intended purpose of this legislation is to increase the collectibility of unsecured debt, however, it is not clear whether or in what form Congress may adopt this legislation and we cannot predict how this legislation may affect us.

In addition, banking regulators possess broad discretion to issue or revise regulations, or to issue guidance, which may significantly impact us. The banking agencies have recently issued examiner guidelines governing subprime lending activities which may require financial institutions engaged in such lending to carry higher levels of capital and/or loan loss reserves. Regulators have also recently restricted the ability of two credit card issuers to provide further credit to higher risk customers due principally to supervisory concerns over rising charge-off rates and capital adequacy. We maintain an active dialogue with our banking agency regulators and believe that our capital levels and risk management practices are appropriate for our business. We cannot, however, predict whether and how any new guidelines issued or other regulatory actions taken by the agencies will be applied to the Bank or the Savings Bank or the resulting effect on the Corporation, the Bank or the Savings Bank.

In addition, the existing laws and rules, both in the U.S and in the foreign jurisdictions in which we conduct operations, are complex. If we fail to comply with them we might not be able to collect our loans in full, or we might be required to pay damages or penalties to our customers. For these reasons, new or changes in existing laws or rules could hurt our profits.

Fluctuations in Our Expenses and Other Costs May Hurt Our Financial Results

Our expenses and other costs, such as human resources and marketing expenses, directly affect our earnings results. Many factors can influence the amount of our expenses, as well as how quickly they grow. For example, increases in postal rates currently contemplated by postal regulators could raise our costs for postal service, which is a significant component of our expenses for marketing and for servicing our 43.8 million accounts as of December 31, 2001. As our business develops, changes or expands, additional expenses can arise from asset purchases, structural reorganization or a reevaluation of business strategies. Other factors that can affect the amount of our expenses include legal and administrative cases and proceedings, which can be expensive to pursue or defend. In addition, changes in accounting policies can significantly affect how we calculate expenses and earnings.

Statistical Information

The statistical information required by Item 1 can be found in our Annual Report, and is incorporated herein by reference, as follows:

	<u>Guide 3 Disclosure</u>	<u>Page In The Company's Annual Report to its Stockholders for The Year Ended December 31, 2001</u>
I.	Distribution of Assets, Liabilities and Stockholders' Equity; Interest Rates and Interest Differential	25-29
II.	Investment Portfolio	49
III.	Loan Portfolio	21-24; 29-32; 35; 46; 50; 62-63
IV.	Summary of Loan Loss Experience	31-32
V.	Deposits	27; 32-34
VI.	Return on Equity and Assets	21
VII.	Other Borrowings	32-34

Item 2. Properties

We lease our principal executive office at 2980 Fairview Park Drive, Suite 1300, Falls Church, Virginia, consisting of approximately 43,400 square feet. The lease is scheduled to expire on February 28, 2005. We own administrative offices and credit card facilities in Richmond, Virginia, consisting of approximately 470,000 square feet, from which we conduct our credit, collections, customer service and other operations. We also lease additional facilities consisting of an aggregate of approximately 3,946,000 square feet (excluding the principal executive office) from which credit, collections, customer service and other operations are conducted, in Virginia, Florida, Texas, Idaho, Washington, Massachusetts, the United Kingdom, France and Canada. We also own a facility in Tampa, Florida, consisting of approximately 119,000 square feet and another facility in Nottingham, Great Britain, consisting of approximately 483,000 square feet.

We plan to consolidate our Northern Virginia operations into a single campus located in McLean, Virginia, and are scheduled to complete construction of a 14 story office building consisting of approximately 533,000 square feet by the end of 2002. On January 30, 2001, we purchased approximately 316 acres of land in Goochland County, Virginia for the construction of an office campus to consolidate certain of our operations in the Richmond area. Two buildings consisting of approximately 320,000 square feet are scheduled to be completed in 2002.

Item 3. Legal Proceedings

The information required by Item 3 is included in the Annual Report on pages 58-59 under the heading "Notes to Consolidated Financial Statements—Note L—Commitments and Contingencies."

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

During the fourth quarter of our fiscal year ending December 31, 2001, no matters were submitted to a vote of our stockholders.

PART II

Item 5. *Market For Company's Common Stock And Related Stockholder Matters.*

The information required by Item 5 is included under "Supervision and Regulation—Dividends and Transfers of Funds" herein and in the Annual Report on pages 32-35 under the headings "Management's Discussion and Analysis of Financial Condition and Results of Operations—Funding" and "—Capital Adequacy," on page 39 under the heading "Selected Quarterly Financial Data" and on pages 57-58 in Note K to Consolidated Financial Statements, and is incorporated herein by reference and filed as part of Exhibit 13.

Item 6. *Selected Financial Data.*

The information required by Item 6 is included in the Annual Report on page 21 under the heading "Selected Financial and Operating Data," and is incorporated herein by reference and filed as part of Exhibit 13.

Item 7. *Management's Discussion And Analysis Of Financial Condition And Results Of Operations.*

The information required by Item 7 is included in the Annual Report on pages 22-38 under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations," and is incorporated herein by reference and filed as part of Exhibit 13.

Item 7A. *Quantitative And Qualitative Disclosures About Market Risk.*

The information required by Item 7A is included in the Annual Report on page 35 under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations—Interest Rate Sensitivity," and is incorporated herein by reference and filed as part of Exhibit 13.

Item 8. *Financial Statements And Supplementary Data.*

The information required by Item 8 is included in the Annual Report on page 41 under the heading "Report of Independent Auditors," on pages 42-46 under the headings "Consolidated Balance Sheets," "Consolidated Statements of Income," "Consolidated Statements of Changes in Stockholders' Equity," "Consolidated Statements of Cash Flows" and "Notes to Consolidated Financial Statements" and on page 39 under the heading "Selected Quarterly Financial Data," and is incorporated herein by reference and filed as part of Exhibit 13.

Item 9. *Changes In And Disagreements With Accountants On Accounting And Financial Disclosure.*

Not applicable.

PART III

Item 10. *Directors And Executive Officers Of The Company.*

The information required by Item 10 is included in the Corporation's 2002 Proxy Statement (the "Proxy Statement") on pages 6-9 under the heading "Information About Our Directors and Executive Officers and is incorporated herein by reference. The Proxy Statement was filed with the Securities and Exchange Commission pursuant to Regulation 14A within 120 days of the end of the Corporation's 2001 fiscal year.

Item 11. *Executive Compensation.*

The information required by Item 11 is included in the Proxy Statement on pages 10-11 under the heading "Information About Our Directors and Executive Officers—Compensation of the Board," on pages 13-20 under the heading "Compensation of Executive Officers" and on pages 21-25 under the heading "Report of the Compensation Committee on Executive Compensation," and is incorporated herein by reference.

Item 12. *Security Ownership Of Certain Beneficial Owners And Management.*

The information required by Item 12 is included in the Proxy Statement on pages 4-5 under the heading "Information About Capital One's Common Stock Ownership," and is incorporated herein by reference.

Item 13. *Certain Relationships And Related Transactions*

The information required by Item 13 is included in the Proxy Statement on page 12 under the heading "Information About Our Directors and Executive Officers—Related Party Transactions," and on pages 14-15 in Footnote (9) to the Summary Compensation Table, and is incorporated herein by reference.

PART IV

Item 14. Exhibits, Financial Statement Schedules And Reports On Form 8-K

(a) (1) The following consolidated financial statements of Capital One Financial Corporation, included in the Annual Report, are incorporated herein by reference in Item 8:

Report of Independent Auditors, Ernst & Young LLP

Consolidated Balance Sheets—As of December 31, 2001 and 2000

Consolidated Statements of Income—Years ended December 31, 2001, 2000 and 1999

Consolidated Statements of Changes in Stockholders' Equity—Years ended December 31, 2001, 2000 and 1999

Consolidated Statements of Cash Flows—Years ended December 31, 2001, 2000, 1999

Notes to Consolidated Financial Statements

Selected Quarterly Financial Data—As of and for the years ended December 31, 2001 and 2000

(2) All schedules are omitted since the required information is either not applicable, not deemed material, or is shown in the respective financial statements or in notes thereto.

(3) Exhibits:

A list of the exhibits to this Form 10-K is set forth on the Exhibit Index immediately preceding such exhibits and is incorporated herein by reference.

(b) Reports on Form 8-K

The Company filed on October 17, 2001 a Current Report on Form 8-K dated October 16, 2001, Commission File No. 1-13300, enclosing its press release dated October 16, 2001.

The Company filed on October 25, 2001 a Current Report on Form 8-K dated October 24, 2001, Commission File No. 1-13300, enclosing its press release dated October 24, 2001.

The Company filed on November 2, 2001 a Current Report on Form 8-K dated November 2, 2001, Commission File No. 1-13300, enclosing Amendment Number 2 to Rights Agreement dated as of October 18, 2001 between Capital One Financial Corporation and Equiserve Trust Company, N.A. (as successor to First Trust Company of New York) as Rights Agent.

EXHIBIT INDEX
CAPITAL ONE FINANCIAL CORPORATION
ANNUAL REPORT ON FORM 10-K
DATED DECEMBER 31, 2001
Commission File No. 1-13300

The following exhibits are incorporated by reference or filed herewith. References to (i) the “1994 Form 10-K” are to the Corporation’s Annual Report on Form 10-K for the year ended December 31, 1994; (ii) the “1995 Form 10-K” are to the Corporation’s Annual Report on Form 10-K for the year ended December 31, 1995; (iii) the “1996 Form 10-K” are to the Corporation’s Annual Report on Form 10-K for the year ended December 31, 1996; (iv) the “1997 Form 10-K” are to the Corporation’s Annual Report on Form 10-K for the year ended December 31, 1997; (v) the “1998 Form 10-K” are to the Corporation’s Annual Report on Form 10-K for the year ended December 31, 1998; (vi) the “1999 Form 10-K/A” are to the Corporation’s Annual Report on Form 10-K, as amended, for the year ended December 31, 1999 and (vii) the “2000 Form 10-K” are to the Corporation’s Annual Report on Form 10-K for the year ended December 31, 2000.

<u>Exhibit Number</u>	<u>Description</u>
3.1.1	Restated Certificate of Incorporation of Capital One Financial Corporation (incorporated by reference to Exhibit 3.1 of the 1994 Form 10-K).
3.1.2	Certificate of Amendment to Restated Certificate of Incorporation of Capital One Financial Corporation (incorporated by reference to Exhibit 3.1.2 of the Corporation’s Report on Form 8-K, filed January 16, 2001).
3.2	Amended and Restated Bylaws of Capital One Financial Corporation (as amended November 18, 1999) (incorporated by reference to Exhibit 3.2 of the 1999 10-K/A).
4.1	Specimen certificate representing the Common Stock (incorporated by reference to Exhibit 4.1 of the 1997 Form 10-K).
4.2.1	Rights Agreement dated as of November 16, 1995 between Capital One Financial Corporation and Mellon Bank, N.A. (incorporated by reference to Exhibit 4.1 of the Corporation’s Report on Form 8-K, filed November 16, 1995).
4.2.2	Amendment to Rights Agreement dated as of April 29, 1999 between Capital One Financial Corporation and First Chicago Trust Company of New York, as successor to Mellon Bank, N.A. (incorporated by reference to Exhibit 4.2.2 of the 1999 10-K/A).
4.2.3	Amendment Number 2 to Rights Agreement dated as of October 18, 2001 between Capital One Financial Corporation and Equiserve Trust Company, N.A. (as successor to First Trust Company of New York) as Rights Agent (incorporated by reference to Exhibit 99.1 of the Corporation’s Report on Form 8-K, filed November 2, 2001).
4.3	Amended and Restated Issuing and Paying Agency Agreement dated as of April 30, 1996 between Capital One Bank and Chemical Bank (including exhibits A-1, A-2, A-3 and A-4 thereto) (incorporated by reference to Exhibit 4.1 of the Corporation’s quarterly report on Form 10-Q for the period ending June 30, 1996).
4.4.1	Distribution Agreement dated June 6, 2000 among Capital One Bank, J.P. Morgan Securities, Inc. and the agents named therein (incorporated by reference to the Corporation’s quarterly report on Form 10-Q for the period ending June 30, 2000).
4.4.2	Copy of 6.875% Notes, due 2006, of Capital One Bank (incorporated by reference to Exhibit 4.4.2 of the 2000 Form 10-K).

Exhibit Number	Description
4.4.3	Copy of Floating Rate Notes, due 2003, of Capital One Bank (incorporated by reference to Exhibit 4.4.3 of the 2000 Form 10-K).
4.4.4	Copy of 8 1/4% Fixed Rate Notes, due 2003, of Capital One Bank (incorporated by reference to Exhibit 4.4.4 of the 2000 Form 10-K).
4.4.5	Copy of 6.5% Notes, due 2004, of Capital One Bank.
4.4.6	Copy of 6.875 Notes due 2006, of Capital One Bank.
4.5.1	Senior Indenture and Form T-1 dated as of November 1, 1996 among Capital One Financial Corporation and Harris Trust and Savings Bank (incorporated by reference to Exhibit 4.1 of the Corporation's Report on Form 8-K, filed November 13, 1996).
4.5.2	Copy of 7.25% Notes, Due 2003, of Capital One Financial Corporation (incorporated by reference to Exhibit 4.5.2 of the 1996 Form 10-K).
4.5.3	Copy of 7 1/8% Notes, due 2008, of Capital One Financial Corporation (incorporated by reference to Exhibit 4.8 of the 1998 Form 10-K).
4.5.4	Copy of 7% Notes, due 2006, of the Capital One Financial Corporation (incorporated by reference to Exhibit 4.10 of the 1999 Form 10-K/A).
4.5.5	Copy of 8.75% Notes, due 2007, of Capital One Financial Corporation
4.6.1	Declaration of Trust, dated as of January 28, 1997, between Capital One Bank and The First National Bank of Chicago, as trustee (including the Certificate of Trust executed by First Chicago Delaware Inc., as Delaware trustee) (incorporated by reference to Exhibit 4.6.1 of the 1996 Form 10-K).
4.6.2	Copies of Certificates Evidencing Capital Securities (incorporated by reference to Exhibit 4.6.2 of the 1996 Form 10-K).
4.6.3	Amended and Restated Declaration of Trust, dated as of January 31, 1997, by and among Capital One Bank, The First National Bank of Chicago and First Chicago Delaware Inc. (incorporated by reference to Exhibit 4.6.3 of the 1996 Form 10-K).
4.7	Issue and Paying Agency Agreement dated as of October 24, 1997 between Capital One Bank, Morgan Guaranty Trust Company of New York, London Office, and the Paying Agents named therein (incorporated by reference to Exhibit 4.9 of the 1998 Form 10-K).
10.1	[Reserved]
10.2.1	Lease Agreement, dated as of December 5, 2000, among First Union Development Corporation, as Lessor, and Capital One F.S.B. and Capital One Bank, jointly and severally, as Lessees (incorporated by reference to Exhibit 10.2.1 of the 2000 Form 10-K).
10.2.2	Participation Agreement, dated as of December 5, 2000, among Capital One F.S.B. and Capital One Bank as construction agents and lessees, Capital One Financial Corporation as guarantor, First Union Development Corporation as Lessor, the various financing parties named therein, and First Union National Bank as Agent (incorporated by reference to Exhibit 10.2.2 of the 2000 Form 10-K).
10.2.3	Guaranty, dated as of December 5, 2000, from Capital One Financial Corporation in favor of First Union Development Corporation and the various other parties to the Participation Agreement, dated as of December 5, 2000 (incorporated by reference to Exhibit 10.2.3 of the 2000 Form 10-K).
10.3*	Form of Change of Control Employment Agreement dated as of January 25, 2000 between Capital One Financial Corporation and each of Richard D. Fairbank, Nigel W. Morris and John G. Finneran Jr. (incorporated by reference to Exhibit 10.3 of the 1999 10-K/A).
10.4*	Capital One Financial Corporation 1999 Non-Employee Directors Stock Incentive Plan.

Exhibit Number	Description
10.5	[Reserved]
10.6*	Capital One Financial Corporation 1999 Stock Incentive Plan (incorporated by reference to the Corporation's Registration Statement on Form S-8, Commission File No. 333-78609, filed May 17, 1999).
10.7*	Capital One Financial Corporation 1994 Stock Incentive Plan, as amended (incorporated by reference to Exhibit 10.7 of the 2000 Form 10-K).
10.8	Multicurrency Revolving Credit Facility Agreement dated as of August 11, 2000 by and between Capital One Bank, as borrower, Capital One Financial Corporation, as guarantor, and Chase Manhattan PLC, as lender (incorporated by reference to Exhibit 10.5 of the Corporation's quarterly report on Form 10-Q for the period ending September 30, 2000).
10.10	Amended and Restated Change of Control Employment Agreement dated as of January 25, 2000 between Capital One Financial Corporation and certain of its senior executives (incorporated by reference to Exhibit 10.10.2 of the 1999 Form 10-K/A).
10.11*	Capital One Financial Corporation Excess Savings Plan, as amended (incorporated by reference to Exhibit 10.20 of the 1995 Form 10-K).
10.12*	Capital One Financial Corporation Excess Benefit Cash Balance Plan, as amended (incorporated by reference to Exhibit 10.21 of the 1995 Form 10-K).
10.13*	Capital One Financial Corporation 1994 Deferred Compensation Plan, as amended (incorporated by reference to Exhibit 10.22 of the 1995 Form 10-K).
10.14*	1995 Non-Employee Directors Stock Incentive Plan (incorporated by reference to the Corporation's Registration Statement on Form S-8, Commission File No. 33-91790, filed May 1, 1995).
10.15	Services Agreement dated as of April 1, 1999 by and between D'Arcy Masius Benton & Bowles USA, Inc. and Capital One Financial Corporation (incorporated by reference to Exhibit 10.15 of the 1999 Form 10-K/A).
10.16	Consulting Agreement dated as of April 5, 1995, by and between Capital One Financial Corporation and American Management Systems, Inc. (incorporated by reference to Exhibit 10.33 of the 1995 Form 10-K).
10.17.1	Amended and Restated Lease Agreement dated as of October 14, 1998 between First Security Bank of Utah, N.A., as owner trustee for the COB Real Estate Trust 1995-1, as lessor and Capital One Realty, Inc., as lessee (incorporated by reference to Exhibit 10.17.1 of the 1998 Form 10-K).
10.17.2	Guaranty dated as of October 14, 1998 from Capital One Bank in favor of First Security Bank, N.A., as owner trustee for the COB Real Estate Trust 1995-1, First Union National Bank, as indenture trustee, Lawyers Title Realty Services, Inc., as deed of trust trustee, and the Note Purchasers, Registered Owners and LC Issuer referred to therein (incorporated by reference to Exhibit 10.17.2 of the 1998 Form 10-K).
10.17.3	Amendment to Lease Documents dated as of October 1, 1999 between First Security Bank of Utah, N.A., and Val T. Orton, as owner trustees for COB Real Estate Trust 1995-1, as lessor and Capital One Bank and Capital One Realty, Inc., as lessees (incorporated by reference to Exhibit 10.17.3 of the 1999 Form 10-K/A).
10.17.4	Amendment to Guaranty dated as of April 1, 1999 between Capital One Bank and First Security Bank, N.A., as owner trustee for the COB Real Estate Trust 1995-1, First Union National Bank, as indenture trustee, Lawyers Title Realty Services, Inc., as deed of trust trustee, and the Note Purchasers, Registered Owners and LC Issuer referred to therein (incorporated by reference to Exhibit 10.17.4 of the 1999 Form 10-K/A).

Exhibit Number	Description
10.18.1	Second Amended and Restated Credit Agreement dated as of May 25, 1999 by and among Capital One Financial Corporation, Capital One Bank and Capital One, F.S.B, as original borrowers, and The Chase Manhattan Bank, as administrative agent and lender and the other lenders named therein (incorporated by reference to Exhibit 10.18.1 of the 1999 Form 10-K/A).
10.18.2	Amendment to Second Amended and Restated Credit Agreement dated as of December 21, 1999 among Capital One Financial Corporation, Capital One Bank and Capital One, F.S.B., as original borrowers, and The Chase Manhattan Bank, as administrative agent (incorporated by reference to Exhibit 10.18.2 of the 1999 Form 10-K/A).
10.19	[Reserved]
10.20	Form of Intellectual Property Protection Agreement dated as of April 29, 1999 by and among Capital One Financial Corporation and certain of its senior executives (incorporated by reference to Exhibit 10.20 of the 1999 Form 10-K/A).
10.21	Credit Agreement (Capital One Realty, Inc.) dated as of September 3, 1999 between First Security Bank, N.A. as owner trustee for Capital One Realty Trust 1998-1, as borrower, the lenders party thereto, and Bank of America, N.A., as administrative agent (incorporated by reference to Exhibit 10.21 of the 1999 Form 10-K/A).
10.22	Lease Agreement (Capital One Realty, Inc.) dated as of September 3, 1999 between First Security Bank, N.A. as owner trustee for Capital One Realty Trust 1998-1, as lessor, and Capital One Realty, Inc. as lessee (incorporated by reference to Exhibit 10.22 of the 1999 Form 10-K/A).
10.23	Participation Agreement (Capital One Realty, Inc.) dated as of September 3, 1999 among Capital One Realty, Inc., as construction agent and lessee, Capital One Bank, as guarantor, First Security Bank, N.A. as owner trustee under the Capital One Realty Trust 1998-1, and the holders and lenders named therein, and Bank of America, N.A., as Agent (incorporated by reference to Exhibit 10.23 of the 1999 Form 10- K/A).
10.24	Credit Agreement (Capital One Services, Inc.) dated as of September 3, 1999 between First Security Bank, N.A. as owner trustee for Capital One Realty Trust 1998-1 as borrower, the lenders party thereto, and Bank of America N.A. as administrative agent (incorporated by reference to Exhibit 10.24 of the 1999 Form 10-K/A).
10.25	Lease Agreement (Capital One Services, Inc.) dated as of September 3, 1999 between First Security Bank, N. A. as owner trustee for Capital One Realty Trust 1998-1, as lessor, and Capital One Services, Inc. as lessee (incorporated by reference to Exhibit 10.25 of the 1999 Form 10- K/A).
10.26	Participation Agreement (Capital One Services, Inc.) dated as of September 3, 1999 among Capital One Services, Inc. as construction agent as lessee, Capital One Financial Corporation, as guarantor, First Security Bank, N.A., as owner trustee under the Capital One Realty Trust 1998-1, the holders and lenders named therein, and Bank of America, N.A., as agent (incorporated by reference to Exhibit 10.26 of the 1999 Form 10-K/A).
13	The portions of Capital One Financial Corporation's 2001 Annual Report to Stockholders that are incorporated by reference herein.
21	Subsidiaries of the Company.
23	Consent of Ernst & Young LLP.

* Indicates a management contract or compensation plan or arrangement required to be filed as an exhibit to this Annual Report on Form 10-K.

REGISTERED GLOBAL SENIOR NOTE

UNLESS THIS NOTE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITARY TRUST COMPANY (55 WATER STREET, NEW YORK, NEW YORK) (THE "DEPOSITARY") TO CAPITAL ONE BANK (THE "BANK") OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY NOTE ISSUED UPON REGISTRATION OF TRANSFER OF, OR IN EXCHANGE FOR, OR IN LIEU OF, THIS NOTE IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITARY (AND ANY PAYMENT HEREON IS MADE TO CEDE & CO), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL SINCE THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

THIS NOTE IS A GLOBAL SECURITY AND, UNLESS AND UNTIL THIS NOTE IS EXCHANGED IN WHOLE OR IN PART FOR NOTES IN DEFINITIVE FORM, IT MAY NOT BE TRANSFERRED EXCEPT AS A WHOLE BY THE DEPOSITARY TO A NOMINEE OF THE DEPOSITARY OR BY THE NOMINEE OF THE DEPOSITARY TO THE DEPOSITARY OR ANOTHER NOMINEE OF THE DEPOSITARY OR BY THE DEPOSITARY OR ANY SUCH NOMINEE TO A SUCCESSOR DEPOSITARY OR A NOMINEE OF SUCH SUCCESSOR DEPOSITARY.

THIS NOTE IS A DIRECT, UNCONDITIONAL, UNSECURED AND UNSUBORDINATED GENERAL OBLIGATION OF CAPITAL ONE BANK (THE "BANK"). THE OBLIGATIONS EVIDENCED BY THIS NOTE RANK PARI PASSU WITH ALL OTHER UNSECURED AND UNSUBORDINATED OBLIGATIONS OF THE BANK, EXCEPT OBLIGATIONS, INCLUDING ITS DOMESTIC (U.S.) DEPOSITS, THAT ARE SUBJECT TO ANY PRIORITIES OR PREFERENCES UNDER APPLICABLE LAW. THIS NOTE DOES NOT EVIDENCE A DEPOSIT AND IS NOT INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION ("FDIC") OR ANY OTHER INSURER.

THIS NOTE IS ISSUABLE ONLY IN MINIMUM DENOMINATIONS OF US\$100,000 AND INTEGRAL MULTIPLES OF US\$1,000 IN EXCESS THEREOF. EACH OWNER OF A BENEFICIAL INTEREST IN THIS NOTE IS REQUIRED TO HOLD A BENEFICIAL INTEREST OF US\$100,000 PRINCIPAL AMOUNT OR ANY INTEGRAL MULTIPLE OF US\$1,000 IN EXCESS THEREOF OF THIS NOTE AT ALL TIMES.

REGISTERED No. R-

CUSIP No.: 14040EES7
ISIN No.: US14040EES72
Common Code: 013337942

CAPITAL ONE BANK
GLOBAL BANK NOTE
(Registered Global Note)

ORIGINAL ISSUE DATE: July 26, 2001 PRINCIPAL AMOUNT: \$350,000,000
SPECIFIED CURRENCY:
MATURITY DATE: July 30, 2004 [X] U.S. dollar
[X] FIXED RATE NOTE [] Other:
[] FLOATING RATE NOTE

CAPITAL ONE BANK, a bank organized under the laws of the Commonwealth of Virginia (the "Bank"), for value received, hereby promises to pay to CEDE & CO., or registered assigns, the principal amount specified above as adjusted in accordance with Schedule 1 hereto, on the Maturity Date specified above (except to the extent redeemed or repaid prior to the Maturity Date) and to pay interest thereon (i) in accordance with the provisions set forth on the reverse hereof under the caption "Fixed Rate Interest Provisions," if this Note is designated as a "Fixed Rate Note" above, or (ii) in accordance with the provisions set forth on the reverse hereof under the caption "Floating Rate Interest Provisions," if this Note is designated as a "Floating Rate Note" above, in each case as such provisions may be modified or supplemented by the terms and provisions set forth in the Pricing Supplement attached hereto (the "Pricing Supplement"), and (to the extent that the payment of such interest shall be legally enforceable) to pay interest at the Default Rate per annum specified in the Pricing Supplement on any overdue principal and premium, if any, and on any overdue installment or interest. If no Default Rate is specified in the Pricing Supplement then the Default Rate shall be the Interest Rate specified in the Pricing Supplement. The interest so payable, and punctually paid or duly provided for, on any Interest Payment Date will be paid to the person in whose name this Note (or any predecessor Note) is registered at the close of business on the fifteenth calendar day (whether or not a Business Day (as defined on the reverse hereof)) next preceding the applicable Interest Payment Date (unless otherwise specified in the Pricing Supplement) (each, a "Regular Record Date"); provided, however, that interest payable at Maturity (as defined on the reverse hereof) will be payable to the person to whom principal shall be payable. Any such interest not so punctually paid or duly provided for shall forthwith cease to be payable to the holder as of the close of business on such Regular Record Date, and shall instead be payable to the person in whose name this Note (or any predecessor Note) is registered at the close of business on a special record date for the payment of such defaulted interest (the "Special Record Date") to be fixed by the Registrar (as defined below), notice whereof shall be given by the Registrar to the holder of this Note not less than 15 calendar days prior to such Special Record Date.

This Note is one of a duly authorized issue of the Bank's notes due from 30 days to 30 years or more from date of issue (the "Notes"). The Notes are issued in accordance with the Global Agency Agreement, dated as of June 6, 2000 and as amended as of May 24, 2001 (the "Global Agency Agreement"), among the Bank and The Chase Manhattan Bank as paying agent (the "Domestic Paying Agent") and as registrar (the "Registrar"), The Chase Manhattan Bank, London Branch, as paying agent (the "London Paying Agent") and as issuing agent (the "London Issuing Agent") and Chase Manhattan Bank Luxembourg S.A. as transfer agent (the "Transfer Agent"), as paying agent (the "Luxembourg Paying Agent", together with the Domestic Paying

Agent and the London Paying Agent, the "Paying Agents", and individually, a "Paying Agent") and Kredietbank S.A. Luxembourgeoise as listing agent (the "Listing Agent"). The terms Domestic Paying Agent, Registrar, London Paying Agent, London Issuing Agent, Luxembourg Paying Agent, Transfer Agent and Listing Agent shall include any additional or successor agents appointed in such capacities by the Bank.

The Bank shall cause to be kept at the office of the Registrar designated below a register (the register maintained in such office or any other office or agency of the Registrar, herein referred to as the "Note Register") in which, subject to such reasonable regulations as it may prescribe, the Bank shall provide for the registration of Notes issued in registered form and of transfers of such Notes. The Bank has initially appointed The Chase Manhattan Bank, acting through its principal office at 450 West 33rd Street, 15th Floor, New York, New York 10001, as "Registrar" for the purpose of registering Notes issued in registered form and transfers of such Notes. The Bank reserves the right to rescind such designation at any time, and to transfer such function to another bank or financial institution.

The transfer of this Note is registrable in the Note Register, upon surrender of the Note for registration of transfer at the office or agency of the Registrar or any transfer agent maintained for that purpose, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Registrar (or such transfer agent) duly executed by, the holder hereof or its attorney duly authorized in writing.

Payment of principal of, and premium, if any, and interest on, this Note due at Maturity will be made in immediately available funds upon presentation and surrender of this Note at the office of a Paying Agent maintained for that purpose; provided, that this Note is presented to such Paying Agent in time for such Paying Agent to make such payment in accordance with its normal procedures. Payments of interest on this Note (other than at Maturity) will be made by wire transfer to such account as has been appropriately designated to a Paying Agent by the person entitled to such payments.

Reference is made to the further provisions of this Note set forth on the reverse hereof and in the Pricing Supplement, which further provisions shall for all purposes have the same effect as if set forth at this place. In the event of any conflict between the provisions contained herein or on the reverse hereof and the provisions contained in the Pricing Supplement attached hereto, the latter shall control. References herein to "this Note," "hereof," "herein" and comparable terms shall include the Pricing Supplement attached hereto.

Unless the certificate of authentication hereon has been executed by the Registrar, by manual signature of an authorized signatory, this Note shall not be valid or obligatory for any purpose.

This Note shall be governed by, and construed in accordance with, the laws of the State of New York, without regard to the conflicts of law principles thereof.

IN WITNESS WHEREOF, the Bank has caused this Note to be duly executed.

CAPITAL ONE BANK

By:

Name:
Title:

Dated:

REGISTRAR'S CERTIFICATE OF AUTHENTICATION

This is one of the Notes referred to in the
within-mentioned Global Agency Agreement.

THE CHASE MANHATTAN BANK,
as Registrar

By:

Name:
Title:

PRICING SUPPLEMENT DATED July 19, 2001
(to be read in conjunction with the Offering Circular dated May 24, 2001)

Capital One Bank
(a Bank Organized Pursuant to the Laws of Virginia)

Global Bank Notes

Fixed Rate Notes due July 30, 2004

This Pricing Supplement should be read in conjunction with the Offering Circular, dated May 24, 2001 (the "Offering Circular"), relating to the U.S.\$5,000,000,000 Global Bank Note Program of Capital One Bank. Unless otherwise defined herein, terms used herein shall have the meanings ascribed to them in the Offering Circular. Terms are not completed for certain items below because such terms are not applicable.

DESCRIPTION OF THE NOTES

1. Specified Currency and Principal Amount: US \$350,000,000
2. Senior or Subordinated: Senior
3. Original Issue Date: July 26, 2001
4. Stated Maturity Date: July 30, 2004
5. Issue Price: 99.861%
6. (a) Authorized Denomination(s): \$100,000 and integral multiples of \$1,000 in excess thereof
(b) Redenomination (Yes/No): No [If yes, give details]
7. Form of Note (Registered or Bearer): Registered
8. (a) Series Number: 4
(b) If forming part of an existing Series (Yes/No):No [If yes, give details]
9. Interest Period:
[] One Month
[] Three Months
[X] Six Months
[] Twelve Months
[] Other (Specify Number of Months):
10. Interest Payment Date(s): July 30 and January 30, commencing on January 30, 2002
11. Record Dates (for Registered Notes with Maturities Greater than One Year): the July 15 and the January 15 preceding each Interest Payment Date

12. Exchange Rate Agent (Registered Notes and Dual Currency Notes):

13. Default Rate: 6.50% per annum

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

FIXED RATE NOTES

14. Interest Rate: 6.50% per annum

15. Day Count Convention:

30/360 for the period from July 26, 2001 to but excluding July 30, 2004

Actual/360 for the period from _____ to _____

Actual/Actual for the period from _____ to _____

Other (specify convention and applicable period):

FLOATING RATE NOTES

16. Interest Rate Determination:

ISDA Rate

Reference Rate Determination

17. Calculation Agent, if not The Chase Manhattan Bank:

18. Maximum Interest Rate: % per annum

19. Minimum Interest Rate: % per annum

20. Day Count Convention:

30/360 for the period from _____ to _____

Actual/360 for the period from _____ to _____

Actual/Actual for the period from _____ to _____

Other (specify convention and applicable period):

21. Business Day Convention:

Floating Rate Convention

Following Business Day Convention

Modified Following Business Day Convention

Preceding Business Day Convention

Other (specify):

ISDA RATE

22. Margin: [+/-] % per annum

23. Floating Rate Option:

24. Designated Maturity:

25. Reset Date:

REFERENCE RATE DETERMINATION

- 26. Initial Interest Rate:
- 27. Index Maturity:
- 28. Interest Rate Basis or Bases:
 - If CMT Rate: Specified CMT Telerate Page:
 - Specified CMT Maturity Index:
 - If EURIBOR:
 - If LIBOR: LIBOR Telerate
 - LIBOR Reuters
- 29. Index Currency:
- 30. Spread: [+/-] %
- 31. Spread Multiplier:
- 32. Initial Interest Reset Date:
- 33. Interest Determination Period:
- 34. Interest Reset Dates:
- 35. Interest Calculation:
 - Regular Floating Rate Note
 - Floating Rate/Fixed Rate Note
 - Fixed Rate Commencement Date:
 - Fixed Interest Rate: % per annum
 - Inverse Floating Rate Note:
 - Fixed Interest Rate: % per annum

PROVISIONS REGARDING REDEMPTION/REPAYMENT

- 36. Initial Redemption Date: None
- 37. Initial Redemption Percentage:
- 38. Annual Redemption Percentage Reduction:
- 39. Holder's Optional Repayment Date(s): None

DISCOUNT NOTES (INCLUDING ZERO COUPON NOTES)

- 40. Discount Note (Yes/No): No
 - If Yes: Total Amount of OID:
 - Yield to Maturity:
 - Initial Accrual Period: %
 - Issue Price:

INDEXED NOTES

41. Index: [give details]
42. Formula:
43. Agent, if any, responsible for calculating the principal and/or interest payable:
44. Provisions where calculation by reference to Index and/or Formula is impossible or impracticable:

DUAL CURRENCY NOTES

45. Dual Currency Notes (Yes/No): No
If Yes: Face Amount:
Face Amount Currency:
Optional Payment Currency:
Option Election Dates:
[give details]
46. Designated Exchange Rate:
47. Option Value Calculation Agent:
48. Agent, if any, responsible for calculating the principal and/or interest payable:

INSTALLMENT NOTES

49. Additional provisions relating to Installment Notes:

PARTLY PAID NOTES

50. Additional provisions relating to Partly Paid Notes:

GENERAL PROVISIONS

51. Additional or different Paying Agents:
52. Additional or different Registrars:
53. Additional or different London Issuing Agents:
54. Additional or different Transfer Agents:
55. "Business Day" definition (if other than as defined in the Offering Circular):
56. Cost, if any, to be borne by Noteholders in connection with exchanges for Definitive Bearer Notes:
57. Talons for future Coupons or Receipts to be attached to Definitive Bearer Notes (Yes/No) and dates on which such Talons mature:
[If yes, give details]
58. Additional selling restrictions: [give details]
59. CUSIP: 14040EES7
ISIN: US14040EES72
Common Code: 013337942
Other (specify):

60. Details of additional/alternative clearance system approved by the Bank:
61. Notes to be listed (Yes/No):
Yes If Yes, securities exchange(s): Luxembourg
62. Syndicated Issue (Yes/No): Yes
If Yes, names of managers and details of relevant stabilizing manager, if any: Banc of America Securities LLC and Deutsche Banc Alex. Brown Inc.
63. Clearance System(s):
 DTC only
 Euroclear and Clearstream, Luxembourg only
 DTC, and Euroclear and Clearstream, Luxembourg through DTC
 DTC, Euroclear and Clearstream, Luxembourg
 Other:
64. Name(s) of relevant Distribution Agent(s):
Banc of America Securities LLC, Deutsche Banc Alex. Brown Inc., ABN AMRO Incorporated, J.P. Morgan Securities Inc., Salomon Smith Barney Inc. and Keefe, Bruyette & Woods, Inc.
65. Other terms or special conditions:
66. Tax considerations:
67. Discount or Commission per Note: 0.30%
68. Selling Concession per Note: 0.18%
69. Reallowance per Note: 0.125%

[Reverse of Note]

The Notes are issuable only in denominations of US\$100,000 and integral multiples of US\$1,000 in excess thereof (or equivalent denominations in other currencies, subject to any other statutory or regulatory minimums). This Note, and any Note issued in exchange or substitution herefor or in place hereof, or upon registration of transfer, exchange or partial redemption or repayment of this Note, may be issued only in an Authorized Denomination specified in the Pricing Supplement (or, if this Note is in definitive form, specified on the face hereof).

Unless otherwise provided herein (or, if this Note is in global form, in the Pricing Supplement), the principal of, and premium, if any, and interest on, this Note are payable in the Specified Currency indicated on the face hereof (or, if such Specified Currency is not at the time of such payment legal tender for the payment of public and private debts, in such other coin or currency of the country which issued such Specified Currency as at the time of such payment is legal tender for the payment of debts). If this Note is a DTC Global Note and the Specified Currency indicated on the face hereof is other than U.S. dollars, any such amounts paid by the Bank will be converted by The Chase Manhattan Bank, as Exchange Rate Agent, or such other agent as may be specified in the Pricing Supplement (or, if this Note is in definitive form, specified on the face hereof), which for these purposes shall act as currency exchange agent (the "Exchange Rate Agent"), into U.S. dollars for payment to the holder of this Note.

If this Note is a DTC Global Note and the Specified Currency indicated on the face hereof is other than the U.S. dollar, any U.S. dollar amount to be received by the holder of this Note will be based on the Exchange Rate Agent's bid quotation as of 11:00 a.m., London time, on the second day on which banks are open for business in London, New York City and Glen Allen, Virginia, preceding the applicable payment date, for the purchase of U.S. dollars with the Specified Currency for settlement on such payment date of the aggregate amount of the Specified Currency payable to all holders of Notes denominated other than in the U.S. dollar scheduled to receive U.S. dollar payments. If such bid quotation is not available, the Exchange Rate Agent will obtain a bid quotation from a leading foreign exchange bank in London or New York City selected by the Exchange Rate Agent for such purchase. If no such bids are available, payment of the aggregate amount due to the holder of this Note on the payment date will be made in the Specified Currency, subject to the other provisions of this Note relating to payment in such Specified Currency. All currency exchange costs will be borne by the holder of this Note by deductions from such payments. All determinations referred to above made by the Exchange Rate Agent shall be at its sole discretion and shall, in the absence of manifest error, be conclusive for all purposes and binding upon the holder of this Note.

If this Note is a DTC Global Note and the Specified Currency indicated on the face hereof is other than the U.S. dollar, the holder of this Note may elect to receive payment of principal (and premium, if any) and interest on this Note in the Specified Currency indicated on the face hereof by submitting a written notice to the Paying Agents prior to 5:00 pm, New York City time, on the fifth Business Day following the applicable Record Date in the case of interest and the tenth calendar day prior to the payment date for the payment of principal. Such notice, which may be mailed or hand delivered or sent by cable, telex or facsimile transmission, shall contain (i) the holder's election to receive all or a portion of such payment in the Specified Currency on the relevant Interest Payment Date or Maturity, as the case may be, and (ii) wire transfer instructions

to an account denominated in the Specified Currency with respect to any payment to be made in the Specified Currency. Any such election made with respect to this Note by the holder will remain in effect with respect to any further payments of principal of, and premium, if any, and interest on this Note payable to the holder of this Note unless such election is revoked on or prior to the fifth Business Day following the applicable Record Date in the case of interest and the tenth calendar day prior to the payment date for the payment of principal.

If (i) this Note is a DTC Global Note and the holder of this Note shall have duly made an election to receive all or a portion of a payment of principal of, and premium, if any, or interest on this Note in the Specified Currency indicated on the face hereof, or (ii) if this Note is not a DTC Global Note, in the case of (i) or (ii) in the event the Specified Currency indicated on the face hereof has been replaced by another currency (a "Replacement Currency"), any amount due pursuant to this Note may be repaid, at the option of the Bank, in the Replacement Currency or in U.S. dollars, at a rate of exchange which takes into account the conversion, at the rate prevailing on the most recent date on which official conversion rates were quoted or set by the national government or other authority responsible for issuing the Replacement Currency, from the Specified Currency to the Replacement Currency and, if necessary, the conversion of the Replacement Currency into U.S. dollars at the rate prevailing on the date of such conversion.

If the Specified Currency indicated on the face hereof is other than the U.S. dollar and (i) this Note is a DTC Global Note and the holder of this Note shall have duly made an election to receive all or a portion of a payment of principal of, and premium, if any, or interest on this Note in the Specified Currency indicated on the face hereof, or (ii) if this Note is not a DTC Global Note, in the case of (i) or (ii) if such Specified Currency is not available due to the imposition of exchange controls or other circumstances beyond the control of the Bank, the Bank will be entitled to satisfy its obligations to the holder of this Note by making such payments of principal of (and premium, if any) or interest on this Note in U.S. dollars until, in the sole discretion of the Bank, the Specified Currency is again available. In such circumstances, the U.S. dollar amount to be received by the holder of this Note will be made on the basis of the most recently available bid quotation from a leading foreign exchange bank in London or New York City selected by the Exchange Rate Agent, for the purchase of U.S. dollars with the Specified Currency for settlement on such payment date of the aggregate amount of the Specified Currency payable to all holders of Notes denominated other than in the U.S. dollar scheduled to receive U.S. dollar payments. Any payment made under such circumstances in U.S. dollars, where the payment is required to be made in the Specified Currency, will not constitute an "Event of Default" with respect to this Note.

The Chase Manhattan Bank shall initially act as domestic paying agent (the "Domestic Paying Agent") and the Bank has initially appointed The Chase Manhattan Bank, London Branch, acting through its specified office in London as London paying agent (the "London Paying Agent") and Chase Manhattan Bank Luxembourg S.A. as Luxembourg paying agent (the "Luxembourg Paying Agent" and together with the Domestic Paying Agent and the London Paying Agent, the "Paying Agents," and each individually, a "Paying Agent," and such terms shall include any additional or successor paying agents appointed pursuant to the Global Agency Agreement (as defined on the face hereof)) in respect of the Notes. If this Note is in registered form, this Note may be presented or surrendered for payment, and notices, designations or requests in respect of payments with respect to this Note may be served, at the office or agency of any Paying Agent maintained for that purpose. The Bank may at any time rescind any designation of a Paying

Agent, appoint any additional or successor Paying Agents or approve a change in the office through which a Paying Agent acts.

Subject to any fiscal or other laws and regulations applicable thereto in the place of payment, payments on registered Notes to be made in a Specified Currency other than the U.S. dollar and payments on bearer Notes will be made by a check in the Specified Currency drawn on or by wire transfer to an account in the Specified Currency (which, in the case of a payment in Yen to a non-resident of Japan, shall be a non-resident account) maintained by the payee with a bank (which, in the case of a payment in Yen to a non-resident of Japan, shall be an authorized foreign exchange bank) in the Principal Financial Center of the country of the Specified Currency, provided, however, that a check may not be delivered to an address in, and an amount may not be transferred to an account located in, the United States of America or its possessions by any office or agency of the Bank or any Paying Agent.

Fixed Rate Interest Provisions

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If this Note is designated as a "Fixed Rate Note" on the face hereof, the Bank will pay interest on each Interest Payment Date specified in the Pricing Supplement (or, if this Note is in definitive form, specified on the face hereof) and on the Maturity Date or any Redemption Date (as defined below) or Holder's Optional Repayment Date (as defined below) (each such Maturity Date, Redemption Date and Holder's Optional Repayment Date and the date on which the principal or an installment of principal is due and payable by declaration of acceleration as provided herein being hereinafter referred to as a "Maturity" with respect to the principal repayable on such date), commencing on the first Interest Payment Date next succeeding the Original Issue Date specified on the face hereof (or if the Original Issue Date is between a Record Date and the Interest Payment Date immediately following such Record Date, on the Second Interest Payment Date following the Original Issue Date), at the Interest Rate per annum specified in the Pricing Supplement (or, if this Note is in definitive form, specified on the face hereof), until the principal hereof is paid or duly made available for payment.

Payments of interest hereon will include interest accrued from and including the most recent Interest Payment Date to which interest on this Note (or any predecessor Note) has been paid or duly provided for (or, if no interest has been paid or duly provided for, from and including the Original Issue Date) to but excluding the relevant Interest Payment Date or Maturity, as the case may be. Unless otherwise specified in the Pricing Supplement (or, if this note is in definitive form, on the face hereof), if the Maturity Date specified on the face hereof falls more than one year from the Original Issue Date, interest payments for this Note if it is denominated in U.S. dollars shall be computed and paid on the basis of a 360-day year of twelve 30-day months. Unless otherwise specified in the Pricing Supplement (or, if this Note is in definitive form, on the face hereof) if the Maturity Date specified on the face hereof falls one year or less from the Original Issue Date, interest payments for this Note if it is denominated in U.S. dollars shall be computed and paid on the basis of the actual number of days in the year divided by 360.

Unless otherwise specified in the applicable Pricing Supplement, interest on Fixed Rate Notes denominated other than in U.S. dollars will be computed on the basis of the "Actual/Actual (ISMA)" Fixed Day Count Convention.

"Actual/Actual (ISMA)" Fixed Day Count Convention means:

(a) in the case of Fixed Rate Notes where the number of days in the relevant period from and including the most recent Interest Payment Date (or, if none, from and including the Interest Commencement Date, which unless otherwise specified in the applicable Pricing Supplement shall be the Original Issue Date) to but excluding the relevant payment date (the "Accrual Period") is equal to or shorter than the Determination Period (as defined below) during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods that would occur in one calendar year, assuming interest was to be payable in respect of the whole of that year; or

(b) in the case of Fixed Rate Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:

(1) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods that would occur in one calendar year, assuming interest was to be payable in respect of the whole of that year; and

(2) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods that would occur in one calendar year, assuming interest was to be payable in respect of the whole of that year.

"Determination Period" means the period from and including a Determination Date to but excluding the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date).

"Determination Date" means each date specified in the applicable Pricing Supplement or, if none is specified, each Interest Payment Date.

Unless otherwise provided herein, if any Interest Payment Date or the Maturity of this Note falls on a day which is not a Business Day, the related payment of principal of, or premium, if any, or interest on, this Note shall be made on the next succeeding Business Day with the same force and effect as if made on the date such payments were due, and no interest shall accrue on the amount so payable for the period from and after such Interest Payment Date or the Maturity, as the case may be.

Floating Rate Interest Provisions

If this Note is designated as a "Floating Rate Note" on the face hereof, the Bank will pay interest on each Interest Payment Date specified in the Pricing Supplement (or, if this Note is in definitive form specified on the face hereof) and at Maturity, commencing on the first Interest Payment Date next succeeding the Original Issue Date specified on the face hereof (or, if the Original Issue Date is between a Record Date and the Interest Payment Date immediately following such Record Date, on the second Interest Payment Date following the Original Issue Date), at a rate per annum determined in accordance with the provisions hereof (and, if this Note

is in global form, in accordance with the Pricing Supplement), until the principal hereof is paid or duly made available for payment.

Payments of interest hereon will include interest accrued from and including the most recent Interest Payment Date to which interest on this Note (or any predecessor Note) has been paid or duly provided for (or, if no interest has been paid or duly provided for, from and including the Original Issue Date) to but excluding the relevant Interest Payment Date or Maturity, as the case may be (each such period, an "Interest Period").

Unless otherwise specified herein (or, if this Note is in global form, in the Pricing Supplement), if any Interest Payment Date (or other date which is subject to adjustment in accordance with a Business Day Convention specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement)) in respect of this Note (other than an Interest Payment Date at Maturity) would otherwise fall on a day that is not a Business Day, then, if the Business Day Convention specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement) is:

- (1) the "Floating Rate Convention," such Interest Payment Date (or other date) shall be postponed to the next succeeding day which is a Business Day unless it would thereby fall into the next succeeding calendar month, in which event (A) such Interest Payment Date (or other date) shall be brought forward to the next preceding Business Day and (B) each subsequent Interest Payment Date (or other date) shall be the last Business Day in the month which falls the number of months or other period specified as the Interest Payment Period on the face hereof after the preceding applicable Interest Payment Date (or other date) occurred; or
- (2) the "Following Business Day Convention," such Interest Payment Date (or other date) shall be postponed to the next succeeding day which is a Business Day; or
- (3) the "Modified Following Business Day Convention," such Interest Payment Date (or other date) shall be postponed to the next succeeding day that is a Business Day unless it would thereby fall into the next succeeding calendar month, in which event such Interest Payment Date (or other date) shall be brought forward to the next preceding Business Day; or
- (4) the "Preceding Business Day Convention," such Interest Payment Date (or other date) shall be brought forward to the next preceding Business Day.

If the Maturity of this Note falls on a day that is not a Business Day, the related payment of principal of (and premium, if any) and interest on, this Note will be made on the next succeeding Business Day with the same force and effect as if made on the date such payment was due, and no interest shall accrue on the amount so payable for the period from and after such Maturity.

If "ISDA Rate" is specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement) in connection with the determination of the rate of interest on this Note, the rate of interest on this Note for each Interest Period will be the relevant ISDA Rate (as defined below) plus or minus the Margin, if any, specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement). Unless otherwise specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement), "ISDA Rate" means, with respect to any Interest Period, the rate equal to the Floating Rate that would be determined by the Calculation Agent or other

person specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement) pursuant to an interest rate swap transaction if the Calculation Agent or that other person were acting as calculation agent for that swap transaction in accordance with the terms of an agreement in the form of the Interest Rate and Currency Exchange Agreement published by the International Swaps and Derivatives Association, Inc. (the "ISDA Agreement") and evidenced by a Confirmation (as defined in the ISDA Agreement) incorporating the ISDA Definitions (as defined below) and under which:

- (A) the Floating Rate Option is as specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement);
- (B) the Designated Maturity is the period specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement), and
- (C) the relevant Reset Date is either (i) if the applicable Floating Rate Option is based on the London inter-bank offered rate for a currency or on the Euro-zone inter-bank offered rate ("EURIBOR") for a currency, the first day of that Interest Period or (ii) in any other case, as specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement).

As used in this paragraph, "Floating Rate," "Calculation Agent," "Floating Rate Option," "Designated Maturity," and "Reset Date" have the meanings ascribed to those terms in the ISDA Definitions.

If "Reference Rate Determination" is specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement) in connection with the determination of the rate of interest on this Note, this Note will bear interest at a rate per annum equal to the Initial Interest Rate specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement) until the Initial Interest Reset Date specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement) and thereafter at a rate per annum determined as follows:

1. If this Note is designated as a "Regular Floating Rate Note" on the face hereof (or, if this Note is in global form, in the Pricing Supplement) or if no designation is made for Interest Calculation on the face hereof (or, if this Note is in global form, in the Pricing Supplement), then, except as described below (or, if this Note is in global form, in the Pricing Supplement), this Note shall bear interest at the rate determined by reference to the applicable Interest Rate Basis or Bases specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement) (i) plus or minus the applicable Spread, if any, and/or (ii) multiplied by the applicable Spread Multiplier, if any, specified and applied in the manner described on the face hereof (or, if this Note is in global form, in the Pricing Supplement). Commencing on the Initial Interest Reset Date, the rate at which interest on this Note is payable shall be reset as of each Interest Reset Date specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement); provided, however, that the interest rate in effect for the period from the Original Issue Date to the Initial Interest Reset Date will be the Initial Interest Rate.

2. If this Note is designated as a "Floating Rate/Fixed Rate Note" on the face hereof (or, if this Note is in global form, in the Pricing Supplement), then, except as described below (or, if this Note is in global form, in the Pricing Supplement), this Note shall bear interest at the rate determined by reference to the applicable Interest Rate Basis or Bases specified on the face

hereof (or, if this Note is in global form, in the Pricing Supplement) (i) plus or minus the applicable Spread, if any, and/or (ii) multiplied by the applicable Spread Multiplier, if any, specified and applied in the manner described on the face hereof (or, if this Note is in global form, in the Pricing Supplement). Commencing on the Initial Interest Reset Date, the rate at which interest on this Note is payable shall be reset as of each Interest Reset Date specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement); provided, however, that (i) the interest rate in effect for the period from the Original Issue Date to the Initial Interest Reset Date shall be the Initial Interest Rate and (ii) the interest rate in effect commencing on, and including, the Fixed Rate Commencement Date specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement) to the Maturity Date shall be the Fixed Interest Rate, if such a rate is specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement), or if no such Fixed Interest Rate is so specified, the interest rate in effect hereon on the Business Day immediately preceding the Fixed Rate Commencement Date.

3. If this Note is designated as an "Inverse Floating Rate Note" on the face hereof (or, if this Note is in global form, in the Pricing Supplement), then, except as described below (or, if this Note is in global form, in the Pricing Supplement), this Note shall bear interest equal to the Fixed Interest Rate indicated on the face hereof (or, if this Note is in global form, in the Pricing Supplement) minus the rate determined by reference to the applicable Interest Rate Basis or Bases specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement) (i) plus or minus the applicable Spread, if any, and/or (ii) multiplied by the applicable Spread Multiplier, if any, specified and applied in the manner described on the face hereof (or, if this Note is in global form, in the Pricing Supplement); provided, however, that, unless otherwise specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement), the interest rate hereon will not be less than zero percent. Commencing on the Initial Interest Reset Date, the rate at which interest on this Note is payable shall be reset as of each Interest Rate Reset Date specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement); provided, however, that the interest rate in effect for the period from the Original Issue Date to the Initial Interest Reset Date shall be the Initial Interest Rate.

Except as provided above, if "Reference Rate Determination" is specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement) in connection with the determination of the rate of interest on this Note, the interest rate in effect on each day shall be (a) if such day is an Interest Reset Date, the interest rate determined as of the Interest Reset Determination Date (as defined below) immediately preceding such Interest Reset Date or (b) if such day is not an Interest Reset Date, the interest rate determined as of the Interest Determination Date immediately preceding the next preceding Interest Reset Date. Each Interest Rate Basis shall be the rate determined in accordance with the applicable provision below. If any Interest Reset Date (which term includes the term Initial Interest Reset Date unless the context otherwise requires) would otherwise be a day that is not a Business Day, such Interest Reset Date shall be adjusted in accordance with the Business Day Convention specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement).

Unless otherwise specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement), the "Interest Determination Date" with respect to the CD Rate, the CMT Rate, the Commercial Paper Rate, the Federal Funds Rate, the J.J. Kenny Rate, and the Prime Rate will be the second Business Day preceding each Interest Reset Date; the "Interest Determination Date" with respect to the Eleventh District Cost of Funds Rate will be the last working day of the

month immediately preceding each Interest Reset Date on which the Federal Home Loan Bank of San Francisco (the "FHLB of San Francisco") publishes the Index (as defined below); the "Interest Determination Date" with respect to EURIBOR will be the second day on which the TARGET system is open immediately preceding each Interest Reset Date; the "Interest Determination Date" with respect to LIBOR shall be the second London Banking Day (as defined below) preceding each Interest Reset Date; the "Interest Determination Date" with respect to the Treasury Rate will be the day in the week in which the related Interest Reset Date falls on which day Treasury Bills (as defined below) are normally auctioned (Treasury Bills are normally sold at auction on Monday of each week, unless that day is a legal holiday, in which case the auction is normally held on the following Tuesday, except that such auction may be held on the preceding Friday); provided, however, that if an auction is held on the Friday of the week preceding the related Interest Reset Date, the related Interest Determination Date shall be such preceding Friday; and provided, further, that if an auction shall fall on any Interest Reset Date, then the Interest Reset Date shall instead be the first Business Day following such auction. If the interest rate of this Note is determined with reference to two or more Interest Rate Bases as specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement), the Interest Determination Date pertaining to this Note will be the latest Business Day which is at least two Business Days prior to such Interest Reset Date on which each Interest Rate Basis is determinable. Each Interest Rate Basis shall be determined on such date, and the applicable interest rate shall take effect on the Interest Reset Date.

Determination of CD Rate. If an Interest Rate Basis for this Note is the CD

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Rate, as specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement), the CD Rate shall be determined as of the applicable Interest Determination Date (a "CD Rate Interest Determination Date") as the rate on such date for negotiable United States dollar certificates of deposit having the Index Maturity specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement) as published in H.15(519) (as defined below) under the heading "CDs (Secondary Market)". In the event that such rate is not so published prior to 3:00 p.m., New York City time, on the Calculation Date pertaining to such CD Rate Interest Determination Date, the CD Rate will be the rate on such CD Rate Interest Determination Date for certificates of deposit having the Index Maturity specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement) as published in H.15 Daily Update (as defined below), or another recognized electronic source used for the purpose of displaying that rate, under the heading "CDs (secondary market)". If such rate is published neither in H.15(519) nor in H.15 Daily Update or another recognized electronic source by 3:00 p.m., New York City time, on such Calculation Date, the CD Rate for such CD Rate Interest Determination Date will be calculated by the Calculation Agent and will be the arithmetic mean of the secondary market offered rates as of 10:00 a.m., New York City time, on such CD Rate Interest Determination Date, of three leading nonbank dealers of negotiable United States dollar certificates of deposit in The City of New York selected by the Calculation Agent for negotiable United States dollar certificates of deposit of major United States money market banks for negotiable certificates of deposit with a remaining maturity closest to the Index Maturity specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement) in an amount that is representative for a single transaction in that market at that time; provided, however, that if the dealers selected as aforesaid by the Calculation Agent are not quoting as mentioned in this sentence, the CD Rate determined on such CD Rate Interest Determination Date will be the CD Rate in effect on such date.

"H.15(519)" means the weekly statistical release designated as such, or any successor publication, published by the Board of Governors of the Federal Reserve System (the "Federal Reserve Board").

"H.15 Daily Update" means the daily update of H.15(519), available through the web site of the Federal Reserve Board at <http://www.federalreserve.gov/releases/h15/update>, or any successor site or publication.

Determination of CMT Rate. If an Interest Rate Basis for this Note is the CMT

Rate, as specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement), the CMT Rate shall be determined by the Calculation Agent as of the applicable Interest Determination Date (a "CMT Rate Interest Determination Date") in accordance with the following provisions:

(i) If "CMT Telerate Page 7051" is specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement), the CMT Rate on the CMT Rate Interest Determination Date shall be a percentage equal to the yield for United States Treasury securities at "constant maturity" having the Index Maturity specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement) as set forth in H.15(519) under the caption "Treasury Constant Maturities," as such yield is displayed on Telerate, Inc. (or any successor service) on page 7051 (or any other page as may replace such page on such service) ("Telerate Page 7051") for such CMT Rate Interest Determination Date. If such rate does not appear on Telerate Page 7051, the CMT Rate on such CMT Rate Interest Determination Date shall be a percentage equal to the yield for United States Treasury securities at "constant maturity" having the Index Maturity and for such CMT Rate Interest Determination Date as set forth in H.15(519) under the caption "Treasury Constant Maturities". If such rate does not appear in H.15(519), the CMT Rate on such CMT Rate Interest Determination Date shall be the rate for the period of the Index Maturity as may then be published by either the the Federal Reserve Board or the United States Department of the Treasury that the Calculation Agent determines to be comparable to the rate which would otherwise have been published in H.15(519). If the Federal Reserve Board or the United States Department of the Treasury does not publish a yield on United States Treasury securities at "constant maturity" having the Index Maturity for such CMT Rate Interest Determination Date, the CMT Rate on such CMT Rate Interest Determination Date shall be calculated by the Calculation Agent and shall be a yield-to-maturity based on the arithmetic mean of the secondary market bid prices at approximately 3:30 p.m., New York City time, on such CMT Rate Interest Determination Date of three leading primary United States government securities dealers in The City of New York (each, a "Reference Dealer") selected by the Calculation Agent (from five such Reference Dealers and eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest)) for United States Treasury securities with an original maturity equal to the Index Maturity, a remaining term to maturity no more than 1 year shorter than the Index Maturity and in a principal amount that is representative for a single transaction in such securities in such market at such time. If fewer than five but more than two such prices are provided as requested, the CMT Rate on such CMT Rate Interest Determination Date shall be based on the arithmetic mean of the bid prices obtained and neither the highest nor lowest of such quotations shall be eliminated. If fewer than three prices are provided as requested, the CMT Rate on such CMT Rate Interest Determination Date shall be calculated by the Calculation Agent and shall be a yield-to-maturity based on the arithmetic mean of the secondary market bid

prices as of approximately 3:30 p.m., New York City time, on such CMT Rate Interest Determination Date of three Reference Dealers selected by the Calculation Agent (from five such Reference Dealers and eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest)) for United States Treasury securities with an original maturity greater than the Index Maturity, a remaining term to maturity closest to the Index Maturity and in a principal amount that is representative for a single transaction in such securities in such market at such time. If fewer than five but more than two such prices are provided as requested, the CMT Rate on such CMT Rate Interest Determination Date shall be based on the arithmetic mean of the bid prices obtained and neither the highest nor the lowest of such quotations shall be eliminated; provided, however, that if fewer than three such prices are provided as requested, the CMT Rate determined as of such CMT Rate Interest Determination Date shall be the CMT Rate in effect on such CMT Rate Interest Determination Date. If two such United States Treasury securities with an original maturity greater than the Index Maturity have remaining terms to maturity equally close to the Index Maturity, the quotes for the Treasury security with the shorter original term to maturity will be used.

(ii) If "CMT Telerate Page 7052" is specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement), the CMT Rate on the CMT Rate Interest Determination Date shall be a percentage equal to the one-week or one-month, as specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement), average yield for United States Treasury securities at "constant maturity" having the Index Maturity specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement) as set forth in H.15(519) opposite the caption "Treasury Constant Maturities," as such yield is displayed on Telerate, Inc. (or any successor service) on page 7052 (or any other page as may replace such page on such service) ("Telerate Page 7052") for the week or month, as applicable, ended immediately preceding the week or month, as applicable, in which such CMT Rate Interest Determination Date falls. If such rate does not appear on the Telerate Page 7052, the CMT Rate on such CMT Rate Interest Determination Date shall be a percentage equal to the one-week or one-month, as specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement), average yield for United States Treasury securities at "constant maturity" having the Index Maturity and for the week or month, as applicable, preceding such CMT Rate Interest Determination Date as set forth in H.15(519) opposite the caption "Treasury Constant Maturities". If such rate does not appear in H.15(519), the CMT Rate on such CMT Rate Interest Determination Date shall be the one-week or one-month, as specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement), average yield for United States Treasury securities at "constant maturity" having the Index Maturity as otherwise announced by the Federal Reserve Bank of New York for the week or month, as applicable, ended immediately preceding the week or month, as applicable, in which such CMT Rate Interest Determination Date falls. If the Federal Reserve Bank of New York does not publish a one-week or one-month, as specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement), average yield on United States Treasury securities at "constant maturity" having the Index Maturity for the applicable week or month, the CMT Rate on such CMT Rate Interest Determination Date shall be calculated by the Calculation Agent and shall be a yield-to-maturity based on the arithmetic mean of the secondary market bid prices at approximately 3:30 p.m., New York City time, on such CMT Rate Interest Determination Date of three Reference Dealers selected by the Calculation Agent (from five such Reference Dealers and eliminating the highest quotation (or, in the event of equality, one of

the highest) and the lowest quotation (or, in the event of equality, one of the lowest)) for United States Treasury securities with an original maturity equal to the Index Maturity, a remaining term to maturity of no more than 1 year shorter than the Index Maturity and in a principal amount that is representative for a single transaction in such securities in such market at such time. If fewer than five but more than two such prices are provided as requested, the CMT Rate on such CMT Rate Interest Determination Date shall be based on the arithmetic mean of the bid prices obtained and neither the highest nor lowest of such quotations shall be eliminated. If fewer than three prices are provided as requested, the CMT Rate on such CMT Rate Interest Determination Date shall be calculated by the Calculation Agent and shall be a yield-to-maturity based on the arithmetic mean of the secondary market bid prices as of approximately 3:30 p.m., New York City time, on such CMT Rate Interest Determination Date of three Reference Dealers selected by the Calculation Agent (from five such Reference Dealers and eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest)) for United States Treasury securities with an original maturity longer than the Index Maturity, a remaining term to maturity closest to the Index Maturity and in a principal amount that is representative for a single transaction in such securities in such market at such time. If fewer than five but more than two such prices are provided as requested, the CMT Rate on such CMT Rate Interest Determination Date shall be based on the arithmetic mean of the bid prices obtained and neither the highest nor lowest of such quotations shall be eliminated; provided, however, that if fewer than three such prices are provided as requested, the CMT Rate determined as of such CMT Rate Interest Determination Date shall be the CMT Rate in effect on such CMT Rate Interest Determination Date. If two United States Treasury securities with an original maturity greater than the Index Maturity have remaining terms to maturity equally close to the Index Maturity, the quotes for the Treasury security with the shorter original term to maturity will be used.

Determination of Commercial Paper Rate. If an Interest Rate Basis for this Note

is the Commercial Paper Rate, as specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement), the Commercial Paper Rate shall be determined as of the applicable Interest Determination Date (a "Commercial Paper Rate Interest Determination Date") as the Money Market Yield (as defined below) on such date of the rate for commercial paper having the Index Maturity specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement) as published in H.15(519) under the caption "Commercial Paper-Nonfinancial" or, if not so published by 3:00 p.m., New York City time, on the related Calculation Date, the Money Market Yield of the rate on such Commercial Paper Rate Interest Determination Date for commercial paper having the Index Maturity as published in H.15 Daily Update, or such other recognized electronic source used for the purpose of displaying such rate, under the caption "Commercial Paper-Nonfinancial." If such rate is not yet published in H.15(519), H.15 Daily Update or another recognized electronic source by 3:00 p.m., New York City time, on such Calculation Date, then the Commercial Paper Rate on such Commercial Paper Rate Interest Determination Date will be calculated by the Calculation Agent and shall be the Money Market Yield of the arithmetic mean of the offered rates at approximately 11:00 a.m., New York City time, on such Commercial Paper Rate Interest Determination Date of three leading dealers of United States dollar commercial paper in The City of New York selected by the Calculation Agent for commercial paper having the Index Maturity placed for industrial issuers whose bond rating is "Aa," or the equivalent, from a nationally recognized statistical rating organization; provided, however, that if the dealers so selected by the Calculation Agent are not quoting as

mentioned in this sentence, the Commercial Paper Rate determined as of such Commercial Paper Rate Interest Determination Date will be the Commercial Paper Rate in effect on such Commercial Paper Rate Interest Determination Date.

"Money Market Yield" means a yield (expressed as a percentage) calculated in accordance with the following formula:

$$\text{Money Market Yield} = \frac{D \times 360}{360 - (D \times M)} \times 100$$

where "D" refers to the applicable per annum rate for commercial paper quoted on a bank discount basis and expressed as a decimal, and "M" refers to the actual number of days in the applicable Interest Reset Period.

Determination of Eleventh District Cost of Funds Rate. If an Interest Rate Basis -----

for this Note is the Eleventh District Cost of Funds Rate, as specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement), the Eleventh District Cost of Funds Rate shall be determined as of the applicable Interest Determination Date (an "Eleventh District Cost of Funds Rate Interest Determination Date"), as the rate equal to the monthly weighted average cost of funds for the calendar month immediately preceding the month in which such Eleventh District Cost of Funds Rate Interest Determination Date falls, as set forth under the caption "11th District" on Telerate Page 7058 (as defined below) as of 11:00 a.m., San Francisco time, on such Eleventh District Cost of Funds Rate Interest Determination Date. If such rate does not appear on Telerate Page 7058 on the related Eleventh District Cost of Funds Rate Interest Determination Date, the Eleventh District Cost of Funds Rate for such Eleventh District Cost of Funds Rate Interest Determination Date shall be the monthly weighted average cost of funds paid by member institutions of the Eleventh Federal Home Loan Bank District that was most recently announced (the "Index") by the FHLB of San Francisco as such cost of funds for the calendar month immediately preceding the date of such announcement. If the FHLB of San Francisco fails to announce such rate for the calendar month immediately preceding such Eleventh District Cost of Funds Rate Interest Determination Date, then the Eleventh District Cost of Funds Rate determined as of such Eleventh District Cost of Funds Rate Interest Determination Date shall be the Eleventh District Cost of Funds Rate in effect on such Eleventh District Cost of Funds Rate Interest Determination Date.

"Telerate Page 7058" means the display designated as page "7058" on the Bridge Telerate Service (or such other page as may replace the 7058 page on that service for the purpose of displaying the monthly weighted average costs of funds paid by member institutions of the Eleventh Federal Home Loan Bank District).

Determination of EURIBOR. If an Interest Rate Basis for this Note is EURIBOR, as -----

specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement), EURIBOR shall be determined as of the applicable Interest Determination Date (a "EURIBOR Interest Determination Date"), in accordance with the following provisions:

(i) With respect to any EURIBOR Interest Determination Date, EURIBOR will be:

(a) the rate for deposits in euro as sponsored, calculated and published jointly by the European Banking Federation and ACI--The Financial Market Association, or any company established by the joint sponsors for purposes of compiling and publishing

those rates, having the Index Maturity specified on the face hereof (or if this Note is in global form, in the Pricing Supplement), commencing on the applicable Interest Reset Date, as that rate appears on Telerate, Inc., or any successor service, on page 248 (or any other page as may replace such page on such service) ("Telerate Page 248") as of 11:00 a.m., Brussels time, on the applicable EURIBOR Interest Determination Date.

(b) if the rate referred to in clause (a) above does not appear on Telerate Page 248, or is not so published by 11:00 a.m., Brussels time, on the applicable EURIBOR Interest Determination Date, the rate calculated by the Calculation Agent as the arithmetic mean of at least two quotations obtained by the Calculation Agent after requesting the principal Euro-zone (as defined hereinafter) offices of four major banks in the Euro-zone interbank market, in the European interbank market, to provide the Calculation Agent with its offered quotation for deposits in euro for the period of the Index Maturity designated on the face hereof (or if this Note is in global form, in the Pricing Supplement), commencing on the applicable Interest Reset Date, to prime banks in the Euro-zone interbank market at approximately 11:00 a.m., Brussels time, on the applicable EURIBOR Interest Determination Date and in a principal amount not less than the equivalent of U.S.\$1,000,000 in euro that is representative for a single transaction in euro in such market at such time.

(c) if fewer than two quotations referred to in clause (b) above are provided, EURIBOR for such EURIBOR Interest Determination Date will be calculated by the Calculation Agent and will be the arithmetic mean of the rates quoted at approximately 11:00 a.m., Brussels time, on such EURIBOR Interest Determination Date by four major banks in the Eurozone for loans in Euro to leading European banks, having the Index Maturity designated on the face hereof (or if this Note is in global form, in the Pricing Supplement), commencing on the applicable Interest Reset Date and in principal amount not less than the equivalent of U.S.\$1,000,000 in euro that is representative for a single transaction in euro in such market at such time.

(d) if the banks so selected by the Calculation Agent are not quoting as mentioned in clause (c) above, EURIBOR determined as of such EURIBOR Interest Determination Date shall be EURIBOR in effect on such EURIBOR Interest Determination Date.

"Euro-zone" means the region comprised of member states of the European Union that adopt the single currency in accordance with the treaty establishing the European Community, as amended by the treaty on European Union.

Determination of Federal Funds Rate. If an Interest Rate Basis for this Note is -----
the Federal Funds Rate, as specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement), the Federal Funds Rate shall be determined as of the applicable Interest Determination Date (a "Federal Funds Rate Interest Determination Date") as the rate on such date for United States dollar federal funds as published in H.15(519) under the heading "Federal Funds (Effective)", as such rate is displayed on Bridge Telerate, Inc. (or any successor service) on page 120 (or any other page as may replace such page on such service) ("Telerate Page 120"), or, if such rate does not appear on Telerate Page 120 or is not so published by 3:00 p.m., New York City time, on the Calculation Date, the rate on such Federal Funds Rate Interest

Determination Date for United States dollar federal funds as published in H.15 Daily Update, or such other recognized electronic source used for the purpose of displaying such rate, under the caption "Federal Funds (Effective)." If such rate does not appear on Telerate Page 120 or is not yet published in H.15(519), H.15 Daily Update or another recognized electronic source by 3:00 p.m., New York City time, on the related Calculation Date, then the Federal Funds Rate on such Federal Funds Rate Interest Determination Date shall be calculated by the Calculation Agent and will be the arithmetic mean of the rates for the last transaction in overnight United States dollar federal funds arranged by three leading brokers of United States dollar federal funds transactions in The City of New York selected by the Calculation Agent, prior to 9:00 a.m., New York City time, on such Federal Funds Rate Interest Determination Date; provided, however, that if the brokers so selected by the Calculation Agent are not quoting as mentioned in this sentence, the Federal Funds Rate determined as of such Federal Funds Rate Interest Determination Date will be the Federal Funds Rate in effect on such Federal Funds Rate Interest Determination Date.

Determination of J.J. Kenny Rate. If an Interest Rate Basis for this Note is the

J.J. Kenny Rate, as specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement), the J.J. Kenny Rate shall be determined as of the applicable Interest Determination Date (a "J.J. Kenny Interest Determination Date") as the rate in the high grade weekly index (the "Weekly Index") on such date made available by Kenny Information Systems ("Kenny") to the Calculation Agent. The Weekly Index Maturity is, and shall be, based upon 30-day yield evaluations at par of bonds, the interest of which is exempt from Federal income taxation under the Internal Revenue Code of 1986, as amended (the "Code"), of not less than five high grade component issuers selected by Kenny which shall include, without limitation, issuers of general obligation bonds. The specified issuers included among the component issuers may be changed from time to time by Kenny in its discretion. The bonds on which the Weekly Index is based shall not include any bonds on which the interest is subject to a minimum tax or similar tax under the Code, unless all tax-exempt bonds are subject to such tax. In the event Kenny ceases to make available such Weekly Index, a successor indexing agent will be selected by the Calculation Agent, such index to reflect the prevailing rate for bonds rated in the highest short-term rating category by Moody's Investors Service, Inc. and Standard & Poor's Ratings Group in respect of issuers most closely resembling the high grade component issuers selected by Kenny for its Weekly Index, the interest on which is (i) variable on a weekly basis, (ii) exempt from Federal income taxation under the Code, and (iii) not subject to a minimum tax or similar tax under the Code, unless all tax-exempt bonds are subject to such tax. If such successor indexing agent is not available, the rate for any J.J. Kenny Interest Determination Date shall be 67% of the rate determined if the Treasury Rate option had been originally selected.

Determination of LIBOR. If an Interest Rate Basis for this Note is LIBOR, as

specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement), LIBOR shall be determined by the Calculation Agent as of the applicable Interest Determination Date (a "LIBOR Interest Determination Date"), in accordance with the following provisions:

(i) if "LIBOR Telerate" is specified on the face hereof (or, if this Note is in global form, the Pricing Supplement) or if neither "LIBOR Reuters" nor "LIBOR Telerate" is specified on the face hereof as the method for calculating LIBOR, LIBOR will be the rate for deposits in the Designated LIBOR Currency having the Index Maturity specified on the face hereof (or, if this Note is in global form, the Pricing Supplement), commencing on the applicable Interest Reset

Date, that appears on the Designated LIBOR Page (as defined hereinafter) as of 11:00 a.m., London time, on such LIBOR Interest Determination Date; or (b) if "LIBOR Reuters" is specified on the face hereof, the arithmetic mean of the offered rates (unless the Designated LIBOR Page by its terms provides only for a single rate, in which case such single rate shall be used) for deposits in the Designated LIBOR Currency having the Index Maturity, commencing on the applicable Interest Reset Date, that appear (or, if only a single rate is required as aforesaid, appears) on the Designated LIBOR Page (as defined hereinafter) as of 11:00 a.m., London time, on such LIBOR Interest Determination Date. If fewer than two such offered rates so appear, or if no such rate so appears, as applicable, LIBOR on such LIBOR Interest Determination Date shall be determined in accordance with the provisions described in clause (ii) below.

(ii) With respect to a LIBOR Interest Determination Date on which fewer than two offered rates appear, or no rate appears, as the case may be, on the Designated LIBOR Page as specified in clause (i) above, the Calculation Agent shall request the principal London offices of each of four major reference banks in the London interbank market, as selected by the Calculation Agent, to provide the Calculation Agent with its offered quotation for deposits in the Designated LIBOR Currency for the period of the Index Maturity, commencing on the applicable Interest Reset Date, to prime banks in the London interbank market at approximately 11:00 a.m., London time, on such LIBOR Interest Determination Date and in a principal amount that is representative for a single transaction in the Designated LIBOR Currency in such market at such time. If at least two such quotations are so provided, then LIBOR on such LIBOR Interest Determination Date will be the arithmetic mean of such quotations. If fewer than two such quotations are so provided, then LIBOR on such LIBOR Interest Determination Date will be the arithmetic mean of the rates quoted at approximately 11:00 a.m., in the applicable Principal Financial Center, on such LIBOR Interest Determination Date by three major banks in such Principal Financial Center (as defined hereafter) selected by the Calculation Agent for loans in the Designated LIBOR Currency to leading European banks, having the Index Maturity and in a principal amount that is representative for a single transaction in the Designated LIBOR Currency in such market at such time; provided, however, that if the banks so selected by the Calculation Agent are not quoting as mentioned in this sentence, LIBOR determined as of such LIBOR Interest Determination Date shall be LIBOR in effect on such LIBOR Interest Determination Date.

"Designated LIBOR Currency" means the currency specified on the face hereof (or, if this Note is in global form, the Pricing Supplement) as to which LIBOR shall be calculated or, if no such currency is specified on the face hereof (or, if this Note is in global form, the Pricing Supplement), United States dollars.

"Designated LIBOR Page" means (a) if "LIBOR Reuters" is specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement), the display on the Reuter Monitor Money Rates Service (or any successor service) on the page specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement) (or any other page as may replace such page on such service) for the purpose of displaying the London interbank rates of major banks for the Designated LIBOR Currency, or (b) if "LIBOR Telerate" is specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement) or neither "LIBOR Reuters" nor "LIBOR Telerate" is specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement) as the method for calculating LIBOR, the display on Bridge Telerate, Inc. (or any successor service) on the page specified on the face hereof (or, if this Note is in global form, in

the Pricing Supplement) (or any other page as may replace such page on such service) for the purpose of displaying the London interbank rates of major banks for the Designated LIBOR Currency.

"Principal Financial Center" means the capital city of the country to which the Designated LIBOR Currency relates except that with respect to United States dollars, Australian dollars, Canadian dollars, South African rand and Swiss francs, the "Principal Financial Center" shall be The City of New York, Sydney, Toronto, Johannesburg and Zurich, respectively.

"London Banking Day" means any day (other than a Saturday or Sunday) on which dealings in deposits in the Index Currency are transacted in the London interbank market.

Determination of Prime Rate. If an Interest Rate Basis for this Note is the

Prime Rate, as specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement), the Prime Rate shall be determined as of the applicable Interest Determination Date (a "Prime Rate Interest Determination Date") as the rate on such date as such rate is published in H.15(519) under the caption "Bank Prime Loan" or, if not published by 3:00 p.m., New York City time, on the related Calculation Date, the rate on such Prime Rate Interest Determination Date as published in H.15 Daily Update, or such other recognized electronic source used for the purpose of displaying such rate, under the caption "Bank Prime Loan." If such rate is not yet published in H.15(519), H.15 Daily Update or another recognized electronic source by 3:00 p.m., New York City time, on the related Calculation Date, then the Prime Rate shall be the arithmetic mean of the rates of interest publicly announced by each bank that appears on the Reuters Screen US PRIME 1 Page (as defined hereinafter) as such bank's prime rate or base lending rate as of 11:00 a.m., New York City time, on such Prime Rate Interest Determination Date. If fewer than four such rates so appear on the Reuters Screen US PRIME 1 Page for such Prime Rate Interest Determination Date, then the Prime Rate shall be the arithmetic mean of the prime rates or base lending rates quoted on the basis of the actual number of days in the year divided by a 360-day year as of the close of business on such Prime Rate Interest Determination Date by three major banks in The City of New York selected by the Calculation Agent; provided, however, that if the banks or trust companies so selected by the Calculation Agent are not quoting as mentioned in this sentence, the Prime Rate determined as of such Prime Rate Interest Determination Date will be the Prime Rate in effect on such Prime Rate Interest Determination Date.

"Reuters Screen US PRIME 1 Page" means the display on the Reuter Monitor Money Rates Service (or any successor service) on the "US PRIME 1" page (or such other page as may replace the US PRIME 1 page on such service) for the purpose of displaying prime rates or base lending rates of major United States banks.

Determination of Treasury Rate. If an Interest Rate Basis for this Note is the

Treasury Rate, as specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement), the Treasury Rate shall be determined as of the applicable Interest Determination Date (a "Treasury Rate Interest Determination Date") as the rate from the auction held on such Treasury Rate Interest Determination Date (the "Auction") of direct obligations of the United States ("Treasury Bills") having the Index Maturity specified on the face hereof under the caption "INVESTMENT RATE" on the display on Telerate, Inc. (or any successor service) on page 56 (or any other page as may replace such page on such service) ("Telerate Page 56") or page 57 (or any other page as may replace such page on such service) ("Telerate Page 57") or, if not so published by 3:00 p.m., New York City time, on the related Calculation Date, the Bond Equivalent Yield (as

defined hereinafter) of the rate for such Treasury Bills as published in H.15 Daily Update, or such other recognized electronic source used for the purpose of displaying such rate, under the caption "U.S. Government Securities/Treasury Bills/Auction High." If such rate is not so published in H.15 Daily Update or another recognized electronic source by 3:00 p.m., New York City time, on the related Calculation Date, the Treasury Rate on such Treasury Rate Interest Determination Date shall be Bond Equivalent Yield of the auction rate of such Treasury Bills as announced by the United States Department of the Treasury. In the event that such auction rate is not so announced by the United States Department of the Treasury on such Calculation Date, or if no such Auction is held, then the Treasury Rate on such Treasury Rate Interest Determination Date shall be the Bond Equivalent Yield of the rate on such Treasury Rate Interest Determination Date of Treasury Bills having the Index Maturity as published in H.15(519) under the caption "U.S. Government Securities/Treasury Bills/Secondary Market" or, if not yet published by 3:00 p.m., New York City time, on the related Calculation Date, the rate on such Treasury Rate Interest Determination Date of such Treasury Bills as published in H.15 Daily Update, or such other recognized electronic source used for the purpose of displaying such rate, under the caption "U.S. Government Securities/Treasury Bills/Secondary Market." If such rate is not yet published in H.15(519), H.15 Daily Update or another recognized electronic source by 3:00 p.m., New York City time, on the related Calculation Date, then the Treasury Rate on such Treasury Rate Interest Determination Date shall be calculated by the Calculation Agent and shall be the Bond Equivalent Yield of the arithmetic mean of the secondary market bid rates, as of approximately 3:30 p.m., New York City time, on such Treasury Rate Interest Determination Date, of three leading primary United States government securities dealers selected by the Calculation Agent, for the issue of Treasury Bills with a remaining maturity closest to the Index Maturity; provided, however, that if the dealers so selected by the Calculation Agent are not quoting as mentioned in this sentence, the Treasury Rate determined as of such Treasury Rate Interest Determination Date will be the Treasury Rate in effect on such Treasury Rate Interest Determination Date.

"Bond Equivalent Yield" means a yield (expressed as a percentage) calculated in accordance with the following formula:

$$\text{Bond Equivalent Yield} = \frac{D \times N}{360 - (D \times M)} \times 100$$

where "D" refers to the applicable per annum rate for Treasury Bills quoted on a bank discount basis and expressed as a decimal, "N" refers to 365 or 366, as the case may be, and "M" refers to the actual number of days in the applicable Interest Reset Period.

Unless otherwise specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement), accrued interest hereon shall be an amount calculated by multiplying the face amount hereof by an accrued interest factor. Such accrued interest factor shall be computed by adding the interest factor calculated for each day in the period for which accrued interest is being calculated. Unless otherwise specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement), the interest factor for each such day shall be computed and paid on the basis of a 360-day year of twelve 30-day months if the Day Count Convention specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement) is "30/360" for the period specified thereunder, or by dividing the applicable per annum interest rate by 360 if the Day Count Convention specified on the face hereof (or, if this Note is in global form, in the

Pricing Supplement) is "Actual/360" for the period specified thereunder, or by dividing the applicable per annum interest rate by the actual number of days in the year if the Day Count Convention specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement) is "Actual/Actual" for the period specified thereunder. If no Day Count Convention is specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement), the interest factor for each day in the relevant Interest Period shall be computed, if an Interest Rate Basis specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement) is the CMT Rate or Treasury Rate or if the Specified Currency indicated on the face hereof (or, if this Note is in global form, in the Pricing Supplement) is Sterling, as if "Actual/Actual" had been specified thereon and, in all other cases, as if "Actual/360" had been specified thereon. Unless otherwise specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement), if interest on this Note is to be calculated with reference to two or more Interest Rate Bases as specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement), the interest factor will be calculated in each period in the same manner as if only one of the applicable Interest Rate Bases applied.

Unless otherwise specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement), if "Reference Rate Determination" is specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement) in connection with the determination of the rate of interest on this Note, the "Calculation Date," if applicable, pertaining to any Interest Determination Date will be the earlier of (i) the tenth calendar day after such Interest Determination Date or, if such day is not a Business Day, the next succeeding Business Day and (ii) the Business Day immediately preceding the applicable Interest Payment Date or Maturity Date, as the case may be. All calculations in respect of determining the interest rate applicable to this Note (other than any calculations made by the Exchange Rate Agent) shall be made by the Calculation Agent specified on the face hereof (or, if this Note is in global form, the Pricing Supplement) or such successor thereto as is duly appointed by the Bank. The determination of any interest rate by the Calculation Agent shall, in the absence of manifest error, be conclusive for all purposes and binding upon the holder hereof.

All percentages resulting from any calculation on this Note shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point, with five one-millionths of a percentage point rounded upward (e.g., 9.876545% (or 0.09876545) shall be rounded to 9.87655% (or 0.0987655%) and 9.876544% (or 0.09876544) shall be rounded to 9.87654% (or 0.0987654)), and all dollar amounts used in or resulting from such calculation shall be rounded to the nearest cent or, if the Specified Currency is other than dollars, to the nearest unit (with one-half cent or unit being rounded upward).

At the request of the holder hereof, the Calculation Agent shall provide to the holder hereof the interest rate hereon then in effect and, if determined, the interest rate which shall become effective for the next Interest Period.

Notwithstanding the foregoing, the interest rate hereon shall not be greater than the Maximum Interest Rate, if any, or less than the Minimum Interest Rate, if any, specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement). In addition to any Maximum Interest Rate applicable hereto pursuant to the above provisions, the interest rate on this Note will in no event be higher than the maximum rate permitted by New York law, as the same may be modified by United States law of general application.

Redemption at the Option of the Bank

Unless otherwise specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement), this Note will not be subject to any sinking fund. This Note may be redeemed by the Bank either in whole or in part on and after the Initial Redemption Date, if any, specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement). If no Initial Redemption Date is specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement), this Note may not be redeemed prior to the Maturity Date except as provided below in the event that any Additional Amounts (as defined below) are required to be paid by the Bank with respect to this Note. On and after the Initial Redemption Date, if any, this Note may be redeemed in increments of US\$1,000 (or, if the Specified Currency indicated on the face hereof is other than the United States dollar, in such Authorized Denominations specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement)) at the option of the Bank at the applicable Redemption Price (as defined below) together with unpaid interest accrued hereon at the applicable rate borne by this Note to the date of redemption (each such date, a "Redemption Date"), on written notice given by or on behalf of the Bank not more than 60 nor less than 30 calendar days prior to the Redemption Date (unless otherwise specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement)); provided, however, that, in the event of redemption of this Note in part only, the unredeemed portion thereof shall be an Authorized Denomination specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement). In the event of redemption of this Note in part only, a new Note for the unredeemed portion hereof shall be issued in the name of the holder hereof upon the surrender of this Note, or, where applicable, an appropriate notation will be made on the schedule attached hereto for such notations.

The "Redemption Price" shall initially be the Initial Redemption Percentage specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement) of the principal amount of this Note to be redeemed and shall decline at each anniversary of the Initial Redemption Date specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement) by the Annual Redemption Percentage Reduction, if any, specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement), of the principal amount to be redeemed until the Redemption Price is 100% of such principal amount.

Repayment at the Option of the Holder

This Note may be subject to repayment at the option of the holder hereof in accordance with the terms hereof on any Holder's Optional Repayment Date(s), if any, specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement). If no Holder's Optional Repayment Date is specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement), this Note will not be repayable at the option of the holder hereof prior to the Maturity Date. On any Holder's Optional Repayment Date, this Note will be repayable in whole or in part in increments of US\$1,000 (or, if the Specified Currency indicated on the face hereof is other than the U.S. dollar, in such Authorized Denominations specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement)) at the option of the holder hereof at the repayment price equal to 100% of the principal amount to be repaid, together with accrued and unpaid interest hereon payable to the date of repayment; provided, however, that, in the event of repayment of this Note in part only, the unrepaid portion hereof shall be an Authorized Denomination specified on the face hereof (or, if this Note is in global form, in the Pricing

Supplement). For this Note to be repaid in whole or in part at the option of the holder hereof on a Holder's Optional Repayment Date, this Note must be delivered, with the form entitled "Option to Elect Repayment" attached hereto duly completed, to the Domestic Paying Agent or the London Paying Agent (as appropriate in accordance with such attached form) at the address set forth on such form or at such other address which the Bank shall from time to time notify the holders of the Notes not more than 60 nor less than 30 days prior to such Holder's Optional Repayment Date. In the event of repayment of this Note in part only, a new Note for the unrepaid portion hereof shall be issued in the name of the holder hereof upon the surrender hereof, or, where applicable, an appropriate notation will be made on the schedule attached hereto for such notations. Exercise of such repayment option by the holder hereof shall be irrevocable.

Additional Amounts

All payments of principal (and premium, if any) and interest with respect to this Note will be made without withholding or deduction at source for, or on account of, any present or future taxes, fees, duties, assessments or governmental charges of whatever nature imposed or levied by the United States or any political subdivision or taxing authority thereof or therein, unless such withholding or deduction is required by (i) the laws (or any regulations or rulings promulgated thereunder) of the United States or any political subdivision or taxing authority thereof or therein or (ii) an official position regarding the application, administration, interpretation or enforcement of any such laws, regulations or rulings including, without limitation, a holding by a court of competent jurisdiction or by a taxing authority in the United States or any political subdivision thereof). If a withholding or deduction at source is required, the Bank will (subject to certain limitations and exceptions set forth below) pay to the holder hereof on behalf of an owner of a beneficial interest herein (an "Owner") who is a United States Alien (as defined below) such additional amounts ("Additional Amounts") as may be necessary so that every net payment of principal (and premium, if any) or interest made to the holder hereof on behalf of such Owner, after such withholding or deduction, will not be less than the amount provided for in this Note with respect to such Owner's interest; provided, however, that the Bank shall not be required to make any payment of Additional Amounts for or on account of:

(a) any tax, fee, duty, assessment or other governmental charge which would not have been imposed but for (i) the existence of any present or former connection between such Owner (or between a fiduciary, settlor, beneficiary, member or shareholder of, or possessor of a power over, such Owner, if such Owner is an estate, trust, partnership or corporation) and the United States, including, without limitation, such Owner (or such fiduciary, settlor, beneficiary, member, shareholder or possessor) being or having been a citizen or resident thereof or being or having been present or engaged in trade or business therein or having had a permanent establishment therein, or (ii) the presentation of this Note for payment on a date more than 15 days after the date on which such payment became due and payable or the date on which payment thereof is duly provided for, whichever occurs later;

(b) any estate, inheritance, gift, sales, transfer, personal property or similar tax, assessment or other governmental charge;

(c) any tax, fee, duty, assessment or other governmental charge imposed by reason of such Owner's past or present status as a personal holding company, foreign personal holding company, passive foreign investment company or controlled foreign corporation with respect to the United States or as a corporation which accumulates earnings to avoid United States federal income tax;

(d) any tax, fee, duty, assessment or other governmental charge which is payable otherwise than by withholding from payments of principal or interest with respect to this Note;

(e) any tax, fee, duty, assessment or other governmental charge imposed on interest received by anyone who owns (actually or constructively) 10% or more of the total combined voting power of all classes of stock of the Bank;

(f) any tax, fee, duty, assessment or other governmental charge required to be withheld by any Paying Agent from any payment of principal (and premium, if any) or interest with respect to this Note, if such payment can be made without such withholding by any other Paying Agent with respect to this Note in a western European city;

(g) any tax, fee, duty, assessment or other governmental charge which would not have been imposed but for the failure to comply with certification, information or other reporting requirements concerning the nationality, residence, identity or connection with the United States of the holder hereof or of such Owner, if such compliance is required by statute or by regulation of the United States Treasury Department as a precondition to relief or exemption from such tax, assessment or other governmental charge;

(h) any tax, assessment or other governmental charge imposed as a result of such holder of the Notes or Coupon being a bank receiving payments on an extension of credit made pursuant to a loan agreement entered into in the ordinary course of business;

(i) any tax, assessment or other governmental charge required to be imposed or withheld on a payment to an individual and such deduction or withholding is required to be made pursuant to any European Union Directive on the taxation of savings implementing the conclusions of the ECOFIN Council meeting of November 26-27, 2000 or any law implementing or complying with, or introduced in order to conform to, such Directive; or

(j) any combination of items (a), (b), (c), (d), (e), (f), (g), (h) and (i);

nor shall Additional Amounts be paid to any holder of this Note on behalf of any Owner who is a fiduciary or partnership or other than the sole Owner to the extent a beneficiary or settlor with respect to such fiduciary or a member of such partnership or Owner would not have been entitled to payment of the Additional Amounts had such beneficiary, settlor, member or Owner been the sole Owner of this Note.

As used herein, the term "United States Alien" means any corporation, individual, fiduciary or partnership that for United States federal income tax purposes is a foreign corporation,

nonresident alien individual, nonresident alien fiduciary of a foreign estate or trust, or foreign partnership one or more members of which is a foreign corporation, nonresident alien individual or nonresident alien fiduciary of a foreign estate or trust.

If this Note is in bearer form and the Bank shall determine, based upon a written opinion of independent counsel selected by the Bank, that any payment made outside the United States by the Bank or any of its Paying Agents of the full amount of the next scheduled payment of either principal (and premium, if any) or interest due with respect to this Note would, under any present or future laws or regulations of the United States affecting taxation or otherwise, be subject to any certification, information or other reporting requirements of any kind, the effect of which requirements is the disclosure to the Bank, any of its Paying Agents or any governmental authority of the nationality, residence or identity (as distinguished from status as a United States Alien) of any Owner of this Note who is a United States Alien (other than such requirements which (i) would not be applicable to a payment made to a custodian, nominee or other agent of the Owner, or which can be satisfied by such a custodian, nominee or other agent certifying to the effect that such Owner is a United States Alien; provided, however, in each case that payment by such custodian, nominee or agent to such Owner is not otherwise subject to any requirements referred to in this sentence, (ii) are applicable only to payment by a custodian, nominee or other agent of the Owner to or on behalf of such Owner, or (iii) would not be applicable to a payment made by any other paying agent of the Bank), the Bank shall redeem this Note as a whole but not in part at a redemption price equal to the principal amount hereof (or, if this is an Original Issue Discount Note, the Amortized Face Amount (as defined herein) hereof determined as of the date of redemption), together, if appropriate, with accrued interest to, but excluding, the date fixed for redemption, such redemption to take place on such date not later than one year after notice of such determination has been given as described herein. If the Bank becomes aware of an event that might give rise to such certification, information or other reporting requirements, the Bank shall, as soon as practicable, solicit advice of independent counsel selected by the Bank to establish whether such certification, information or other reporting requirements will apply and, if such requirements will, in the written opinion of such counsel, apply, the Bank shall give prompt notice of such determination (a "Tax Notice") stating in such notice the effective date of such certification, information or other reporting requirements and, if applicable, the date by which the redemption shall take place. Notwithstanding the foregoing, the Bank shall not redeem this Note if the Bank, based upon the written opinion of independent counsel selected by the Bank, shall subsequently determine not less than 30 days prior to the date fixed for redemption that subsequent payments would not be subject to any such requirements, in which case the Bank shall give prompt notice of such determination and any earlier redemption notice shall thereby be revoked and of no further effect.

Notwithstanding the foregoing, if and so long as the certification information or other reporting requirements referred to in the preceding paragraph would be fully satisfied by payment of a withholding, backup withholding tax or similar charge, the Bank may elect prior to giving the Tax Notice to have the provisions described in this paragraph apply in lieu of the provisions described in the preceding paragraph, in which case the Tax Notice shall state the effective date of such certification, information or reporting requirements and that the Bank has elected to pay Additional Amounts rather than redeem this Note. In such event, the Bank will also pay as Additional Amounts such sums as may be necessary so that every net payment made following the effective date of such certification, information or reporting requirements outside the United States by the Bank or any of its Paying Agents of principal (and premium, if any) or interest due

with respect to this Note to the bearer hereof who certifies to the effect that the beneficial owners of this Note are United States Aliens (provided that such certification shall not have the effect of communicating to the Bank or any of its Paying Agents or any governmental authority the nationality, residence or identity of such beneficial owners) after deduction or withholding for or on account of such withholding, backup withholding tax or similar charge (other than a withholding, backup withholding tax or similar charge which (i) is imposed as a result of certification, information or other reporting requirements referred to in the second parenthetical clause of the first sentence of the preceding paragraph or (ii) is imposed as a result of the fact that the Bank or any of its Paying Agents has actual knowledge that the bearer hereof or any beneficial owner of this Note is not a United States Alien but is within the category of persons, corporations or other entities described in clause (a)(i) of the third preceding paragraph, or (iii) is imposed as a result of presentation of this Note for payment more than 15 days after the date on which such payment becomes due and payable or on which payment thereof is duly provided for, whichever occurs later), will not be less than the amount provided for in this Note to be then due and payable. In the event the Bank elects to pay such Additional Amounts, the Bank will have the right, at its sole option, at any time, to redeem this Note, as a whole but not in part, at a redemption price equal to the principal amount hereof (or, if this is an Original Issue Discount Note, the Amortized Face Amount hereof determined as of the date of redemption), together, if appropriate, with accrued interest to the date fixed for redemption including any Additional Amounts required to be paid under this paragraph. If the Bank has made the determination described in the preceding paragraph with respect to certification, information or other reporting requirements applicable to interest only and subsequently makes a determination in the manner and of the nature referred to in such preceding paragraph with respect to such requirements applicable to principal, the Bank will redeem this Note in the manner and on the terms described in the preceding paragraph (except as provided below), unless the Bank elects to have the provisions of this paragraph apply rather than the provisions of the immediately preceding paragraph. If in such circumstances this Note is to be redeemed, the Bank will be obligated to pay Additional Amounts with respect to interest, if any, accrued to the date of redemption. If the Bank has made the determination described in the preceding paragraph and subsequently makes a determination in the manner and of the nature referred to in such preceding paragraph that the level of withholding applicable to principal or interest has been increased, the Bank will redeem this Note in the manner and on the terms described in the preceding paragraph (except as provided below), unless the Bank elects to have the provisions of this paragraph apply rather than the provisions of the immediately preceding paragraph. If in such circumstances this Note is to be redeemed, the Bank will be obligated to pay Additional Amounts with respect to the original level of withholding on principal and interest, if any, accrued to the date of redemption.

Whenever in this Note there is mentioned, in any context, the payment of the principal of (or premium, if any) or interest on, or in respect of, this Note, such mention shall be deemed to include mention of the payment of Additional Amounts provided for herein to the extent that, in such context, Additional Amounts are, were or would be payable in respect hereof pursuant to the provisions of this Note and express mention of the payment of Additional Amounts (if applicable) in any provisions hereof shall not be construed as including Additional Amounts in those provisions hereof where such express mention is not made.

Except as specifically provided herein (or, if this Note is in global form, in the Pricing Supplement) (i) neither the Bank nor any Paying Agent shall be required to make, any payment with respect to any tax, fee, duty, assessment or other governmental charge imposed by any

government or a political subdivision or taxing authority thereof or therein; (ii) a Paying Agent on behalf of the Bank shall have the right, but not the duty, to withhold from any amounts otherwise payable to a holder of this Note such amount as is necessary for the payment of any such taxes, fees, duties, assessments or other governmental charges; and (iii) if such an amount is withheld, the amount payable to the holder of this Note shall be the amount otherwise payable reduced by the amount so withheld.

The Bank may redeem this Note in whole but not in part at any time at a redemption price equal to the principal amount hereof (or, if this is an Original Issue Discount Note, the Amortized Face Amount hereof determined as of the date of redemption), together with accrued interest to but excluding the date fixed for redemption, if the Bank shall determine, based upon a written opinion of independent counsel selected by the Bank, that as a result of any change in or amendment to the laws (or any regulations or rulings promulgated hereunder) of the United States or of any political subdivision or taxing authority thereof or therein affecting taxation, or any change in application or official interpretation of any such laws, regulations or rulings, which amendment or change is effective on or after the Original Issue Date, the Bank would be required to pay Additional Amounts on the occasion of the next payment due with respect to such Note.

Notice of intention to redeem this Note, in whole but not in part, pursuant to the immediately preceding paragraph will be given (i) if this Note is in registered form, to the registered holder of this Note at least once not less than 30 days nor more than 60 days prior to the date fixed for redemption or (ii) if this Note is in bearer form, by publication in accordance with applicable law, provided that no such notice of redemption shall be given earlier than 90 days prior to the effective date of such change or amendment and that at the time notice of such redemption is given, such obligation to pay such Additional Amounts remains in effect and cannot be avoided by the Bank's taking reasonable measures available to it. From and after any redemption date, if monies for the redemption of this Note shall have been made available for redemption on such redemption date, this Note shall cease to bear interest (and, if this Note is a definitive bearer Note, any interest coupons appertaining hereto (whether or not attached) maturing after the redemption date shall become void and no payment shall be made in respect thereof), and the only right of the holder of this Note shall be to receive payment of the principal amount hereof (or, if this is an Original Issue Discount Note, the Amortized Face Amount hereof) and all unpaid interest accrued to such redemption date.

Events of Default, Acceleration of Maturity

In respect of this Senior Note, the occurrence of any of the following events shall constitute an "Event of Default" with respect to this Note:

(i) default in the payment of any interest (including any Additional Amounts) with respect to this Note when due, which continues for 30 days;

(ii) default, in the payment of any principal of, or premium, if any, on, this Note when due;

(iii) whatever the reason for such and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any

court or any order, rule or regulation of any administrative or governmental body, the entry by a court having jurisdiction in the premises of:

(a) a decree or order for relief in respect of the Bank in an involuntary case or proceeding under any applicable United States federal or state bankruptcy, insolvency, reorganization or other similar law; or

(b) a decree or order appointing a conservator, receiver, liquidator, assignee, trustee, sequestrator or any other similar official of the Bank, or of substantially all of the property of the Bank, or ordering the winding up or liquidation of the affairs of the Bank, and the continuance of any such decree or order for relief or any such other decree or order unstayed and in effect for a period of 60 consecutive days; or

(iv) the commencement by the Bank of a voluntary case or proceeding under any applicable United States federal or state bankruptcy, insolvency, reorganization or other similar law or the commencement of any bankruptcy or insolvency case or proceeding, or the filing by the Bank of a petition or answer or consent seeking reorganization or relief under any applicable United States federal or state law, or the consent by the Bank to the filing of such petition or to the appointment of or taking possession by a custodian, receiver, liquidator, assignee, trustee, sequestrator or similar official of the Bank or of substantially all of the property of the Bank, or the making by the Bank of an assignment for the benefit of creditors, or the taking of corporate action by the Bank in furtherance of any such action.

If an Event of Default shall occur and be continuing, the holder of this Note may declare the principal amount of, and accrued interest and premium, if any, on, this Note due and payable immediately by written notice to the Bank. Upon such declaration and notice, such principal amount (and premium, if any) and accrued interest shall become immediately due and payable. Any Event of Default with respect to this Note may be waived by the holder thereof.

This Note contains no limitation on the amount of senior debt, deposits or other obligations that rank senior to this Note that may be hereafter incurred or assumed by the Bank.

Miscellaneous

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Notwithstanding anything to the contrary contained herein, if this Note is identified as a Discount Note on the face hereof (or, if this Note is in global form, in the Pricing Supplement), the amount payable to the holder of this Note in the event of redemption, repayment or acceleration of Maturity will be equal to (i) the Amortized Face Amount (as defined below) as of the date of such event, plus (ii) with respect to any redemption of this Note (other than as provided above in the event that Additional Amounts are required to be paid by the Bank with respect to this Note), the Initial Redemption Percentage specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement) (as adjusted by the Annual Redemption Percentage Reduction specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement), if any) minus 100% multiplied by the Issue Price specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement), net of any portion of such Issue Price which has been paid prior to the date of redemption, or the portion of the Issue Price

(or the net amount) proportionate to the portion of the unpaid principal amount to be redeemed, plus (iii) any accrued interest to the date of such event the payment of which would constitute qualified stated interest payments within the meaning of U.S. Treasury Regulation 1.1273-1 (c) under the Code. The "Amortized Face Amount" shall mean an amount equal to (i) the Issue Price plus (ii) the aggregate portions of the original issue discount (the excess of the amounts considered as part of the "stated redemption price at maturity" of this Note within the meaning of Section 1273(a)(2) of the Code, whether denominated as principal or interest, over the Issue Price) which shall theretofore have accrued pursuant to Section 1272 of the Code (without regard to Section 1272(a)(7) of the Code) from the date of issue of this Note to the date of determination, minus (iii) any amount considered as part of the "stated redemption price at maturity" of this Note which has been paid from the date of issue to the date of determination.

As used herein, "Business Day" means, unless otherwise specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement), a day which is both (i) a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in The City of New York, Glen Allen, Virginia, and London; and (ii) either (a) if this is a Note denominated in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in the principal financial center of the country of the relevant Specified Currency (if other than the City of New York or London) or (b) if this is a Note denominated in euro, a day (other than a Saturday or a Sunday) on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) System is open. As used herein, "London Business Day" means any day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in London.

Any action by the holder of this Note shall bind all future holders of this Note, and of any Note issued in exchange or substitution hereof or in place hereof, in respect of anything done or permitted by the Bank or by the Paying Agents in pursuance of such action.

In case any Note shall at any time become mutilated, defaced, destroyed, lost or stolen, and such Note or evidence of the loss, theft or destruction thereof satisfactory to the Bank and the Registrar or London Issuing Agent, as the case may be, and such other documents or proof as may be required by the Bank and the Registrar or London Issuing Agent, as the case may be, shall be delivered to the Registrar or London Issuing Agent, as the case may be, the Registrar or London Issuing Agent, as the case may be, shall issue a new Note of like tenor and principal amount, having a serial number not contemporaneously outstanding, in exchange and substitution for the mutilated or defaced Note or in lieu of the Note destroyed, lost or stolen but, in the case of any destroyed, lost or stolen Note, only upon receipt of evidence satisfactory to the Bank and the Registrar or London Issuing Agent, as the case may be, that such Note was destroyed, stolen or lost, and, if required, upon receipt of indemnity satisfactory to the Bank and the Registrar or London Issuing Agent, as the case may be. Upon the issuance of any substituted Note, the Bank may require the payment of a sum sufficient to cover all expenses and reasonable charges connected with the preparation and delivery of a new Note. If any Note which has matured or has been redeemed or repaid or is about to mature or to be redeemed or repaid shall become mutilated, defaced, destroyed, lost or stolen, the Bank may, instead of issuing a substitute Note, pay or authorize the payment of the same (without surrender thereof except in

the case of a mutilated or defaced Note) upon compliance by the holder with the provisions of this paragraph.

No recourse shall be had for the payment of principal of (and premium, if any) or interest on, this Note for any claim based hereon, or otherwise in respect hereof, against any shareholder, employee, agent, officer or director, as such, past, present or future, of the Bank or of any successor organization, either directly or through the Bank or any successor organization, whether by virtue of any constitution, statute or rule of law or by the enforcement of any assessment or penalty or otherwise, all such liability being, by the acceptance hereof and as part of the consideration for the issue hereof, expressly waived and released.

The Notes are issued in accordance with the Global Agency Agreement. The Notes, and any receipts or interest coupons appertaining thereto, may be amended by the Bank, and the Global Agency Agreement may be amended by the parties thereto, (i) for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained therein, (ii) to make any further modifications of the terms of the Global Agency Agreement necessary or desirable to allow for the issuance of any additional Notes (which modifications shall not be materially adverse to holders of outstanding Notes) or (iii) in any manner which the Bank (and, in the case of the Global Agency Agreement, the parties thereto) may deem necessary or desirable and which shall not materially adversely affect the interests of the holders of the Notes, or any receipts, talons or interest coupons appertaining thereto, to all of which each holder of Notes, receipts, talons or interest coupons shall, by acceptance thereof, be deemed to have consented; provided, however, that no such modification or amendment may, without the consent of the holder of each outstanding Note affected thereby, (1) change the Maturity Date with respect to any Note or reduce or cancel the amount payable at Maturity; (2) reduce the amount payable or modify the payment date for any interest with respect to any Note or vary the method of calculating the rate of interest with respect to any Note; (3) reduce any Minimum Interest Rate and/or Maximum Interest Rate with respect to any Note; (4) modify the currency in which payments under any Note and/or any receipts, coupons or talons appertaining thereto are to be made; (5) change the obligation of the Bank to pay Additional Amounts with respect to Notes, receipts, talons or coupons; or (6) reduce the percentage in principal amount of outstanding Notes the consent of the holders of which is necessary to modify the provisions of the Notes or to waive any future compliance or past default. Any instrument given by or on behalf of any holder of a Note in connection with any consent to any such modification, amendment or waiver shall be irrevocable once given and shall be conclusive and binding on all subsequent holders of such Note. Any modifications, amendments or waivers to this Agreement or the provisions of the Notes, receipts, talons or coupons shall be conclusive and binding on all holders of Notes, receipts, talons or coupons, whether or not notation of such modifications, amendments or waivers is made upon the Notes, receipts, talons or coupons. It will not be necessary for the consent of the holders of Notes to approve the particular form of any proposed amendment, but it shall be sufficient if such consent shall approve the substance thereof.

No provision of this Note shall alter or impair the obligation of the Bank, which is absolute and unconditional, to pay principal of (and premium, if any) and interest on, and any Additional Amounts with respect to, this Note in the Specified Currency indicated on the face hereof (or, as provided herein, in the equivalent in U.S. dollars) at the times, places and rate herein prescribed.

No service charge shall be made to a holder of this Note for any transfer or exchange of this Note, but the Bank may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection therewith.

If this Note is in registered form, prior to due presentment of this Note for registration of transfer, the Bank, Domestic Paying Agent, Registrar, London Paying Agent, Luxembourg Paying Agent, Transfer Agent and Listing Agent (collectively, together with any successors thereto, the "Agents") or any agent of the Bank or the Agents may treat the holder in whose name this Note is registered as the owner hereof for all purposes, whether or not this Note be overdue, and neither the Bank, the Agents nor any such agent shall be affected by notice to the contrary except as required by applicable law.

All notices to the Bank under this Note shall be in writing and addressed to the Bank at Capital One Bank, 8000 Jones Branch Road, McLean, Virginia 22102, USA, Attention: Treasurer; telephone: (703) 875-1000; and facsimile: (703) 875-1099 or to such other address of the Bank as the Bank may notify the holders of the Notes.

OPTION TO ELECT REPAYMENT

The undersigned hereby irrevocably request(s) and instruct(s) the Bank to repay this Note (or portion hereof specified below) pursuant to its terms at a price equal to 100% of the principal amount hereof to be repaid, together with accrued and unpaid interest hereon, payable to the date of repayment, to the undersigned, at -----

(Please print or typewrite name and address of the undersigned.)

For this Note to be repaid, the undersigned must give to the London Paying Agent, if this Note is in bearer form, at 9 Thomas More Street, London, E1W 1YT or, if this Note is in registered form, to the Domestic Paying Agent at The Chase Manhattan Bank, 450 West 33rd Street, New York, New York 10001-2697, United States of America, or to the London Paying Agent at its address, as the case may be, or at such other place or places of which the Bank shall from time to time notify the holders of the Notes not more than 60 days nor less than 30 days prior to the date of repayment, this Note (and, if this Note is in definitive bearer form, all interest coupons appertaining hereto maturing after the repayment date) with this "Option to Elect Repayment" form duly completed.

If less than the entire principal amount of this Note is to be repaid, specify the portion hereof (which shall be increments of US\$1,000, or equivalent denominations in other currencies) which the holder elects to have repaid and specify the denomination or denominations (which shall be an Authorized Denomination specified on the face of the within Note) of the Notes to be issued to the holder for the portion of this Note not being repaid (in the absence of any such specification, one such Note will be issued for the portion not being repaid):

US\$ -----

Dated: -----

Signature

NOTICE: The signature on this "Option to Elect Repayment" form must correspond with the name as written upon the face of the within Note in every particular, without alteration or enlargement or any change whatsoever.

Signature Guarantee

NOTICE: The signature(s) should be guaranteed by an eligible guarantor institution (banks, stockbrokers, savings and loan associations, and credit unions with membership in an approved signature guarantee medallion program), pursuant to Rule 17Ad- 15 under the Securities Exchange Act of 1934.

Schedule 1

SCHEDULE OF TRANSFERS AND EXCHANGES

The following increases and decreases in the principal amount of this Note have been made:

Date of Transfer	Increase (Decrease) in Principal Amount of this Note Due to Transfer Among Global Notes	Principal Amount of this Note After Transfer	Notation made by or on behalf of the Bank
-----	-----	-----	-----
-----	-----	-----	-----
-----	-----	-----	-----
-----	-----	-----	-----

REGISTERED GLOBAL SENIOR NOTE

UNLESS THIS NOTE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITARY TRUST COMPANY (55 WATER STREET, NEW YORK, NEW YORK) (THE "DEPOSITARY") TO CAPITAL ONE BANK (THE "BANK") OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY NOTE ISSUED UPON REGISTRATION OF TRANSFER OF, OR IN EXCHANGE FOR, OR IN LIEU OF, THIS NOTE IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITARY (AND ANY PAYMENT HEREON IS MADE TO CEDE & CO), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL SINCE THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

THIS NOTE IS A GLOBAL SECURITY AND, UNLESS AND UNTIL THIS NOTE IS EXCHANGED IN WHOLE OR IN PART FOR NOTES IN DEFINITIVE FORM, IT MAY NOT BE TRANSFERRED EXCEPT AS A WHOLE BY THE DEPOSITARY TO A NOMINEE OF THE DEPOSITARY OR BY THE NOMINEE OF THE DEPOSITARY TO THE DEPOSITARY OR ANOTHER NOMINEE OF THE DEPOSITARY OR BY THE DEPOSITARY OR ANY SUCH NOMINEE TO A SUCCESSOR DEPOSITARY OR A NOMINEE OF SUCH SUCCESSOR DEPOSITARY.

THIS NOTE IS A DIRECT, UNCONDITIONAL, UNSECURED AND UNSUBORDINATED GENERAL OBLIGATION OF CAPITAL ONE BANK (THE "BANK"). THE OBLIGATIONS EVIDENCED BY THIS NOTE RANK PARI PASSU WITH ALL OTHER UNSECURED AND UNSUBORDINATED OBLIGATIONS OF THE BANK, EXCEPT OBLIGATIONS, INCLUDING ITS DOMESTIC (U.S.) DEPOSITS, THAT ARE SUBJECT TO ANY PRIORITIES OR PREFERENCES UNDER APPLICABLE LAW. THIS NOTE DOES NOT EVIDENCE A DEPOSIT AND IS NOT INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION ("FDIC") OR ANY OTHER INSURER.

THIS NOTE IS ISSUABLE ONLY IN MINIMUM DENOMINATIONS OF US\$100,000 AND INTEGRAL MULTIPLES OF US\$1,000 IN EXCESS THEREOF. EACH OWNER OF A BENEFICIAL INTEREST IN THIS NOTE IS REQUIRED TO HOLD A BENEFICIAL INTEREST OF US\$100,000 PRINCIPAL AMOUNT OR ANY INTEGRAL MULTIPLE OF US\$1,000 IN EXCESS THEREOF OF THIS NOTE AT ALL TIMES.

No. R-

REGISTERED

CUSIP No.: 14040EES7
ISIN No.: US14040EES72
Common Code: 013337942

CAPITAL ONE BANK
GLOBAL BANK NOTE
(Registered Global Note)

ORIGINAL ISSUE DATE: July 26, 2001 PRINCIPAL AMOUNT: \$400,000,000

SPECIFIED CURRENCY:

MATURITY DATE: July 30, 2004 U.S. dollar

FIXED RATE NOTE Other:

FLOATING RATE NOTE

CAPITAL ONE BANK, a bank organized under the laws of the Commonwealth of Virginia (the "Bank"), for value received, hereby promises to pay to CEDE & CO., or registered assigns, the principal amount specified above as adjusted in accordance with Schedule 1 hereto, on the Maturity Date specified above (except to the extent redeemed or repaid prior to the Maturity Date) and to pay interest thereon (i) in accordance with the provisions set forth on the reverse hereof under the caption "Fixed Rate Interest Provisions," if this Note is designated as a "Fixed Rate Note" above, or (ii) in accordance with the provisions set forth on the reverse hereof under the caption "Floating Rate Interest Provisions," if this Note is designated as a "Floating Rate Note" above, in each case as such provisions may be modified or supplemented by the terms and provisions set forth in the Pricing Supplement attached hereto (the "Pricing Supplement"), and (to the extent that the payment of such interest shall be legally enforceable) to pay interest at the Default Rate per annum specified in the Pricing Supplement on any overdue principal and premium, if any, and on any overdue installment or interest. If no Default Rate is specified in the Pricing Supplement then the Default Rate shall be the Interest Rate specified in the Pricing Supplement. The interest so payable, and punctually paid or duly provided for, on any Interest Payment Date will be paid to the person in whose name this Note (or any predecessor Note) is registered at the close of business on the fifteenth calendar day (whether or not a Business Day (as defined on the reverse hereof)) next preceding the applicable Interest Payment Date (unless otherwise specified in the Pricing Supplement) (each, a "Regular Record Date"); provided, however, that interest payable at Maturity (as defined on the reverse hereof) will be payable to the person to whom principal shall be payable. Any such interest not so punctually paid or duly provided for shall forthwith cease to be payable to the holder as of the close of business on such Regular Record Date, and shall instead be payable to the person in whose name this Note (or any predecessor Note) is registered at the close of business on a special record date for the payment of such defaulted interest (the "Special Record Date") to be fixed by the Registrar (as defined below), notice whereof shall be given by the Registrar to the holder of this Note not less than 15 calendar days prior to such Special Record Date.

This Note is one of a duly authorized issue of the Bank's notes due from 30 days to 30 years or more from date of issue (the "Notes"). The Notes are issued in accordance with the Global Agency Agreement, dated as of June 6, 2000 and as amended as of May 24, 2001 (the "Global Agency Agreement"), among the Bank and The Chase Manhattan Bank as paying agent (the "Domestic Paying Agent") and as registrar (the "Registrar"), The Chase Manhattan Bank, London Branch, as paying agent (the "London Paying Agent") and as issuing agent (the "London Issuing Agent") and Chase Manhattan Bank Luxembourg S.A. as transfer agent (the "Transfer Agent"), as paying agent (the "Luxembourg Paying Agent", together with the Domestic Paying

Agent and the London Paying Agent, the "Paying Agents", and individually, a "Paying Agent") and Kredietbank S.A. Luxembourgeoise as listing agent (the "Listing Agent"). The terms Domestic Paying Agent, Registrar, London Paying Agent, London Issuing Agent, Luxembourg Paying Agent, Transfer Agent and Listing Agent shall include any additional or successor agents appointed in such capacities by the Bank.

The Bank shall cause to be kept at the office of the Registrar designated below a register (the register maintained in such office or any other office or agency of the Registrar, herein referred to as the "Note Register") in which, subject to such reasonable regulations as it may prescribe, the Bank shall provide for the registration of Notes issued in registered form and of transfers of such Notes. The Bank has initially appointed The Chase Manhattan Bank, acting through its principal office at 450 West 33rd Street, 15th Floor, New York, New York 10001, as "Registrar" for the purpose of registering Notes issued in registered form and transfers of such Notes. The Bank reserves the right to rescind such designation at any time, and to transfer such function to another bank or financial institution.

The transfer of this Note is registrable in the Note Register, upon surrender of the Note for registration of transfer at the office or agency of the Registrar or any transfer agent maintained for that purpose, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Registrar (or such transfer agent) duly executed by, the holder hereof or its attorney duly authorized in writing.

Payment of principal of, and premium, if any, and interest on, this Note due at Maturity will be made in immediately available funds upon presentation and surrender of this Note at the office of a Paying Agent maintained for that purpose; provided, that this Note is presented to such Paying Agent in time for such Paying Agent to make such payment in accordance with its normal procedures. Payments of interest on this Note (other than at Maturity) will be made by wire transfer to such account as has been appropriately designated to a Paying Agent by the person entitled to such payments.

Reference is made to the further provisions of this Note set forth on the reverse hereof and in the Pricing Supplement, which further provisions shall for all purposes have the same effect as if set forth at this place. In the event of any conflict between the provisions contained herein or on the reverse hereof and the provisions contained in the Pricing Supplement attached hereto, the latter shall control. References herein to "this Note," "hereof," "herein" and comparable terms shall include the Pricing Supplement attached hereto.

Unless the certificate of authentication hereon has been executed by the Registrar, by manual signature of an authorized signatory, this Note shall not be valid or obligatory for any purpose.

This Note shall be governed by, and construed in accordance with, the laws of the State of New York, without regard to the conflicts of law principles thereof.

IN WITNESS WHEREOF, the Bank has caused this Note to be duly executed.

CAPITAL ONE BANK

By: _____
Name:
Title:

Dated:

REGISTRAR'S CERTIFICATE OF AUTHENTICATION

This is one of the Notes referred to in the within-mentioned Global Agency Agreement.

THE CHASE MANHATTAN BANK,
as Registrar

By: _____
Name:
Title:

PRICING SUPPLEMENT DATED July 19, 2001
(to be read in conjunction with the Offering Circular dated May 24, 2001)

Capital One Bank
(a Bank Organized Pursuant to the Laws of Virginia)

Global Bank Notes

Fixed Rate Notes due July 30, 2004

This Pricing Supplement should be read in conjunction with the Offering Circular, dated May 24, 2001 (the "Offering Circular"), relating to the U.S.\$5,000,000,000 Global Bank Note Program of Capital One Bank. Unless otherwise defined herein, terms used herein shall have the meanings ascribed to them in the Offering Circular. Terms are not completed for certain items below because such terms are not applicable.

DESCRIPTION OF THE NOTES

1. Specified Currency and Principal Amount: US \$400,000,000
2. Senior or Subordinated: Senior
3. Original Issue Date: July 26, 2001
4. Stated Maturity Date: July 30, 2004
5. Issue Price: 99.861%
6. (a) Authorized Denomination(s): \$100,000 and integral multiples of \$1,000 in excess thereof
(b) Redenomination (Yes/No): No [If yes, give details]
7. Form of Note (Registered or Bearer): Registered
8. (a) Series Number: 4
(b) If forming part of an existing Series (Yes/No): No [If yes, give details]
9. Interest Period:
[] One Month
[] Three Months
[X] Six Months
[] Twelve Months
[] Other (Specify Number of Months):
10. Interest Payment Date(s): July 30 and January 30, commencing on January 30, 2002
11. Record Dates (for Registered Notes with Maturities Greater than One Year): the July 15 and the January 15 preceding each Interest Payment Date

12. Exchange Rate Agent (Registered Notes and Dual Currency Notes):

13. Default Rate: 6.50% per annum

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE FIXED RATE NOTES

14. Interest Rate: 6.50% per annum

15. Day Count Convention:

30/360 for the period from July 26, 2001 to but excluding July 30, 2004

Actual/360 for the period from _____ to _____

Actual/Actual for the period from _____ to _____

Other (specify convention and applicable period):

FLOATING RATE NOTES

16. Interest Rate Determination:

ISDA Rate

Reference Rate Determination

17. Calculation Agent, if not The Chase Manhattan Bank:

18. Maximum Interest Rate: % per annum

19. Minimum Interest Rate: % per annum

20. Day Count Convention:

30/360 for the period from _____ to _____

Actual/360 for the period from _____ to _____

Actual/Actual for the period from _____ to _____

Other (specify convention and applicable period):

21. Business Day Convention:

Floating Rate Convention

Following Business Day Convention

Modified Following Business Day Convention

Preceding Business Day Convention

Other (specify):

ISDA RATE

22. Margin: [+/-] % per annum

23. Floating Rate Option:

24. Designated Maturity:

25. Reset Date:

REFERENCE RATE DETERMINATION

26. Initial Interest Rate:
27. Index Maturity:
28. Interest Rate Basis or Bases:
If CMT Rate: Specified CMT Telerate Page:
 Specified CMT Maturity Index:
If EURIBOR:
If LIBOR: [] LIBOR Telerate
 [] LIBOR Reuters
29. Index Currency:
30. Spread: [+/-] %
31. Spread Multiplier:
32. Initial Interest Reset Date:
33. Interest Determination Period:
34. Interest Reset Dates:
35. Interest Calculation:
[] Regular Floating Rate Note
[] Floating Rate/Fixed Rate Note
Fixed Rate Commencement Date:
Fixed Interest Rate: % per annum
[] Inverse Floating Rate Note:
Fixed Interest Rate: % per annum

PROVISIONS REGARDING REDEMPTION/REPAYMENT

36. Initial Redemption Date: None
37. Initial Redemption Percentage:
38. Annual Redemption Percentage Reduction:
39. Holder's Optional Repayment Date(s): None

DISCOUNT NOTES (INCLUDING ZERO COUPON NOTES)

40. Discount Note (Yes/No): No
If Yes: Total Amount of OID:
Yield to Maturity:
Initial Accrual Period: %
Issue Price:

INDEXED NOTES

41. Index: [give details]
42. Formula:
43. Agent, if any, responsible for calculating the principal and/or interest payable:
44. Provisions where calculation by reference to Index and/or Formula is impossible or impracticable:

DUAL CURRENCY NOTES

45. Dual Currency Notes (Yes/No): No
If Yes: Face Amount:
Face Amount Currency:
Optional Payment Currency:
Option Election Dates: [give details]
46. Designated Exchange Rate:
47. Option Value Calculation Agent:
48. Agent, if any, responsible for calculating the principal and/or interest payable:

INSTALLMENT NOTES

49. Additional provisions relating to Installment Notes:

PARTLY PAID NOTES

50. Additional provisions relating to Partly Paid Notes:

GENERAL PROVISIONS

51. Additional or different Paying Agents:
52. Additional or different Registrars:
53. Additional or different London Issuing Agents:
54. Additional or different Transfer Agents:
55. "Business Day" definition (if other than as defined in the Offering Circular):
56. Cost, if any, to be borne by Noteholders in connection with exchanges for Definitive Bearer Notes:
57. Talons for future Coupons or Receipts to be attached to Definitive Bearer Notes (Yes/No) and dates on which such Talons mature:
[If yes, give details]
58. Additional selling restrictions: [give details]
59. CUSIP: 14040EES7
ISIN: US14040EES72
Common Code: 013337942
Other (specify):

60. Details of additional/alternative clearance system approved by the Bank:
61. Notes to be listed (Yes/No): Yes
If Yes, securities exchange(s): Luxembourg
62. Syndicated Issue (Yes/No): Yes
If Yes, names of managers and details of relevant stabilizing manager, if any: Banc of America Securities LLC and Deutsche Banc Alex. Brown Inc.
63. Clearance System(s):
 DTC only
 Euroclear and Clearstream, Luxembourg only
 DTC, and Euroclear and Clearstream, Luxembourg through DTC
 DTC, Euroclear and Clearstream, Luxembourg
 Other:
64. Name(s) of relevant Distribution Agent(s):
Banc of America Securities LLC, Deutsche Banc Alex. Brown Inc., ABN AMRO Incorporated, J.P. Morgan Securities Inc., Salomon Smith Barney Inc. and Keefe, Bruyette & Woods, Inc.
65. Other terms or special conditions:
66. Tax considerations:
67. Discount or Commission per Note: 0.30%
68. Selling Concession per Note: 0.18%
69. Reallowance per Note: 0.125%

[Reverse of Note]

The Notes are issuable only in denominations of US\$100,000 and integral multiples of US\$1,000 in excess thereof (or equivalent denominations in other currencies, subject to any other statutory or regulatory minimums). This Note, and any Note issued in exchange or substitution herefor or in place hereof, or upon registration of transfer, exchange or partial redemption or repayment of this Note, may be issued only in an Authorized Denomination specified in the Pricing Supplement (or, if this Note is in definitive form, specified on the face hereof).

Unless otherwise provided herein (or, if this Note is in global form, in the Pricing Supplement), the principal of, and premium, if any, and interest on, this Note are payable in the Specified Currency indicated on the face hereof (or, if such Specified Currency is not at the time of such payment legal tender for the payment of public and private debts, in such other coin or currency of the country which issued such Specified Currency as at the time of such payment is legal tender for the payment of debts). If this Note is a DTC Global Note and the Specified Currency indicated on the face hereof is other than U.S. dollars, any such amounts paid by the Bank will be converted by The Chase Manhattan Bank, as Exchange Rate Agent, or such other agent as may be specified in the Pricing Supplement (or, if this Note is in definitive form, specified on the face hereof), which for these purposes shall act as currency exchange agent (the "Exchange Rate Agent"), into U.S. dollars for payment to the holder of this Note.

If this Note is a DTC Global Note and the Specified Currency indicated on the face hereof is other than the U.S. dollar, any U.S. dollar amount to be received by the holder of this Note will be based on the Exchange Rate Agent's bid quotation as of 11:00 a.m., London time, on the second day on which banks are open for business in London, New York City and Glen Allen, Virginia, preceding the applicable payment date, for the purchase of U.S. dollars with the Specified Currency for settlement on such payment date of the aggregate amount of the Specified Currency payable to all holders of Notes denominated other than in the U.S. dollar scheduled to receive U.S. dollar payments. If such bid quotation is not available, the Exchange Rate Agent will obtain a bid quotation from a leading foreign exchange bank in London or New York City selected by the Exchange Rate Agent for such purchase. If no such bids are available, payment of the aggregate amount due to the holder of this Note on the payment date will be made in the Specified Currency, subject to the other provisions of this Note relating to payment in such Specified Currency. All currency exchange costs will be borne by the holder of this Note by deductions from such payments. All determinations referred to above made by the Exchange Rate Agent shall be at its sole discretion and shall, in the absence of manifest error, be conclusive for all purposes and binding upon the holder of this Note.

If this Note is a DTC Global Note and the Specified Currency indicated on the face hereof is other than the U.S. dollar, the holder of this Note may elect to receive payment of principal (and premium, if any) and interest on this Note in the Specified Currency indicated on the face hereof by submitting a written notice to the Paying Agents prior to 5:00 pm, New York City time, on the fifth Business Day following the applicable Record Date in the case of interest and the tenth calendar day prior to the payment date for the payment of principal. Such notice, which may be mailed or hand delivered or sent by cable, telex or facsimile transmission, shall contain (i) the holder's election to receive all or a portion of such payment in the Specified Currency on the relevant Interest Payment Date or Maturity, as the case may be, and (ii) wire transfer instructions

to an account denominated in the Specified Currency with respect to any payment to be made in the Specified Currency. Any such election made with respect to this Note by the holder will remain in effect with respect to any further payments of principal of, and premium, if any, and interest on this Note payable to the holder of this Note unless such election is revoked on or prior to the fifth Business Day following the applicable Record Date in the case of interest and the tenth calendar day prior to the payment date for the payment of principal.

If (i) this Note is a DTC Global Note and the holder of this Note shall have duly made an election to receive all or a portion of a payment of principal of, and premium, if any, or interest on this Note in the Specified Currency indicated on the face hereof, or (ii) if this Note is not a DTC Global Note, in the case of (i) or (ii) in the event the Specified Currency indicated on the face hereof has been replaced by another currency (a "Replacement Currency"), any amount due pursuant to this Note may be repaid, at the option of the Bank, in the Replacement Currency or in U.S. dollars, at a rate of exchange which takes into account the conversion, at the rate prevailing on the most recent date on which official conversion rates were quoted or set by the national government or other authority responsible for issuing the Replacement Currency, from the Specified Currency to the Replacement Currency and, if necessary, the conversion of the Replacement Currency into U.S. dollars at the rate prevailing on the date of such conversion.

If the Specified Currency indicated on the face hereof is other than the U.S. dollar and (i) this Note is a DTC Global Note and the holder of this Note shall have duly made an election to receive all or a portion of a payment of principal of, and premium, if any, or interest on this Note in the Specified Currency indicated on the face hereof, or (ii) if this Note is not a DTC Global Note, in the case of (i) or (ii) if such Specified Currency is not available due to the imposition of exchange controls or other circumstances beyond the control of the Bank, the Bank will be entitled to satisfy its obligations to the holder of this Note by making such payments of principal of (and premium, if any) or interest on this Note in U.S. dollars until, in the sole discretion of the Bank, the Specified Currency is again available. In such circumstances, the U.S. dollar amount to be received by the holder of this Note will be made on the basis of the most recently available bid quotation from a leading foreign exchange bank in London or New York City selected by the Exchange Rate Agent, for the purchase of U.S. dollars with the Specified Currency for settlement on such payment date of the aggregate amount of the Specified Currency payable to all holders of Notes denominated other than in the U.S. dollar scheduled to receive U.S. dollar payments. Any payment made under such circumstances in U.S. dollars, where the payment is required to be made in the Specified Currency, will not constitute an "Event of Default" with respect to this Note.

The Chase Manhattan Bank shall initially act as domestic paying agent (the "Domestic Paying Agent") and the Bank has initially appointed The Chase Manhattan Bank, London Branch, acting through its specified office in London as London paying agent (the "London Paying Agent") and Chase Manhattan Bank Luxembourg S.A. as Luxembourg paying agent (the "Luxembourg Paying Agent" and together with the Domestic Paying Agent and the London Paying Agent, the "Paying Agents," and each individually, a "Paying Agent," and such terms shall include any additional or successor paying agents appointed pursuant to the Global Agency Agreement (as defined on the face hereof)) in respect of the Notes. If this Note is in registered form, this Note may be presented or surrendered for payment, and notices, designations or requests in respect of payments with respect to this Note may be served, at the office or agency of any Paying Agent maintained for that purpose. The Bank may at any time rescind any designation of a Paying

Agent, appoint any additional or successor Paying Agents or approve a change in the office through which a Paying Agent acts.

Subject to any fiscal or other laws and regulations applicable thereto in the place of payment, payments on registered Notes to be made in a Specified Currency other than the U.S. dollar and payments on bearer Notes will be made by a check in the Specified Currency drawn on or by wire transfer to an account in the Specified Currency (which, in the case of a payment in Yen to a non-resident of Japan, shall be a non-resident account) maintained by the payee with a bank (which, in the case of a payment in Yen to a non-resident of Japan, shall be an authorized foreign exchange bank) in the Principal Financial Center of the country of the Specified Currency, provided, however, that a check may not be delivered to an address in, and an amount may not be transferred to an account located in, the United States of America or its possessions by any office or agency of the Bank or any Paying Agent.

Fixed Rate Interest Provisions

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If this Note is designated as a "Fixed Rate Note" on the face hereof, the Bank will pay interest on each Interest Payment Date specified in the Pricing Supplement (or, if this Note is in definitive form, specified on the face hereof) and on the Maturity Date or any Redemption Date (as defined below) or Holder's Optional Repayment Date (as defined below) (each such Maturity Date, Redemption Date and Holder's Optional Repayment Date and the date on which the principal or an installment of principal is due and payable by declaration of acceleration as provided herein being hereinafter referred to as a "Maturity" with respect to the principal repayable on such date), commencing on the first Interest Payment Date next succeeding the Original Issue Date specified on the face hereof (or if the Original Issue Date is between a Record Date and the Interest Payment Date immediately following such Record Date, on the Second Interest Payment Date following the Original Issue Date), at the Interest Rate per annum specified in the Pricing Supplement (or, if this Note is in definitive form, specified on the face hereof), until the principal hereof is paid or duly made available for payment.

Payments of interest hereon will include interest accrued from and including the most recent Interest Payment Date to which interest on this Note (or any predecessor Note) has been paid or duly provided for (or, if no interest has been paid or duly provided for, from and including the Original Issue Date) to but excluding the relevant Interest Payment Date or Maturity, as the case may be. Unless otherwise specified in the Pricing Supplement (or, if this note is in definitive form, on the face hereof), if the Maturity Date specified on the face hereof falls more than one year from the Original Issue Date, interest payments for this Note if it is denominated in U.S. dollars shall be computed and paid on the basis of a 360-day year of twelve 30-day months. Unless otherwise specified in the Pricing Supplement (or, if this Note is in definitive form, on the face hereof) if the Maturity Date specified on the face hereof falls one year or less from the Original Issue Date, interest payments for this Note if it is denominated in U.S. dollars shall be computed and paid on the basis of the actual number of days in the year divided by 360.

Unless otherwise specified in the applicable Pricing Supplement, interest on Fixed Rate Notes denominated other than in U.S. dollars will be computed on the basis of the "Actual/Actual (ISMA)" Fixed Day Count Convention.

"Actual/Actual (ISMA)" Fixed Day Count Convention means:

(a) in the case of Fixed Rate Notes where the number of days in the relevant period from and including the most recent Interest Payment Date (or, if none, from and including the Interest Commencement Date, which unless otherwise specified in the applicable Pricing Supplement shall be the Original Issue Date) to but excluding the relevant payment date (the "Accrual Period") is equal to or shorter than the Determination Period (as defined below) during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods that would occur in one calendar year, assuming interest was to be payable in respect of the whole of that year; or

(b) in the case of Fixed Rate Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:

(1) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods that would occur in one calendar year, assuming interest was to be payable in respect of the whole of that year; and

(2) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods that would occur in one calendar year, assuming interest was to be payable in respect of the whole of that year.

"Determination Period" means the period from and including a Determination Date to but excluding the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date).

"Determination Date" means each date specified in the applicable Pricing Supplement or, if none is specified, each Interest Payment Date.

Unless otherwise provided herein, if any Interest Payment Date or the Maturity of this Note falls on a day which is not a Business Day, the related payment of principal of, or premium, if any, or interest on, this Note shall be made on the next succeeding Business Day with the same force and effect as if made on the date such payments were due, and no interest shall accrue on the amount so payable for the period from and after such Interest Payment Date or the Maturity, as the case may be.

Floating Rate Interest Provisions

If this Note is designated as a "Floating Rate Note" on the face hereof, the Bank will pay interest on each Interest Payment Date specified in the Pricing Supplement (or, if this Note is in definitive form specified on the face hereof) and at Maturity, commencing on the first Interest Payment Date next succeeding the Original Issue Date specified on the face hereof (or, if the Original Issue Date is between a Record Date and the Interest Payment Date immediately following such Record Date, on the second Interest Payment Date following the Original Issue Date), at a rate per annum determined in accordance with the provisions hereof (and, if this Note

is in global form, in accordance with the Pricing Supplement), until the principal hereof is paid or duly made available for payment.

Payments of interest hereon will include interest accrued from and including the most recent Interest Payment Date to which interest on this Note (or any predecessor Note) has been paid or duly provided for (or, if no interest has been paid or duly provided for, from and including the Original Issue Date) to but excluding the relevant Interest Payment Date or Maturity, as the case may be (each such period, an "Interest Period").

Unless otherwise specified herein (or, if this Note is in global form, in the Pricing Supplement), if any Interest Payment Date (or other date which is subject to adjustment in accordance with a Business Day Convention specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement)) in respect of this Note (other than an Interest Payment Date at Maturity) would otherwise fall on a day that is not a Business Day, then, if the Business Day Convention specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement) is:

(1) the "Floating Rate Convention," such Interest Payment Date (or other date) shall be postponed to the next succeeding day which is a Business Day unless it would thereby fall into the next succeeding calendar month, in which event (A) such Interest Payment Date (or other date) shall be brought forward to the next preceding Business Day and (B) each subsequent Interest Payment Date (or other date) shall be the last Business Day in the month which falls the number of months or other period specified as the Interest Payment Period on the face hereof after the preceding applicable Interest Payment Date (or other date) occurred; or

(2) the "Following Business Day Convention," such Interest Payment Date (or other date) shall be postponed to the next succeeding day which is a Business Day; or

(3) the "Modified Following Business Day Convention," such Interest Payment Date (or other date) shall be postponed to the next succeeding day that is a Business Day unless it would thereby fall into the next succeeding calendar month, in which event such Interest Payment Date (or other date) shall be brought forward to the next preceding Business Day; or

(4) the "Preceding Business Day Convention," such Interest Payment Date (or other date) shall be brought forward to the next preceding Business Day.

If the Maturity of this Note falls on a day that is not a Business Day, the related payment of principal of (and premium, if any) and interest on, this Note will be made on the next succeeding Business Day with the same force and effect as if made on the date such payment was due, and no interest shall accrue on the amount so payable for the period from and after such Maturity.

If "ISDA Rate" is specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement) in connection with the determination of the rate of interest on this Note, the rate of interest on this Note for each Interest Period will be the relevant ISDA Rate (as defined below) plus or minus the Margin, if any, specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement). Unless otherwise specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement), "ISDA Rate" means, with respect to any Interest Period, the rate equal to the Floating Rate that would be determined by the Calculation Agent or other

person specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement) pursuant to an interest rate swap transaction if the Calculation Agent or that other person were acting as calculation agent for that swap transaction in accordance with the terms of an agreement in the form of the Interest Rate and Currency Exchange Agreement published by the International Swaps and Derivatives Association, Inc. (the "ISDA Agreement") and evidenced by a Confirmation (as defined in the ISDA Agreement) incorporating the ISDA Definitions (as defined below) and under which:

- (A) the Floating Rate Option is as specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement);
- (B) the Designated Maturity is the period specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement), and
- (C) the relevant Reset Date is either (i) if the applicable Floating Rate Option is based on the London inter-bank offered rate for a currency or on the Euro-zone inter-bank offered rate ("EURIBOR") for a currency, the first day of that Interest Period or (ii) in any other case, as specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement).

As used in this paragraph, "Floating Rate," "Calculation Agent," "Floating Rate Option," "Designated Maturity," and "Reset Date" have the meanings ascribed to those terms in the ISDA Definitions.

If "Reference Rate Determination" is specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement) in connection with the determination of the rate of interest on this Note, this Note will bear interest at a rate per annum equal to the Initial Interest Rate specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement) until the Initial Interest Reset Date specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement) and thereafter at a rate per annum determined as follows:

1. If this Note is designated as a "Regular Floating Rate Note" on the face hereof (or, if this Note is in global form, in the Pricing Supplement) or if no designation is made for Interest Calculation on the face hereof (or, if this Note is in global form, in the Pricing Supplement), then, except as described below (or, if this Note is in global form, in the Pricing Supplement), this Note shall bear interest at the rate determined by reference to the applicable Interest Rate Basis or Bases specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement) (i) plus or minus the applicable Spread, if any, and/or (ii) multiplied by the applicable Spread Multiplier, if any, specified and applied in the manner described on the face hereof (or, if this Note is in global form, in the Pricing Supplement). Commencing on the Initial Interest Reset Date, the rate at which interest on this Note is payable shall be reset as of each Interest Reset Date specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement); provided, however, that the interest rate in effect for the period from the Original Issue Date to the Initial Interest Reset Date will be the Initial Interest Rate.

2. If this Note is designated as a "Floating Rate/Fixed Rate Note" on the face hereof (or, if this Note is in global form, in the Pricing Supplement), then, except as described below (or, if this Note is in global form, in the Pricing Supplement), this Note shall bear interest at the rate determined by reference to the applicable Interest Rate Basis or Bases specified on the face

hereof (or, if this Note is in global form, in the Pricing Supplement) (i) plus or minus the applicable Spread, if any, and/or (ii) multiplied by the applicable Spread Multiplier, if any, specified and applied in the manner described on the face hereof (or, if this Note is in global form, in the Pricing Supplement). Commencing on the Initial Interest Reset Date, the rate at which interest on this Note is payable shall be reset as of each Interest Reset Date specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement); provided, however, that (i) the interest rate in effect for the period from the Original Issue Date to the Initial Interest Reset Date shall be the Initial Interest Rate and (ii) the interest rate in effect commencing on, and including, the Fixed Rate Commencement Date specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement) to the Maturity Date shall be the Fixed Interest Rate, if such a rate is specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement), or if no such Fixed Interest Rate is so specified, the interest rate in effect hereon on the Business Day immediately preceding the Fixed Rate Commencement Date.

3. If this Note is designated as an "Inverse Floating Rate Note" on the face hereof (or, if this Note is in global form, in the Pricing Supplement), then, except as described below (or, if this Note is in global form, in the Pricing Supplement), this Note shall bear interest equal to the Fixed Interest Rate indicated on the face hereof (or, if this Note is in global form, in the Pricing Supplement) minus the rate determined by reference to the applicable Interest Rate Basis or Bases specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement) (i) plus or minus the applicable Spread, if any, and/or (ii) multiplied by the applicable Spread Multiplier, if any, specified and applied in the manner described on the face hereof (or, if this Note is in global form, in the Pricing Supplement); provided, however, that, unless otherwise specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement), the interest rate hereon will not be less than zero percent. Commencing on the Initial Interest Reset Date, the rate at which interest on this Note is payable shall be reset as of each Interest Rate Reset Date specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement); provided, however, that the interest rate in effect for the period from the Original Issue Date to the Initial Interest Reset Date shall be the Initial Interest Rate.

Except as provided above, if "Reference Rate Determination" is specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement) in connection with the determination of the rate of interest on this Note, the interest rate in effect on each day shall be (a) if such day is an Interest Reset Date, the interest rate determined as of the Interest Reset Determination Date (as defined below) immediately preceding such Interest Reset Date or (b) if such day is not an Interest Reset Date, the interest rate determined as of the Interest Determination Date immediately preceding the next preceding Interest Reset Date. Each Interest Rate Basis shall be the rate determined in accordance with the applicable provision below. If any Interest Reset Date (which term includes the term Initial Interest Reset Date unless the context otherwise requires) would otherwise be a day that is not a Business Day, such Interest Reset Date shall be adjusted in accordance with the Business Day Convention specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement).

Unless otherwise specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement), the "Interest Determination Date" with respect to the CD Rate, the CMT Rate, the Commercial Paper Rate, the Federal Funds Rate, the J.J. Kenny Rate, and the Prime Rate will be the second Business Day preceding each Interest Reset Date; the "Interest Determination Date" with respect to the Eleventh District Cost of Funds Rate will be the last working day of the

month immediately preceding each Interest Reset Date on which the Federal Home Loan Bank of San Francisco (the "FHLB of San Francisco") publishes the Index (as defined below); the "Interest Determination Date" with respect to EURIBOR will be the second day on which the TARGET system is open immediately preceding each Interest Reset Date; the "Interest Determination Date" with respect to LIBOR shall be the second London Banking Day (as defined below) preceding each Interest Reset Date; the "Interest Determination Date" with respect to the Treasury Rate will be the day in the week in which the related Interest Reset Date falls on which day Treasury Bills (as defined below) are normally auctioned (Treasury Bills are normally sold at auction on Monday of each week, unless that day is a legal holiday, in which case the auction is normally held on the following Tuesday, except that such auction may be held on the preceding Friday); provided, however, that if an auction is held on the Friday of the week preceding the related Interest Reset Date, the related Interest Determination Date shall be such preceding Friday; and provided, further, that if an auction shall fall on any Interest Reset Date, then the Interest Reset Date shall instead be the first Business Day following such auction. If the interest rate of this Note is determined with reference to two or more Interest Rate Bases as specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement), the Interest Determination Date pertaining to this Note will be the latest Business Day which is at least two Business Days prior to such Interest Reset Date on which each Interest Rate Basis is determinable. Each Interest Rate Basis shall be determined on such date, and the applicable interest rate shall take effect on the Interest Reset Date.

Determination of CD Rate. If an Interest Rate Basis for this Note is the CD

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Rate, as specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement), the CD Rate shall be determined as of the applicable Interest Determination Date (a "CD Rate Interest Determination Date") as the rate on such date for negotiable United States dollar certificates of deposit having the Index Maturity specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement) as published in H.15(519) (as defined below) under the heading "CDs (Secondary Market)". In the event that such rate is not so published prior to 3:00 p.m., New York City time, on the Calculation Date pertaining to such CD Rate Interest Determination Date, the CD Rate will be the rate on such CD Rate Interest Determination Date for certificates of deposit having the Index Maturity specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement) as published in H.15 Daily Update (as defined below), or another recognized electronic source used for the purpose of displaying that rate, under the heading "CDs (secondary market)". If such rate is published neither in H.15(519) nor in H.15 Daily Update or another recognized electronic source by 3:00 p.m., New York City time, on such Calculation Date, the CD Rate for such CD Rate Interest Determination Date will be calculated by the Calculation Agent and will be the arithmetic mean of the secondary market offered rates as of 10:00 a.m., New York City time, on such CD Rate Interest Determination Date, of three leading nonbank dealers of negotiable United States dollar certificates of deposit in The City of New York selected by the Calculation Agent for negotiable United States dollar certificates of deposit of major United States money market banks for negotiable certificates of deposit with a remaining maturity closest to the Index Maturity specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement) in an amount that is representative for a single transaction in that market at that time; provided, however, that if the dealers selected as aforesaid by the Calculation Agent are not quoting as mentioned in this sentence, the CD Rate determined on such CD Rate Interest Determination Date will be the CD Rate in effect on such date.

"H.15(519)" means the weekly statistical release designated as such, or any successor publication, published by the Board of Governors of the Federal Reserve System (the "Federal Reserve Board").

"H.15 Daily Update" means the daily update of H.15(519), available through the web site of the Federal Reserve Board at <http://www.federalreserve.gov/releases/h15/> update, or any successor site or publication.

Determination of CMT Rate. If an Interest Rate Basis for this Note is the CMT
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Rate, as specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement), the CMT Rate shall be determined by the Calculation Agent as of the applicable Interest Determination Date (a "CMT Rate Interest Determination Date") in accordance with the following provisions:

(i) If "CMT Telerate Page 7051" is specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement), the CMT Rate on the CMT Rate Interest Determination Date shall be a percentage equal to the yield for United States Treasury securities at "constant maturity" having the Index Maturity specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement) as set forth in H.15(519) under the caption "Treasury Constant Maturities," as such yield is displayed on Telerate, Inc. (or any successor service) on page 7051 (or any other page as may replace such page on such service) ("Telerate Page 7051") for such CMT Rate Interest Determination Date. If such rate does not appear on Telerate Page 7051, the CMT Rate on such CMT Rate Interest Determination Date shall be a percentage equal to the yield for United States Treasury securities at "constant maturity" having the Index Maturity and for such CMT Rate Interest Determination Date as set forth in H.15(519) under the caption "Treasury Constant Maturities". If such rate does not appear in H.15(519), the CMT Rate on such CMT Rate Interest Determination Date shall be the rate for the period of the Index Maturity as may then be published by either the the Federal Reserve Board or the United States Department of the Treasury that the Calculation Agent determines to be comparable to the rate which would otherwise have been published in H.15(519). If the Federal Reserve Board or the United States Department of the Treasury does not publish a yield on United States Treasury securities at "constant maturity" having the Index Maturity for such CMT Rate Interest Determination Date, the CMT Rate on such CMT Rate Interest Determination Date shall be calculated by the Calculation Agent and shall be a yield-to-maturity based on the arithmetic mean of the secondary market bid prices at approximately 3:30 p.m., New York City time, on such CMT Rate Interest Determination Date of three leading primary United States government securities dealers in The City of New York (each, a "Reference Dealer") selected by the Calculation Agent (from five such Reference Dealers and eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest)) for United States Treasury securities with an original maturity equal to the Index Maturity, a remaining term to maturity no more than 1 year shorter than the Index Maturity and in a principal amount that is representative for a single transaction in such securities in such market at such time. If fewer than five but more than two such prices are provided as requested, the CMT Rate on such CMT Rate Interest Determination Date shall be based on the arithmetic mean of the bid prices obtained and neither the highest nor lowest of such quotations shall be eliminated. If fewer than three prices are provided as requested, the CMT Rate on such CMT Rate Interest Determination Date shall be calculated by the Calculation Agent and shall be a yield-to-maturity based on the arithmetic mean of the secondary market bid

prices as of approximately 3:30 p.m., New York City time, on such CMT Rate Interest Determination Date of three Reference Dealers selected by the Calculation Agent (from five such Reference Dealers and eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest)) for United States Treasury securities with an original maturity greater than the Index Maturity, a remaining term to maturity closest to the Index Maturity and in a principal amount that is representative for a single transaction in such securities in such market at such time. If fewer than five but more than two such prices are provided as requested, the CMT Rate on such CMT Rate Interest Determination Date shall be based on the arithmetic mean of the bid prices obtained and neither the highest nor the lowest of such quotations shall be eliminated; provided, however, that if fewer than three such prices are provided as requested, the CMT Rate determined as of such CMT Rate Interest Determination Date shall be the CMT Rate in effect on such CMT Rate Interest Determination Date. If two such United States Treasury securities with an original maturity greater than the Index Maturity have remaining terms to maturity equally close to the Index Maturity, the quotes for the Treasury security with the shorter original term to maturity will be used.

(ii) If "CMT Telerate Page 7052" is specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement), the CMT Rate on the CMT Rate Interest Determination Date shall be a percentage equal to the one-week or one-month, as specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement), average yield for United States Treasury securities at "constant maturity" having the Index Maturity specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement) as set forth in H.15(519) opposite the caption "Treasury Constant Maturities," as such yield is displayed on Telerate, Inc. (or any successor service) on page 7052 (or any other page as may replace such page on such service) ("Telerate Page 7052") for the week or month, as applicable, ended immediately preceding the week or month, as applicable, in which such CMT Rate Interest Determination Date falls. If such rate does not appear on the Telerate Page 7052, the CMT Rate on such CMT Rate Interest Determination Date shall be a percentage equal to the one-week or one-month, as specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement), average yield for United States Treasury securities at "constant maturity" having the Index Maturity and for the week or month, as applicable, preceding such CMT Rate Interest Determination Date as set forth in H.15(519) opposite the caption "Treasury Constant Maturities". If such rate does not appear in H.15(519), the CMT Rate on such CMT Rate Interest Determination Date shall be the one-week or one-month, as specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement), average yield for United States Treasury securities at "constant maturity" having the Index Maturity as otherwise announced by the Federal Reserve Bank of New York for the week or month, as applicable, ended immediately preceding the week or month, as applicable, in which such CMT Rate Interest Determination Date falls. If the Federal Reserve Bank of New York does not publish a one-week or one-month, as specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement), average yield on United States Treasury securities at "constant maturity" having the Index Maturity for the applicable week or month, the CMT Rate on such CMT Rate Interest Determination Date shall be calculated by the Calculation Agent and shall be a yield-to-maturity based on the arithmetic mean of the secondary market bid prices at approximately 3:30 p.m., New York City time, on such CMT Rate Interest Determination Date of three Reference Dealers selected by the Calculation Agent (from five such Reference Dealers and eliminating the highest quotation (or, in the event of equality, one of

highest) and the lowest quotation (or, in the event of equality, one of the lowest)) for United States Treasury securities with an original maturity longer than the Index Maturity, a remaining term to maturity closest to the Index Maturity and in a principal amount that is representative for a single transaction in such securities in such market at such time. If fewer than five but more than two such prices are provided as requested, the CMT Rate on such CMT Rate Interest Determination Date shall be based on the arithmetic mean of the bid prices obtained and neither the highest nor lowest of such quotations shall be eliminated; provided, however, that if fewer than three such prices are provided as requested, the CMT Rate determined as of such CMT Rate Interest Determination Date shall be the CMT Rate in effect on such CMT Rate Interest Determination Date. If two United States Treasury securities with an original maturity greater than the Index Maturity have remaining terms to maturity equally close to the Index Maturity, the quotes for the Treasury security with the shorter original term to maturity will be used.

Determination of Commercial Paper Rate. If an Interest Rate Basis for this Note

is the Commercial Paper Rate, as specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement), the Commercial Paper Rate shall be determined as of the applicable Interest Determination Date (a "Commercial Paper Rate Interest Determination Date") as the Money Market Yield (as defined below) on such date of the rate for commercial paper having the Index Maturity specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement) as published in H.15(519) under the caption "Commercial Paper-Nonfinancial" or, if not so published by 3:00 p.m., New York City time, on the related Calculation Date, the Money Market Yield of the rate on such Commercial Paper Rate Interest Determination Date for commercial paper having the Index Maturity as published in H.15 Daily Update, or such other recognized electronic source used for the purpose of displaying such rate, under the caption "Commercial Paper-Nonfinancial." If such rate is not yet published in H.15(519), H.15 Daily Update or another recognized electronic source by 3:00 p.m., New York City time, on such Calculation Date, then the Commercial Paper Rate on such Commercial Paper Rate Interest Determination Date will be calculated by the Calculation Agent and shall be the Money Market Yield of the arithmetic mean of the offered rates at approximately 11:00 a.m., New York City time, on such Commercial Paper Rate Interest Determination Date of three leading dealers of United States dollar commercial paper in The City of New York selected by the Calculation Agent for commercial paper having the Index Maturity placed for industrial issuers whose bond rating is "Aa," or the equivalent, from a nationally recognized statistical rating organization; provided, however, that if the dealers so selected by the Calculation Agent are not quoting as

mentioned in this sentence, the Commercial Paper Rate determined as of such Commercial Paper Rate Interest Determination Date will be the Commercial Paper Rate in effect on such Commercial Paper Rate Interest Determination Date.

"Money Market Yield" means a yield (expressed as a percentage) calculated in accordance with the following formula:

$$\text{Money Market Yield} = \frac{D \times 360}{360 - (D \times M)} \times 100$$

where "D" refers to the applicable per annum rate for commercial paper quoted on a bank discount basis and expressed as a decimal, and "M" refers to the actual number of days in the applicable Interest Reset Period.

Determination of Eleventh District Cost of Funds Rate. If an Interest Rate Basis -----

for this Note is the Eleventh District Cost of Funds Rate, as specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement), the Eleventh District Cost of Funds Rate shall be determined as of the applicable Interest Determination Date (an "Eleventh District Cost of Funds Rate Interest Determination Date"), as the rate equal to the monthly weighted average cost of funds for the calendar month immediately preceding the month in which such Eleventh District Cost of Funds Rate Interest Determination Date falls, as set forth under the caption "11th District" on Telerate Page 7058 (as defined below) as of 11:00 a.m., San Francisco time, on such Eleventh District Cost of Funds Rate Interest Determination Date. If such rate does not appear on Telerate Page 7058 on the related Eleventh District Cost of Funds Rate Interest Determination Date, the Eleventh District Cost of Funds Rate for such Eleventh District Cost of Funds Rate Interest Determination Date shall be the monthly weighted average cost of funds paid by member institutions of the Eleventh Federal Home Loan Bank District that was most recently announced (the "Index") by the FHLB of San Francisco as such cost of funds for the calendar month immediately preceding the date of such announcement. If the FHLB of San Francisco fails to announce such rate for the calendar month immediately preceding such Eleventh District Cost of Funds Rate Interest Determination Date, then the Eleventh District Cost of Funds Rate determined as of such Eleventh District Cost of Funds Rate Interest Determination Date shall be the Eleventh District Cost of Funds Rate in effect on such Eleventh District Cost of Funds Rate Interest Determination Date.

"Telerate Page 7058" means the display designated as page "7058" on the Bridge Telerate Service (or such other page as may replace the 7058 page on that service for the purpose of displaying the monthly weighted average costs of funds paid by member institutions of the Eleventh Federal Home Loan Bank District).

Determination of EURIBOR. If an Interest Rate Basis for this Note is EURIBOR, as -----

specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement), EURIBOR shall be determined as of the applicable Interest Determination Date (a "EURIBOR Interest Determination Date"), in accordance with the following provisions:

- (i) With respect to any EURIBOR Interest Determination Date, EURIBOR will be:
 - (a) the rate for deposits in euro as sponsored, calculated and published jointly by the European Banking Federation and ACI--The Financial Market Association, or any company established by the joint sponsors for purposes of compiling and publishing

those rates, having the Index Maturity specified on the face hereof (or if this Note is in global form, in the Pricing Supplement), commencing on the applicable Interest Reset Date, as that rate appears on Telerate, Inc., or any successor service, on page 248 (or any other page as may replace such page on such service) ("Telerate Page 248") as of 11:00 a.m., Brussels time, on the applicable EURIBOR Interest Determination Date.

(b) if the rate referred to in clause (a) above does not appear on Telerate Page 248, or is not so published by 11:00 a.m., Brussels time, on the applicable EURIBOR Interest Determination Date, the rate calculated by the Calculation Agent as the arithmetic mean of at least two quotations obtained by the Calculation Agent after requesting the principal Euro-zone (as defined hereinafter) offices of four major banks in the Euro-zone interbank market, in the European interbank market, to provide the Calculation Agent with its offered quotation for deposits in euro for the period of the Index Maturity designated on the face hereof (or if this Note is in global form, in the Pricing Supplement), commencing on the applicable Interest Reset Date, to prime banks in the Euro-zone interbank market at approximately 11:00 a.m., Brussels time, on the applicable EURIBOR Interest Determination Date and in a principal amount not less than the equivalent of U.S.\$1,000,000 in euro that is representative for a single transaction in euro in such market at such time.

(c) if fewer than two quotations referred to in clause (b) above are provided, EURIBOR for such EURIBOR Interest Determination Date will be calculated by the Calculation Agent and will be the arithmetic mean of the rates quoted at approximately 11:00 a.m., Brussels time, on such EURIBOR Interest Determination Date by four major banks in the Eurozone for loans in Euro to leading European banks, having the Index Maturity designated on the face hereof (or if this Note is in global form, in the Pricing Supplement), commencing on the applicable Interest Reset Date and in principal amount not less than the equivalent of U.S.\$1,000,000 in euro that is representative for a single transaction in euro in such market at such time.

(d) if the banks so selected by the Calculation Agent are not quoting as mentioned in clause (c) above, EURIBOR determined as of such EURIBOR Interest Determination Date shall be EURIBOR in effect on such EURIBOR Interest Determination Date.

"Euro-zone" means the region comprised of member states of the European Union that adopt the single currency in accordance with the treaty establishing the European Community, as amended by the treaty on European Union.

Determination of Federal Funds Rate. If an Interest Rate Basis for this Note is -----
the Federal Funds Rate, as specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement), the Federal Funds Rate shall be determined as of the applicable Interest Determination Date (a "Federal Funds Rate Interest Determination Date") as the rate on such date for United States dollar federal funds as published in H.15(519) under the heading "Federal Funds (Effective)", as such rate is displayed on Bridge Telerate, Inc. (or any successor service) on page 120 (or any other page as may replace such page on such service) ("Telerate Page 120"), or, if such rate does not appear on Telerate Page 120 or is not so published by 3:00 p.m., New York City time, on the Calculation Date, the rate on such Federal Funds Rate Interest

Determination Date for United States dollar federal funds as published in H.15 Daily Update, or such other recognized electronic source used for the purpose of displaying such rate, under the caption "Federal Funds (Effective)." If such rate does not appear on Telerate Page 120 or is not yet published in H.15(519), H.15 Daily Update or another recognized electronic source by 3:00 p.m., New York City time, on the related Calculation Date, then the Federal Funds Rate on such Federal Funds Rate Interest Determination Date shall be calculated by the Calculation Agent and will be the arithmetic mean of the rates for the last transaction in overnight United States dollar federal funds arranged by three leading brokers of United States dollar federal funds transactions in The City of New York selected by the Calculation Agent, prior to 9:00 a.m., New York City time, on such Federal Funds Rate Interest Determination Date; provided, however, that if the brokers so selected by the Calculation Agent are not quoting as mentioned in this sentence, the Federal Funds Rate determined as of such Federal Funds Rate Interest Determination Date will be the Federal Funds Rate in effect on such Federal Funds Rate Interest Determination Date.

Determination of J.J. Kenny Rate. If an Interest Rate Basis for this Note is the

J.J. Kenny Rate, as specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement), the J.J. Kenny Rate shall be determined as of the applicable Interest Determination Date (a "J.J. Kenny Interest Determination Date") as the rate in the high grade weekly index (the "Weekly Index") on such date made available by Kenny Information Systems ("Kenny") to the Calculation Agent. The Weekly Index Maturity is, and shall be, based upon 30-day yield evaluations at par of bonds, the interest of which is exempt from Federal income taxation under the Internal Revenue Code of 1986, as amended (the "Code"), of not less than five high grade component issuers selected by Kenny which shall include, without limitation, issuers of general obligation bonds. The specified issuers included among the component issuers may be changed from time to time by Kenny in its discretion. The bonds on which the Weekly Index is based shall not include any bonds on which the interest is subject to a minimum tax or similar tax under the Code, unless all tax-exempt bonds are subject to such tax. In the event Kenny ceases to make available such Weekly Index, a successor indexing agent will be selected by the Calculation Agent, such index to reflect the prevailing rate for bonds rated in the highest short-term rating category by Moody's Investors Service, Inc. and Standard & Poor's Ratings Group in respect of issuers most closely resembling the high grade component issuers selected by Kenny for its Weekly Index, the interest on which is (i) variable on a weekly basis, (ii) exempt from Federal income taxation under the Code, and (iii) not subject to a minimum tax or similar tax under the Code, unless all tax-exempt bonds are subject to such tax. If such successor indexing agent is not available, the rate for any J.J. Kenny Interest Determination Date shall be 67% of the rate determined if the Treasury Rate option had been originally selected.

Determination of LIBOR. If an Interest Rate Basis for this Note is LIBOR, as

specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement), LIBOR shall be determined by the Calculation Agent as of the applicable Interest Determination Date (a "LIBOR Interest Determination Date"), in accordance with the following provisions:

(i) if "LIBOR Telerate" is specified on the face hereof (or, if this Note is in global form, the Pricing Supplement) or if neither "LIBOR Reuters" nor "LIBOR Telerate" is specified on the face hereof as the method for calculating LIBOR, LIBOR will be the rate for deposits in the Designated LIBOR Currency having the Index Maturity specified on the face hereof (or, if this Note is in global form, the Pricing Supplement), commencing on the applicable Interest Reset

Date, that appears on the Designated LIBOR Page (as defined hereinafter) as of 11:00 a.m., London time, on such LIBOR Interest Determination Date; or (b) if "LIBOR Reuters" is specified on the face hereof, the arithmetic mean of the offered rates (unless the Designated LIBOR Page by its terms provides only for a single rate, in which case such single rate shall be used) for deposits in the Designated LIBOR Currency having the Index Maturity, commencing on the applicable Interest Reset Date, that appear (or, if only a single rate is required as aforesaid, appears) on the Designated LIBOR Page (as defined hereinafter) as of 11:00 a.m., London time, on such LIBOR Interest Determination Date. If fewer than two such offered rates so appear, or if no such rate so appears, as applicable, LIBOR on such LIBOR Interest Determination Date shall be determined in accordance with the provisions described in clause (ii) below.

(ii) With respect to a LIBOR Interest Determination Date on which fewer than two offered rates appear, or no rate appears, as the case may be, on the Designated LIBOR Page as specified in clause (i) above, the Calculation Agent shall request the principal London offices of each of four major reference banks in the London interbank market, as selected by the Calculation Agent, to provide the Calculation Agent with its offered quotation for deposits in the Designated LIBOR Currency for the period of the Index Maturity, commencing on the applicable Interest Reset Date, to prime banks in the London interbank market at approximately 11:00 a.m., London time, on such LIBOR Interest Determination Date and in a principal amount that is representative for a single transaction in the Designated LIBOR Currency in such market at such time. If at least two such quotations are so provided, then LIBOR on such LIBOR Interest Determination Date will be the arithmetic mean of such quotations. If fewer than two such quotations are so provided, then LIBOR on such LIBOR Interest Determination Date will be the arithmetic mean of the rates quoted at approximately 11:00 a.m., in the applicable Principal Financial Center, on such LIBOR Interest Determination Date by three major banks in such Principal Financial Center (as defined hereafter) selected by the Calculation Agent for loans in the Designated LIBOR Currency to leading European banks, having the Index Maturity and in a principal amount that is representative for a single transaction in the Designated LIBOR Currency in such market at such time; provided, however, that if the banks so selected by the Calculation Agent are not quoting as mentioned in this sentence, LIBOR determined as of such LIBOR Interest Determination Date shall be LIBOR in effect on such LIBOR Interest Determination Date.

"Designated LIBOR Currency" means the currency specified on the face hereof (or, if this Note is in global form, the Pricing Supplement) as to which LIBOR shall be calculated or, if no such currency is specified on the face hereof (or, if this Note is in global form, the Pricing Supplement), United States dollars.

"Designated LIBOR Page" means (a) if "LIBOR Reuters" is specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement), the display on the Reuter Monitor Money Rates Service (or any successor service) on the page specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement) (or any other page as may replace such page on such service) for the purpose of displaying the London interbank rates of major banks for the Designated LIBOR Currency, or (b) if "LIBOR Telerate" is specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement) or neither "LIBOR Reuters" nor "LIBOR Telerate" is specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement) as the method for calculating LIBOR, the display on Bridge Telerate, Inc. (or any successor service) on the page specified on the face hereof (or, if this Note is in global form, in

the Pricing Supplement) (or any other page as may replace such page on such service) for the purpose of displaying the London interbank rates of major banks for the Designated LIBOR Currency.

"Principal Financial Center" means the capital city of the country to which the Designated LIBOR Currency relates except that with respect to United States dollars, Australian dollars, Canadian dollars, South African rand and Swiss francs, the "Principal Financial Center" shall be The City of New York, Sydney, Toronto, Johannesburg and Zurich, respectively.

"London Banking Day" means any day (other than a Saturday or Sunday) on which dealings in deposits in the Index Currency are transacted in the London interbank market.

Determination of Prime Rate. If an Interest Rate Basis for this Note is the

Prime Rate, as specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement), the Prime Rate shall be determined as of the applicable Interest Determination Date (a "Prime Rate Interest Determination Date") as the rate on such date as such rate is published in H.15(519) under the caption "Bank Prime Loan" or, if not published by 3:00 p.m., New York City time, on the related Calculation Date, the rate on such Prime Rate Interest Determination Date as published in H.15 Daily Update, or such other recognized electronic source used for the purpose of displaying such rate, under the caption "Bank Prime Loan." If such rate is not yet published in H.15(519), H.15 Daily Update or another recognized electronic source by 3:00 p.m., New York City time, on the related Calculation Date, then the Prime Rate shall be the arithmetic mean of the rates of interest publicly announced by each bank that appears on the Reuters Screen US PRIME 1 Page (as defined hereinafter) as such bank's prime rate or base lending rate as of 11:00 a.m., New York City time, on such Prime Rate Interest Determination Date. If fewer than four such rates so appear on the Reuters Screen US PRIME 1 Page for such Prime Rate Interest Determination Date, then the Prime Rate shall be the arithmetic mean of the prime rates or base lending rates quoted on the basis of the actual number of days in the year divided by a 360-day year as of the close of business on such Prime Rate Interest Determination Date by three major banks in The City of New York selected by the Calculation Agent; provided, however, that if the banks or trust companies so selected by the Calculation Agent are not quoting as mentioned in this sentence, the Prime Rate determined as of such Prime Rate Interest Determination Date will be the Prime Rate in effect on such Prime Rate Interest Determination Date.

"Reuters Screen US PRIME 1 Page" means the display on the Reuter Monitor Money Rates Service (or any successor service) on the "US PRIME 1" page (or such other page as may replace the US PRIME 1 page on such service) for the purpose of displaying prime rates or base lending rates of major United States banks.

Determination of Treasury Rate. If an Interest Rate Basis for this Note is the

Treasury Rate, as specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement), the Treasury Rate shall be determined as of the applicable Interest Determination Date (a "Treasury Rate Interest Determination Date") as the rate from the auction held on such Treasury Rate Interest Determination Date (the "Auction") of direct obligations of the United States ("Treasury Bills") having the Index Maturity specified on the face hereof under the caption "INVESTMENT RATE" on the display on Telerate, Inc. (or any successor service) on page 56 (or any other page as may replace such page on such service) ("Telerate Page 56") or page 57 (or any other page as may replace such page on such service) ("Telerate Page 57") or, if not so published by 3:00 p.m., New York City time, on the related Calculation Date, the Bond Equivalent Yield (as

defined hereinafter) of the rate for such Treasury Bills as published in H.15 Daily Update, or such other recognized electronic source used for the purpose of displaying such rate, under the caption "U.S. Government Securities/Treasury Bills/Auction High." If such rate is not so published in H.15 Daily Update or another recognized electronic source by 3:00 p.m., New York City time, on the related Calculation Date, the Treasury Rate on such Treasury Rate Interest Determination Date shall be Bond Equivalent Yield of the auction rate of such Treasury Bills as announced by the United States Department of the Treasury. In the event that such auction rate is not so announced by the United States Department of the Treasury on such Calculation Date, or if no such Auction is held, then the Treasury Rate on such Treasury Rate Interest Determination Date shall be the Bond Equivalent Yield of the rate on such Treasury Rate Interest Determination Date of Treasury Bills having the Index Maturity as published in H.15(519) under the caption "U.S. Government Securities/Treasury Bills/Secondary Market" or, if not yet published by 3:00 p.m., New York City time, on the related Calculation Date, the rate on such Treasury Rate Interest Determination Date of such Treasury Bills as published in H.15 Daily Update, or such other recognized electronic source used for the purpose of displaying such rate, under the caption "U.S. Government Securities/Treasury Bills/Secondary Market." If such rate is not yet published in H.15(519), H.15 Daily Update or another recognized electronic source by 3:00 p.m., New York City time, on the related Calculation Date, then the Treasury Rate on such Treasury Rate Interest Determination Date shall be calculated by the Calculation Agent and shall be the Bond Equivalent Yield of the arithmetic mean of the secondary market bid rates, as of approximately 3:30 p.m., New York City time, on such Treasury Rate Interest Determination Date, of three leading primary United States government securities dealers selected by the Calculation Agent, for the issue of Treasury Bills with a remaining maturity closest to the Index Maturity; provided, however, that if the dealers so selected by the Calculation Agent are not quoting as mentioned in this sentence, the Treasury Rate determined as of such Treasury Rate Interest Determination Date will be the Treasury Rate in effect on such Treasury Rate Interest Determination Date.

"Bond Equivalent Yield" means a yield (expressed as a percentage) calculated in accordance with the following formula:

$$\text{Bond Equivalent Yield} = \frac{D \times N}{360 - (D \times M)} \times 100$$

where "D" refers to the applicable per annum rate for Treasury Bills quoted on a bank discount basis and expressed as a decimal, "N" refers to 365 or 366, as the case may be, and "M" refers to the actual number of days in the applicable Interest Reset Period.

Unless otherwise specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement), accrued interest hereon shall be an amount calculated by multiplying the face amount hereof by an accrued interest factor. Such accrued interest factor shall be computed by adding the interest factor calculated for each day in the period for which accrued interest is being calculated. Unless otherwise specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement), the interest factor for each such day shall be computed and paid on the basis of a 360-day year of twelve 30-day months if the Day Count Convention specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement) is "30/360" for the period specified thereunder, or by dividing the applicable per annum interest rate by 360 if the Day Count Convention specified on the face hereof (or, if this Note is in global form, in the

Pricing Supplement) is "Actual/360" for the period specified thereunder, or by dividing the applicable per annum interest rate by the actual number of days in the year if the Day Count Convention specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement) is "Actual/Actual" for the period specified thereunder. If no Day Count Convention is specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement), the interest factor for each day in the relevant Interest Period shall be computed, if an Interest Rate Basis specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement) is the CMT Rate or Treasury Rate or if the Specified Currency indicated on the face hereof (or, if this Note is in global form, in the Pricing Supplement) is Sterling, as if "Actual/Actual" had been specified thereon and, in all other cases, as if "Actual/360" had been specified thereon. Unless otherwise specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement), if interest on this Note is to be calculated with reference to two or more Interest Rate Bases as specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement), the interest factor will be calculated in each period in the same manner as if only one of the applicable Interest Rate Bases applied.

Unless otherwise specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement), if "Reference Rate Determination" is specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement) in connection with the determination of the rate of interest on this Note, the "Calculation Date," if applicable, pertaining to any Interest Determination Date will be the earlier of (i) the tenth calendar day after such Interest Determination Date or, if such day is not a Business Day, the next succeeding Business Day and (ii) the Business Day immediately preceding the applicable Interest Payment Date or Maturity Date, as the case may be. All calculations in respect of determining the interest rate applicable to this Note (other than any calculations made by the Exchange Rate Agent) shall be made by the Calculation Agent specified on the face hereof (or, if this Note is in global form, the Pricing Supplement) or such successor thereto as is duly appointed by the Bank. The determination of any interest rate by the Calculation Agent shall, in the absence of manifest error, be conclusive for all purposes and binding upon the holder hereof.

All percentages resulting from any calculation on this Note shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point, with five one-millionths of a percentage point rounded upward (e.g., 9.876545% (or 0.09876545) shall be rounded to 9.87655% (or 0.0987655%) and 9.876544% (or 0.09876544) shall be rounded to 9.87654% (or 0.0987654)), and all dollar amounts used in or resulting from such calculation shall be rounded to the nearest cent or, if the Specified Currency is other than dollars, to the nearest unit (with one-half cent or unit being rounded upward).

At the request of the holder hereof, the Calculation Agent shall provide to the holder hereof the interest rate hereon then in effect and, if determined, the interest rate which shall become effective for the next Interest Period.

Notwithstanding the foregoing, the interest rate hereon shall not be greater than the Maximum Interest Rate, if any, or less than the Minimum Interest Rate, if any, specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement). In addition to any Maximum Interest Rate applicable hereto pursuant to the above provisions, the interest rate on this Note will in no event be higher than the maximum rate permitted by New York law, as the same may be modified by United States law of general application.

Redemption at the Option of the Bank

Unless otherwise specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement), this Note will not be subject to any sinking fund. This Note may be redeemed by the Bank either in whole or in part on and after the Initial Redemption Date, if any, specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement). If no Initial Redemption Date is specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement), this Note may not be redeemed prior to the Maturity Date except as provided below in the event that any Additional Amounts (as defined below) are required to be paid by the Bank with respect to this Note. On and after the Initial Redemption Date, if any, this Note may be redeemed in increments of US\$1,000 (or, if the Specified Currency indicated on the face hereof is other than the United States dollar, in such Authorized Denominations specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement)) at the option of the Bank at the applicable Redemption Price (as defined below) together with unpaid interest accrued hereon at the applicable rate borne by this Note to the date of redemption (each such date, a "Redemption Date"), on written notice given by or on behalf of the Bank not more than 60 nor less than 30 calendar days prior to the Redemption Date (unless otherwise specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement)); provided, however, that, in the event of redemption of this Note in part only, the unredeemed portion thereof shall be an Authorized Denomination specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement). In the event of redemption of this Note in part only, a new Note for the unredeemed portion hereof shall be issued in the name of the holder hereof upon the surrender of this Note, or, where applicable, an appropriate notation will be made on the schedule attached hereto for such notations.

The "Redemption Price" shall initially be the Initial Redemption Percentage specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement) of the principal amount of this Note to be redeemed and shall decline at each anniversary of the Initial Redemption Date specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement) by the Annual Redemption Percentage Reduction, if any, specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement), of the principal amount to be redeemed until the Redemption Price is 100% of such principal amount.

Repayment at the Option of the Holder

This Note may be subject to repayment at the option of the holder hereof in accordance with the terms hereof on any Holder's Optional Repayment Date(s), if any, specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement). If no Holder's Optional Repayment Date is specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement), this Note will not be repayable at the option of the holder hereof prior to the Maturity Date. On any Holder's Optional Repayment Date, this Note will be repayable in whole or in part in increments of US\$1,000 (or, if the Specified Currency indicated on the face hereof is other than the U.S. dollar, in such Authorized Denominations specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement)) at the option of the holder hereof at the repayment price equal to 100% of the principal amount to be repaid, together with accrued and unpaid interest hereon payable to the date of repayment; provided, however, that, in the event of repayment of this Note in part only, the unrepaid portion hereof shall be an Authorized Denomination specified on the face hereof (or, if this Note is in global form, in the Pricing

Supplement). For this Note to be repaid in whole or in part at the option of the holder hereof on a Holder's Optional Repayment Date, this Note must be delivered, with the form entitled "Option to Elect Repayment" attached hereto duly completed, to the Domestic Paying Agent or the London Paying Agent (as appropriate in accordance with such attached form) at the address set forth on such form or at such other address which the Bank shall from time to time notify the holders of the Notes not more than 60 nor less than 30 days prior to such Holder's Optional Repayment Date. In the event of repayment of this Note in part only, a new Note for the unrepaid portion hereof shall be issued in the name of the holder hereof upon the surrender hereof, or, where applicable, an appropriate notation will be made on the schedule attached hereto for such notations. Exercise of such repayment option by the holder hereof shall be irrevocable.

Additional Amounts

All payments of principal (and premium, if any) and interest with respect to this Note will be made without withholding or deduction at source for, or on account of, any present or future taxes, fees, duties, assessments or governmental charges of whatever nature imposed or levied by the United States or any political subdivision or taxing authority thereof or therein, unless such withholding or deduction is required by (i) the laws (or any regulations or rulings promulgated thereunder) of the United States or any political subdivision or taxing authority thereof or therein or (ii) an official position regarding the application, administration, interpretation or enforcement of any such laws, regulations or rulings including, without limitation, a holding by a court of competent jurisdiction or by a taxing authority in the United States or any political subdivision thereof). If a withholding or deduction at source is required, the Bank will (subject to certain limitations and exceptions set forth below) pay to the holder hereof on behalf of an owner of a beneficial interest herein (an "Owner") who is a United States Alien (as defined below) such additional amounts ("Additional Amounts") as may be necessary so that every net payment of principal (and premium, if any) or interest made to the holder hereof on behalf of such Owner, after such withholding or deduction, will not be less than the amount provided for in this Note with respect to such Owner's interest; provided, however, that the Bank shall not be required to make any payment of Additional Amounts for or on account of:

(a) any tax, fee, duty, assessment or other governmental charge which would not have been imposed but for (i) the existence of any present or former connection between such Owner (or between a fiduciary, settlor, beneficiary, member or shareholder of, or possessor of a power over, such Owner, if such Owner is an estate, trust, partnership or corporation) and the United States, including, without limitation, such Owner (or such fiduciary, settlor, beneficiary, member, shareholder or possessor) being or having been a citizen or resident thereof or being or having been present or engaged in trade or business therein or having had a permanent establishment therein, or (ii) the presentation of this Note for payment on a date more than 15 days after the date on which such payment became due and payable or the date on which payment thereof is duly provided for, whichever occurs later;

(b) any estate, inheritance, gift, sales, transfer, personal property or similar tax, assessment or other governmental charge;

(c) any tax, fee, duty, assessment or other governmental charge imposed by reason of such Owner's past or present status as a personal holding company, foreign personal holding company, passive foreign investment company or controlled foreign corporation with respect to the United States or as a corporation which accumulates earnings to avoid United States federal income tax;

(d) any tax, fee, duty, assessment or other governmental charge which is payable otherwise than by withholding from payments of principal or interest with respect to this Note;

(e) any tax, fee, duty, assessment or other governmental charge imposed on interest received by anyone who owns (actually or constructively) 10% or more of the total combined voting power of all classes of stock of the Bank;

(f) any tax, fee, duty, assessment or other governmental charge required to be withheld by any Paying Agent from any payment of principal (and premium, if any) or interest with respect to this Note, if such payment can be made without such withholding by any other Paying Agent with respect to this Note in a western European city;

(g) any tax, fee, duty, assessment or other governmental charge which would not have been imposed but for the failure to comply with certification, information or other reporting requirements concerning the nationality, residence, identity or connection with the United States of the holder hereof or of such Owner, if such compliance is required by statute or by regulation of the United States Treasury Department as a precondition to relief or exemption from such tax, assessment or other governmental charge;

(h) any tax, assessment or other governmental charge imposed as a result of such holder of the Notes or Coupon being a bank receiving payments on an extension of credit made pursuant to a loan agreement entered into in the ordinary course of business;

(i) any tax, assessment or other governmental charge required to be imposed or withheld on a payment to an individual and such deduction or withholding is required to be made pursuant to any European Union Directive on the taxation of savings implementing the conclusions of the ECOFIN Council meeting of November 26-27, 2000 or any law implementing or complying with, or introduced in order to conform to, such Directive; or

(j) any combination of items (a), (b), (c), (d), (e), (f), (g), (h) and (i);

nor shall Additional Amounts be paid to any holder of this Note on behalf of any Owner who is a fiduciary or partnership or other than the sole Owner to the extent a beneficiary or settlor with respect to such fiduciary or a member of such partnership or Owner would not have been entitled to payment of the Additional Amounts had such beneficiary, settlor, member or Owner been the sole Owner of this Note.

As used herein, the term "United States Alien" means any corporation, individual, fiduciary or partnership that for United States federal income tax purposes is a foreign corporation,

nonresident alien individual, nonresident alien fiduciary of a foreign estate or trust, or foreign partnership one or more members of which is a foreign corporation, nonresident alien individual or nonresident alien fiduciary of a foreign estate or trust.

If this Note is in bearer form and the Bank shall determine, based upon a written opinion of independent counsel selected by the Bank, that any payment made outside the United States by the Bank or any of its Paying Agents of the full amount of the next scheduled payment of either principal (and premium, if any) or interest due with respect to this Note would, under any present or future laws or regulations of the United States affecting taxation or otherwise, be subject to any certification, information or other reporting requirements of any kind, the effect of which requirements is the disclosure to the Bank, any of its Paying Agents or any governmental authority of the nationality, residence or identity (as distinguished from status as a United States Alien) of any Owner of this Note who is a United States Alien (other than such requirements which (i) would not be applicable to a payment made to a custodian, nominee or other agent of the Owner, or which can be satisfied by such a custodian, nominee or other agent certifying to the effect that such Owner is a United States Alien; provided, however, in each case that payment by such custodian, nominee or agent to such Owner is not otherwise subject to any requirements referred to in this sentence, (ii) are applicable only to payment by a custodian, nominee or other agent of the Owner to or on behalf of such Owner, or (iii) would not be applicable to a payment made by any other paying agent of the Bank), the Bank shall redeem this Note as a whole but not in part at a redemption price equal to the principal amount hereof (or, if this is an Original Issue Discount Note, the Amortized Face Amount (as defined herein) hereof determined as of the date of redemption), together, if appropriate, with accrued interest to, but excluding, the date fixed for redemption, such redemption to take place on such date not later than one year after notice of such determination has been given as described herein. If the Bank becomes aware of an event that might give rise to such certification, information or other reporting requirements, the Bank shall, as soon as practicable, solicit advice of independent counsel selected by the Bank to establish whether such certification, information or other reporting requirements will apply and, if such requirements will, in the written opinion of such counsel, apply, the Bank shall give prompt notice of such determination (a "Tax Notice") stating in such notice the effective date of such certification, information or other reporting requirements and, if applicable, the date by which the redemption shall take place. Notwithstanding the foregoing, the Bank shall not redeem this Note if the Bank, based upon the written opinion of independent counsel selected by the Bank, shall subsequently determine not less than 30 days prior to the date fixed for redemption that subsequent payments would not be subject to any such requirements, in which case the Bank shall give prompt notice of such determination and any earlier redemption notice shall thereby be revoked and of no further effect.

Notwithstanding the foregoing, if and so long as the certification information or other reporting requirements referred to in the preceding paragraph would be fully satisfied by payment of a withholding, backup withholding tax or similar charge, the Bank may elect prior to giving the Tax Notice to have the provisions described in this paragraph apply in lieu of the provisions described in the preceding paragraph, in which case the Tax Notice shall state the effective date of such certification, information or reporting requirements and that the Bank has elected to pay Additional Amounts rather than redeem this Note. In such event, the Bank will also pay as Additional Amounts such sums as may be necessary so that every net payment made following the effective date of such certification, information or reporting requirements outside the United States by the Bank or any of its Paying Agents of principal (and premium, if any) or interest due

with respect to this Note to the bearer hereof who certifies to the effect that the beneficial owners of this Note are United States Aliens (provided that such certification shall not have the effect of communicating to the Bank or any of its Paying Agents or any governmental authority the nationality, residence or identity of such beneficial owners) after deduction or withholding for or on account of such withholding, backup withholding tax or similar charge (other than a withholding, backup withholding tax or similar charge which (i) is imposed as a result of certification, information or other reporting requirements referred to in the second parenthetical clause of the first sentence of the preceding paragraph or (ii) is imposed as a result of the fact that the Bank or any of its Paying Agents has actual knowledge that the bearer hereof or any beneficial owner of this Note is not a United States Alien but is within the category of persons, corporations or other entities described in clause (a)(i) of the third preceding paragraph, or (iii) is imposed as a result of presentation of this Note for payment more than 15 days after the date on which such payment becomes due and payable or on which payment thereof is duly provided for, whichever occurs later), will not be less than the amount provided for in this Note to be then due and payable. In the event the Bank elects to pay such Additional Amounts, the Bank will have the right, at its sole option, at any time, to redeem this Note, as a whole but not in part, at a redemption price equal to the principal amount hereof (or, if this is an Original Issue Discount Note, the Amortized Face Amount hereof determined as of the date of redemption), together, if appropriate, with accrued interest to the date fixed for redemption including any Additional Amounts required to be paid under this paragraph. If the Bank has made the determination described in the preceding paragraph with respect to certification, information or other reporting requirements applicable to interest only and subsequently makes a determination in the manner and of the nature referred to in such preceding paragraph with respect to such requirements applicable to principal, the Bank will redeem this Note in the manner and on the terms described in the preceding paragraph (except as provided below), unless the Bank elects to have the provisions of this paragraph apply rather than the provisions of the immediately preceding paragraph. If in such circumstances this Note is to be redeemed, the Bank will be obligated to pay Additional Amounts with respect to interest, if any, accrued to the date of redemption. If the Bank has made the determination described in the preceding paragraph and subsequently makes a determination in the manner and of the nature referred to in such preceding paragraph that the level of withholding applicable to principal or interest has been increased, the Bank will redeem this Note in the manner and on the terms described in the preceding paragraph (except as provided below), unless the Bank elects to have the provisions of this paragraph apply rather than the provisions of the immediately preceding paragraph. If in such circumstances this Note is to be redeemed, the Bank will be obligated to pay Additional Amounts with respect to the original level of withholding on principal and interest, if any, accrued to the date of redemption.

Whenever in this Note there is mentioned, in any context, the payment of the principal of (or premium, if any) or interest on, or in respect of, this Note, such mention shall be deemed to include mention of the payment of Additional Amounts provided for herein to the extent that, in such context, Additional Amounts are, were or would be payable in respect hereof pursuant to the provisions of this Note and express mention of the payment of Additional Amounts (if applicable) in any provisions hereof shall not be construed as including Additional Amounts in those provisions hereof where such express mention is not made.

Except as specifically provided herein (or, if this Note is in global form, in the Pricing Supplement) (i) neither the Bank nor any Paying Agent shall be required to make, any payment with respect to any tax, fee, duty, assessment or other governmental charge imposed by any

government or a political subdivision or taxing authority thereof or therein; (ii) a Paying Agent on behalf of the Bank shall have the right, but not the duty, to withhold from any amounts otherwise payable to a holder of this Note such amount as is necessary for the payment of any such taxes, fees, duties, assessments or other governmental charges; and (iii) if such an amount is withheld, the amount payable to the holder of this Note shall be the amount otherwise payable reduced by the amount so withheld.

The Bank may redeem this Note in whole but not in part at any time at a redemption price equal to the principal amount hereof (or, if this is an Original Issue Discount Note, the Amortized Face Amount hereof determined as of the date of redemption), together with accrued interest to but excluding the date fixed for redemption, if the Bank shall determine, based upon a written opinion of independent counsel selected by the Bank, that as a result of any change in or amendment to the laws (or any regulations or rulings promulgated hereunder) of the United States or of any political subdivision or taxing authority thereof or therein affecting taxation, or any change in application or official interpretation of any such laws, regulations or rulings, which amendment or change is effective on or after the Original Issue Date, the Bank would be required to pay Additional Amounts on the occasion of the next payment due with respect to such Note.

Notice of intention to redeem this Note, in whole but not in part, pursuant to the immediately preceding paragraph will be given (i) if this Note is in registered form, to the registered holder of this Note at least once not less than 30 days nor more than 60 days prior to the date fixed for redemption or (ii) if this Note is in bearer form, by publication in accordance with applicable law, provided that no such notice of redemption shall be given earlier than 90 days prior to the effective date of such change or amendment and that at the time notice of such redemption is given, such obligation to pay such Additional Amounts remains in effect and cannot be avoided by the Bank's taking reasonable measures available to it. From and after any redemption date, if monies for the redemption of this Note shall have been made available for redemption on such redemption date, this Note shall cease to bear interest (and, if this Note is a definitive bearer Note, any interest coupons appertaining hereto (whether or not attached) maturing after the redemption date shall become void and no payment shall be made in respect thereof), and the only right of the holder of this Note shall be to receive payment of the principal amount hereof (or, if this is an Original Issue Discount Note, the Amortized Face Amount hereof) and all unpaid interest accrued to such redemption date.

Events of Default, Acceleration of Maturity

In respect of this Senior Note, the occurrence of any of the following events shall constitute an "Event of Default" with respect to this Note:

- (i) default in the payment of any interest (including any Additional Amounts) with respect to this Note when due, which continues for 30 days;
- (ii) default, in the payment of any principal of, or premium, if any, on, this Note when due;
- (iii) whatever the reason for such and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any

court or any order, rule or regulation of any administrative or governmental body, the entry by a court having jurisdiction in the premises of:

(a) a decree or order for relief in respect of the Bank in an involuntary case or proceeding under any applicable United States federal or state bankruptcy, insolvency, reorganization or other similar law; or

(b) a decree or order appointing a conservator, receiver, liquidator, assignee, trustee, sequestrator or any other similar official of the Bank, or of substantially all of the property of the Bank, or ordering the winding up or liquidation of the affairs of the Bank, and the continuance of any such decree or order for relief or any such other decree or order unstayed and in effect for a period of 60 consecutive days; or

(iv) the commencement by the Bank of a voluntary case or proceeding under any applicable United States federal or state bankruptcy, insolvency, reorganization or other similar law or the commencement of any bankruptcy or insolvency case or proceeding, or the filing by the Bank of a petition or answer or consent seeking reorganization or relief under any applicable United States federal or state law, or the consent by the Bank to the filing of such petition or to the appointment of or taking possession by a custodian, receiver, liquidator, assignee, trustee, sequestrator or similar official of the Bank or of substantially all of the property of the Bank, or the making by the Bank of an assignment for the benefit of creditors, or the taking of corporate action by the Bank in furtherance of any such action.

If an Event of Default shall occur and be continuing, the holder of this Note may declare the principal amount of, and accrued interest and premium, if any, on, this Note due and payable immediately by written notice to the Bank. Upon such declaration and notice, such principal amount (and premium, if any) and accrued interest shall become immediately due and payable. Any Event of Default with respect to this Note may be waived by the holder thereof.

This Note contains no limitation on the amount of senior debt, deposits or other obligations that rank senior to this Note that may be hereafter incurred or assumed by the Bank.

Miscellaneous

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Notwithstanding anything to the contrary contained herein, if this Note is identified as a Discount Note on the face hereof (or, if this Note is in global form, in the Pricing Supplement), the amount payable to the holder of this Note in the event of redemption, repayment or acceleration of Maturity will be equal to (i) the Amortized Face Amount (as defined below) as of the date of such event, plus (ii) with respect to any redemption of this Note (other than as provided above in the event that Additional Amounts are required to be paid by the Bank with respect to this Note), the Initial Redemption Percentage specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement) (as adjusted by the Annual Redemption Percentage Reduction specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement), if any) minus 100% multiplied by the Issue Price specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement), net of any portion of such Issue Price which has been paid prior to the date of redemption, or the portion of the Issue Price

(or the net amount) proportionate to the portion of the unpaid principal amount to be redeemed, plus (iii) any accrued interest to the date of such event the payment of which would constitute qualified stated interest payments within the meaning of U.S. Treasury Regulation 1.1273-1 (c) under the Code. The "Amortized Face Amount" shall mean an amount equal to (i) the Issue Price plus (ii) the aggregate portions of the original issue discount (the excess of the amounts considered as part of the "stated redemption price at maturity" of this Note within the meaning of Section 1273(a)(2) of the Code, whether denominated as principal or interest, over the Issue Price) which shall theretofore have accrued pursuant to Section 1272 of the Code (without regard to Section 1272(a)(7) of the Code) from the date of issue of this Note to the date of determination, minus (iii) any amount considered as part of the "stated redemption price at maturity" of this Note which has been paid from the date of issue to the date of determination.

As used herein, "Business Day" means, unless otherwise specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement), a day which is both (i) a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in The City of New York, Glen Allen, Virginia, and London; and (ii) either (a) if this is a Note denominated in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in the principal financial center of the country of the relevant Specified Currency (if other than the City of New York or London) or (b) if this is a Note denominated in euro, a day (other than a Saturday or a Sunday) on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) System is open. As used herein, "London Business Day" means any day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in London.

Any action by the holder of this Note shall bind all future holders of this Note, and of any Note issued in exchange or substitution hereof or in place hereof, in respect of anything done or permitted by the Bank or by the Paying Agents in pursuance of such action.

In case any Note shall at any time become mutilated, defaced, destroyed, lost or stolen, and such Note or evidence of the loss, theft or destruction thereof satisfactory to the Bank and the Registrar or London Issuing Agent, as the case may be, and such other documents or proof as may be required by the Bank and the Registrar or London Issuing Agent, as the case may be, shall be delivered to the Registrar or London Issuing Agent, as the case may be, the Registrar or London Issuing Agent, as the case may be, shall issue a new Note of like tenor and principal amount, having a serial number not contemporaneously outstanding, in exchange and substitution for the mutilated or defaced Note or in lieu of the Note destroyed, lost or stolen but, in the case of any destroyed, lost or stolen Note, only upon receipt of evidence satisfactory to the Bank and the Registrar or London Issuing Agent, as the case may be, that such Note was destroyed, stolen or lost, and, if required, upon receipt of indemnity satisfactory to the Bank and the Registrar or London Issuing Agent, as the case may be. Upon the issuance of any substituted Note, the Bank may require the payment of a sum sufficient to cover all expenses and reasonable charges connected with the preparation and delivery of a new Note. If any Note which has matured or has been redeemed or repaid or is about to mature or to be redeemed or repaid shall become mutilated, defaced, destroyed, lost or stolen, the Bank may, instead of issuing a substitute Note, pay or authorize the payment of the same (without surrender thereof except in

the case of a mutilated or defaced Note) upon compliance by the holder with the provisions of this paragraph.

No recourse shall be had for the payment of principal of (and premium, if any) or interest on, this Note for any claim based hereon, or otherwise in respect hereof, against any shareholder, employee, agent, officer or director, as such, past, present or future, of the Bank or of any successor organization, either directly or through the Bank or any successor organization, whether by virtue of any constitution, statute or rule of law or by the enforcement of any assessment or penalty or otherwise, all such liability being, by the acceptance hereof and as part of the consideration for the issue hereof, expressly waived and released.

The Notes are issued in accordance with the Global Agency Agreement. The Notes, and any receipts or interest coupons appertaining thereto, may be amended by the Bank, and the Global Agency Agreement may be amended by the parties thereto, (i) for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained therein, (ii) to make any further modifications of the terms of the Global Agency Agreement necessary or desirable to allow for the issuance of any additional Notes (which modifications shall not be materially adverse to holders of outstanding Notes) or (iii) in any manner which the Bank (and, in the case of the Global Agency Agreement, the parties thereto) may deem necessary or desirable and which shall not materially adversely affect the interests of the holders of the Notes, or any receipts, talons or interest coupons appertaining thereto, to all of which each holder of Notes, receipts, talons or interest coupons shall, by acceptance thereof, be deemed to have consented; provided, however, that no such modification or amendment may, without the consent of the holder of each outstanding Note affected thereby, (1) change the Maturity Date with respect to any Note or reduce or cancel the amount payable at Maturity; (2) reduce the amount payable or modify the payment date for any interest with respect to any Note or vary the method of calculating the rate of interest with respect to any Note; (3) reduce any Minimum Interest Rate and/or Maximum Interest Rate with respect to any Note; (4) modify the currency in which payments under any Note and/or any receipts, coupons or talons appertaining thereto are to be made; (5) change the obligation of the Bank to pay Additional Amounts with respect to Notes, receipts, talons or coupons; or (6) reduce the percentage in principal amount of outstanding Notes the consent of the holders of which is necessary to modify the provisions of the Notes or to waive any future compliance or past default. Any instrument given by or on behalf of any holder of a Note in connection with any consent to any such modification, amendment or waiver shall be irrevocable once given and shall be conclusive and binding on all subsequent holders of such Note. Any modifications, amendments or waivers to this Agreement or the provisions of the Notes, receipts, talons or coupons shall be conclusive and binding on all holders of Notes, receipts, talons or coupons, whether or not notation of such modifications, amendments or waivers is made upon the Notes, receipts, talons or coupons. It will not be necessary for the consent of the holders of Notes to approve the particular form of any proposed amendment, but it shall be sufficient if such consent shall approve the substance thereof.

No provision of this Note shall alter or impair the obligation of the Bank, which is absolute and unconditional, to pay principal of (and premium, if any) and interest on, and any Additional Amounts with respect to, this Note in the Specified Currency indicated on the face hereof (or, as provided herein, in the equivalent in U.S. dollars) at the times, places and rate herein prescribed.

No service charge shall be made to a holder of this Note for any transfer or exchange of this Note, but the Bank may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection therewith.

If this Note is in registered form, prior to due presentment of this Note for registration of transfer, the Bank, Domestic Paying Agent, Registrar, London Paying Agent, Luxembourg Paying Agent, Transfer Agent and Listing Agent (collectively, together with any successors thereto, the "Agents") or any agent of the Bank or the Agents may treat the holder in whose name this Note is registered as the owner hereof for all purposes, whether or not this Note be overdue, and neither the Bank, the Agents nor any such agent shall be affected by notice to the contrary except as required by applicable law.

All notices to the Bank under this Note shall be in writing and addressed to the Bank at Capital One Bank, 8000 Jones Branch Road, McLean, Virginia 22102, USA, Attention: Treasurer; telephone: (703) 875-1000; and facsimile: (703) 875-1099 or to such other address of the Bank as the Bank may notify the holders of the Notes.

OPTION TO ELECT REPAYMENT

The undersigned hereby irrevocably request(s) and instruct(s) the Bank to repay this Note (or portion hereof specified below) pursuant to its terms at a price equal to 100% of the principal amount hereof to be repaid, together with accrued and unpaid interest hereon, payable to the date of repayment, to the undersigned, at

(Please print or typewrite name and address of the undersigned.)

For this Note to be repaid, the undersigned must give to the London Paying Agent, if this Note is in bearer form, at 9 Thomas More Street, London, E1W 1YT or, if this Note is in registered form, to the Domestic Paying Agent at The Chase Manhattan Bank, 450 West 33rd Street, New York, New York 10001-2697, United States of America, or to the London Paying Agent at its address, as the case may be, or at such other place or places of which the Bank shall from time to time notify the holders of the Notes not more than 60 days nor less than 30 days prior to the date of repayment, this Note (and, if this Note is in definitive bearer form, all interest coupons appertaining hereto maturing after the repayment date) with this "Option to Elect Repayment" form duly completed.

If less than the entire principal amount of this Note is to be repaid, specify the portion hereof (which shall be increments of US\$1,000, or equivalent denominations in other currencies) which the holder elects to have repaid and specify the denomination or denominations (which shall be an Authorized Denomination specified on the face of the within Note) of the Notes to be issued to the holder for the portion of this Note not being repaid (in the absence of any such specification, one such Note will be issued for the portion not being repaid):

US\$

Dated: -----

Signature

NOTICE: The signature on this "Option to Elect Repayment" form must correspond with the name as written upon the face of the within Note in every particular, without alteration or enlargement or any change whatsoever.

Signature Guarantee

NOTICE: The signature(s) should be guaranteed by an eligible guarantor institution (banks, stockbrokers, savings and loan associations, and credit unions with membership in an approved signature guarantee medallion program), pursuant to Rule 17Ad-15 under the Securities Exchange Act of 1934.

Schedule 1

SCHEDULE OF TRANSFERS AND EXCHANGES

The following increases and decreases in the principal amount of this Note have been made:

Date of Transfer	Increase (Decrease) in Principal Amount of this Note Due to Transfer Among Global Notes	Principal Amount of this Note After Transfer	Notation made by or on behalf of the Bank
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REGISTERED GLOBAL SENIOR NOTE

UNLESS THIS NOTE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY (55 WATER STREET, NEW YORK, NEW YORK) (THE "DEPOSITORY") TO CAPITAL ONE BANK (THE "BANK") OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY NOTE ISSUED UPON REGISTRATION OF TRANSFER OF, OR IN EXCHANGE FOR, OR IN LIEU OF, THIS NOTE IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY (AND ANY PAYMENT HEREON IS MADE TO CEDE & CO), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL SINCE THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

THIS NOTE IS A GLOBAL SECURITY AND, UNLESS AND UNTIL THIS NOTE IS EXCHANGED IN WHOLE OR IN PART FOR NOTES IN DEFINITIVE FORM, IT MAY NOT BE TRANSFERRED EXCEPT AS A WHOLE BY THE DEPOSITORY TO A NOMINEE OF THE DEPOSITORY OR BY THE NOMINEE OF THE DEPOSITORY TO THE DEPOSITORY OR ANOTHER NOMINEE OF THE DEPOSITORY OR BY THE DEPOSITORY OR ANY SUCH NOMINEE TO A SUCCESSOR DEPOSITORY OR A NOMINEE OF SUCH SUCCESSOR DEPOSITORY.

SENIOR NOTE: THIS NOTE IS A DIRECT, UNCONDITIONAL, UNSECURED AND UNSUBORDINATED GENERAL OBLIGATION OF CAPITAL ONE BANK (THE "BANK"). THE OBLIGATIONS EVIDENCED BY THIS NOTE RANK PARI PASSU WITH ALL OTHER UNSECURED AND UNSUBORDINATED OBLIGATIONS OF THE BANK, EXCEPT OBLIGATIONS, INCLUDING ITS DOMESTIC (U.S.) DEPOSITS, THAT ARE SUBJECT TO ANY PRIORITIES OR PREFERENCES UNDER APPLICABLE LAW. THIS NOTE DOES NOT EVIDENCE A DEPOSIT AND IS NOT INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION ("FDIC") OR ANY OTHER INSURER.

THIS NOTE IS ISSUABLE ONLY IN MINIMUM DENOMINATIONS OF US\$100,000 AND INTEGRAL MULTIPLES OF US\$1,000 IN EXCESS THEREOF. EACH OWNER OF A BENEFICIAL INTEREST IN THIS NOTE IS REQUIRED TO HOLD A BENEFICIAL INTEREST OF US\$100,000 PRINCIPAL AMOUNT OR ANY INTEGRAL MULTIPLE OF US\$1,000 IN EXCESS THEREOF OF THIS NOTE AT ALL TIMES.

REGISTERED No. R-

 CUSIP No.: 14040EER9

 ISIN No.: US14040EER99

 Common Code: 12446128

CAPITAL ONE BANK
 GLOBAL BANK NOTE
 (Registered Global Note)

ORIGINAL ISSUE DATE: February 6, 2001 PRINCIPAL AMOUNT: \$1,250,000,000

SPECIFIED CURRENCY:

MATURITY DATE: February 1, 2006 U.S. dollar

FIXED RATE NOTE Other:

FLOATING RATE NOTE

CAPITAL ONE BANK, a bank organized under the laws of the Commonwealth of Virginia (the "Bank"), for value received, hereby promises to pay to CEDE & CO., or registered assigns, the principal amount specified above as adjusted in accordance with Schedule 1 hereto, on the Maturity Date specified above (except to the extent redeemed or repaid prior to the Maturity Date) and to pay interest thereon (i) in accordance with the provisions set forth on the reverse hereof under the caption "Fixed Rate Interest Provisions," if this Note is designated as a "Fixed Rate Note" above, or (ii) in accordance with the provisions set forth on the reverse hereof under the caption "Floating Rate Interest Provisions," if this Note is designated as a "Floating Rate Note" above, in each case as such provisions may be modified or supplemented by the terms and provisions set forth in the Pricing Supplement attached hereto (the "Pricing Supplement"), and (to the extent that the payment of such interest shall be legally enforceable) to pay interest at the Default Rate per annum specified in the Pricing Supplement on any overdue principal and premium, if any, and on any overdue installment or interest. If no Default Rate is specified in the Pricing Supplement then the Default Rate shall be the Interest Rate specified in the Pricing Supplement. The interest so payable, and punctually paid or duly provided for, on any Interest Payment Date will be paid to the person in whose name this Note (or any predecessor Note) is registered at the close of business on the fifteenth calendar day (whether or not a Business Day (as defined on the reverse hereof)) next preceding the applicable Interest Payment Date (unless otherwise specified in the Pricing Supplement) (each, a "Regular Record Date"); provided, however, that interest payable at Maturity (as defined on the reverse hereof) will be payable to the person to whom principal shall be payable. Any such interest not so punctually paid or duly provided for shall forthwith cease to be payable to the holder as of the close of business on such Regular Record Date, and shall instead be payable to the person in whose name this Note (or any predecessor Note) is registered at the close of business on a special record date for the payment of such defaulted interest (the "Special Record Date") to be fixed by the Registrar (as defined below), notice whereof shall be given by the Registrar to the holder of this Note not less than 15 calendar days prior to such Special Record Date.

This Note is one of a duly authorized issue of the Bank's notes due from 30 days to 30 years or more from date of issue (the "Notes"). The Notes are issued in accordance with the Global Agency Agreement, dated as of June 6, 2000 (the "Global Agency Agreement"), among the Bank and The Chase Manhattan Bank as paying agent (the "Domestic Paying Agent") and as registrar (the "Registrar"), The Chase Manhattan Bank, London Branch, as paying agent (the "London Paying Agent") and as issuing agent (the "London Issuing Agent") and Chase Manhattan Bank Luxembourg S.A. as transfer agent (the "Transfer Agent"), as paying agent (the "Luxembourg

Paying Agent", together with the Domestic Paying Agent and the London Paying Agent, the "Paying Agents", and individually, a "Paying Agent") and Kredietbank S.A. Luxembourgaise as listing agent (the "Listing Agent"). The terms Domestic Paying Agent, Registrar, London Paying Agent, London Issuing Agent, Luxembourg Paying Agent, Transfer Agent and Listing Agent shall include any additional or successor agents appointed in such capacities by the Bank.

The Bank shall cause to be kept at the office of the Registrar designated below a register (the register maintained in such office or any other office or agency of the Registrar, herein referred to as the "Note Register") in which, subject to such reasonable regulations as it may prescribe, the Bank shall provide for the registration of Notes issued in registered form and of transfers of such Notes. The Bank has initially appointed The Chase Manhattan Bank, acting through its principal office at 450 West 33rd Street, 15th Floor, New York, New York 10001, as "Registrar" for the purpose of registering Notes issued in registered form and transfers of such Notes. The Bank reserves the right to rescind such designation at any time, and to transfer such function to another bank or financial institution.

The transfer of this Note is registrable in the Note Register, upon surrender of the Note for registration of transfer at the office or agency of the Registrar or any transfer agent maintained for that purpose, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Registrar (or such transfer agent) duly executed by, the holder hereof or its attorney duly authorized in writing.

Payment of principal of, and premium, if any, and interest on, this Note due at Maturity will be made in immediately available funds upon presentation and surrender of this Note at the office of a Paying Agent maintained for that purpose; provided, that this Note is presented to such Paying Agent in time for such Paying Agent to make such payment in accordance with its normal procedures. Payments of interest on this Note (other than at Maturity) will be made by wire transfer to such account as has been appropriately designated to a Paying Agent by the person entitled to such payments.

Reference is made to the further provisions of this Note set forth on the reverse hereof and in the Pricing Supplement, which further provisions shall for all purposes have the same effect as if set forth at this place. In the event of any conflict between the provisions contained herein or on the reverse hereof and the provisions contained in the Pricing Supplement attached hereto, the latter shall control. References herein to "this Note," "hereof," "herein" and comparable terms shall include the Pricing Supplement attached hereto.

Unless the certificate of authentication hereon has been executed by the Registrar, by manual signature of an authorized signatory, this Note shall not be valid or obligatory for any purpose.

This Note shall be governed by, and construed in accordance with, the laws of the State of New York, without regard to the conflicts of law principles thereof.

IN WITNESS WHEREOF, the Bank has caused this Note to be duly executed.

CAPITAL ONE BANK

By:

Name:

Title:

Dated:

REGISTRAR'S CERTIFICATE OF AUTHENTICATION

This is one of the Notes referred to in
the within-mentioned Global Agency Agreement.

THE CHASE MANHATTAN BANK,
as Registrar

By:

Name:

Title:

PRICING SUPPLEMENT DATED FEBRUARY 1, 2001
(to be read in conjunction with the Offering Circular dated June 6, 2000)

Capital One Bank
(a Bank Organized Pursuant to the Laws of Virginia)

Global Bank Notes

Fixed Rate Notes due February 1, 2006

This Pricing Supplement should be read in conjunction with the Offering Circular, dated June 6, 2000 (the "Offering Circular"), relating to the U.S.\$5,000,000,000 Global Bank Note Program of Capital One Bank. Unless otherwise defined herein, terms used herein shall have the meanings ascribed to them in the Offering Circular.

DESCRIPTION OF THE NOTES

1. Specified Currency and Principal Amount: US \$1,250,000,000
2. Senior or Subordinated: Senior
3. Original Issue Date: February 6, 2001
4. Stated Maturity Date: February 1, 2006
5. Issue Price: 99.640%
6. (a) Authorized Denomination(s): \$100,000 and integral multiples of \$1,000 in excess thereof
(b) Redenomination (Yes/No): No [If yes, give details]
7. Form of Note (Registered or Bearer): Registered
8. (a) Series Number: 3
(b) If forming part of an existing Series (Yes/No):
No [If yes, give details]
9. Interest Period:
[] One Month
[] Three Months
[X] Six Months
[] Twelve Months
[] Other (Specify Number of Months):
10. Interest Payment Date(s): February 1 and August 1, commencing on August 1, 2001

- 11. Record Dates (for Registered Notes with Maturities Greater than One Year): the January 17 and the July 17 preceding each Interest Payment Date
- 12. Exchange Rate Agent (Registered Notes and Dual Currency Notes):
- 13. Default Rate (if other than Interest Rate): % per annum

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

FIXED RATE NOTES

- 14. Interest Rate: 6.875% per annum
- 15. Day Count Convention:
 - 30/360 for the period from February 6, 2001 February 1, 2006
 - Actual/360 for the period from _____ to _____
 - Actual/Actual for the period from _____ to _____
 - Other (specify convention and applicable period):

FLOATING RATE NOTES

- 16. Interest Rate Determination:
 - ISDA Rate
 - Reference Rate Determination
- 17. Calculation Agent, if not The Chase Manhattan Bank:
- 18. Maximum Interest Rate: % per annum
- 19. Minimum Interest Rate: % per annum
- 20. Day Count Convention:
 - 30/360 for the period from _____ to _____
 - Actual/360 for the period from _____ to _____
 - Actual/Actual for the period from _____ to _____
 - Other (specify convention and applicable period):
- 21. Business Day Convention:
 - Floating Rate Convention
 - Following Business Day Convention
 - Modified Following Business Day Convention
 - Preceding Business Day Convention
 - Other (specify):

ISDA RATE

- 22. Margin: [+/-] % per annum
- 23. Floating Rate Option:

24. Designated Maturity:

25. Reset Date:

REFERENCE RATE DETERMINATION

26. Initial Interest Rate:

27. Index Maturity:

28. Interest Rate Basis or Bases:

If CMT Rate: Specified CMT Telerate Page:

Specified CMT Maturity Index:

If EURIBOR:

If LIBOR: LIBOR Telerate

LIBOR Reuters

29. Index Currency:

30. Spread: [+/-] %

31. Spread Multiplier:

32. Initial Interest Reset Date:

33. Interest Determination Period:

34. Interest Reset Dates:

35. Interest Calculation:

Regular Floating Rate Note

Floating Rate/Fixed Rate Note

Fixed Rate Commencement Date:

Fixed Interest Rate: % per annum

Inverse Floating Rate Note:

Fixed Interest Rate: % per annum

PROVISIONS REGARDING REDEMPTION/REPAYMENT

36. Initial Redemption Date:

37. Initial Redemption Percentage:

38. Annual Redemption Percentage Reduction:

39. Holder's Optional Repayment Date(s):

DISCOUNT NOTES (INCLUDING ZERO COUPON NOTES)

40. Discount Note (Yes/No):

If Yes: Total Amount of OID:

Yield to Maturity:

Initial Accrual Period: %

Issue Price:

INDEXED NOTES

41. Index: [give details]
42. Formula:
43. Agent, if any, responsible for calculating the principal and/or interest payable:
44. Provisions where calculation by reference to Index and/or Formula is impossible or impracticable:

DUAL CURRENCY NOTES

45. Dual Currency Notes (Yes/No):
If Yes: Face Amount:
Face Amount Currency:
Optional Payment Currency:
Option Election Dates: [give details]
46. Designated Exchange Rate:
47. Option Value Calculation Agent:
48. Agent, if any, responsible for calculating the principal and/or interest payable:

INSTALLMENT NOTES

49. Additional provisions relating to Installment Notes:

PARTLY PAID NOTES

50. Additional provisions relating to Partly Paid Notes:

GENERAL PROVISIONS

51. Additional or different Paying Agents:
52. Additional or different Registrars:
53. Additional or different London Issuing Agents:
54. Additional or different Transfer Agents:
55. "Business Day" definition (if other than as defined in the Offering Circular):
56. Cost, if any, to be borne by Noteholders in connection with exchanges for Definitive Bearer Notes:
57. Talons for future Coupons or Receipts to be attached to Definitive Bearer Notes (Yes/No) and dates on which such Talons mature:
[If yes, give details]
58. Additional selling restrictions: [give details]
59. CUSIP: 14040EER9
ISIN: US14040EER99
Common Code: 12446128

Other (specify):

60. Details of additional/alternative clearance system approved by the Bank:
61. Notes to be listed (Yes/No): Yes
If Yes, securities exchange(s): Luxembourg
62. Syndicated Issue (Yes/No): Yes
If Yes, names of managers and details of relevant stabilizing manager, if any: Barclays Capital Inc. and Credit Suisse First Boston Corporation
63. Clearance System(s):
 DTC only
 Euroclear and Clearstream, Luxembourg only
 DTC, and Euroclear and Clearstream, Luxembourg through DTC
 DTC, Euroclear and Clearstream, Luxembourg
 Other:
64. Name(s) of relevant Distribution Agent(s): Barclays Capital Inc., Credit Suisse First Boston Corporation, ABN AMRO Incorporated, Banc of America Securities LLC, Deutsche Banc Alex. Brown Inc. and Salomon Smith Barney Inc.
65. Other terms or special conditions:
66. Tax considerations:
67. Discount or Commission per Note: .350%
68. Selling Concession per Note: .200%
69. Reallowance per Note: .125%

[Reverse of Note]

The Notes are issuable only in denominations of US\$100,000 and integral multiples of US\$1,000 in excess thereof (or equivalent denominations in other currencies, subject to any other statutory or regulatory minimums). This Note, and any Note issued in exchange or substitution herefor or in place hereof, or upon registration of transfer, exchange or partial redemption or repayment of this Note, may be issued only in an Authorized Denomination specified in the Pricing Supplement (or, if this Note is in definitive form, specified on the face hereof).

Unless otherwise provided herein (or, if this Note is in global form, in the Pricing Supplement), the principal of, and premium, if any, and interest on, this Note are payable in the Specified Currency indicated on the face hereof (or, if such Specified Currency is not at the time of such payment legal tender for the payment of public and private debts, in such other coin or currency of the country which issued such Specified Currency as at the time of such payment is legal tender for the payment of debts). If this Note is a DTC Global Note and the Specified Currency indicated on the face hereof is other than U.S. dollars, any such amounts paid by the Bank will be converted by The Chase Manhattan Bank, as Exchange Rate Agent, or such other agent as may be specified in the Pricing Supplement (or, if this Note is in definitive form, specified on the face hereof), which for these purposes shall act as currency exchange agent (the "Exchange Rate Agent"), into U.S. dollars for payment to the holder of this Note.

If this Note is a DTC Global Note and the Specified Currency indicated on the face hereof is other than the U.S. dollar, any U.S. dollar amount to be received by the holder of this Note will be based on the Exchange Rate Agent's bid quotation as of 11:00 a.m., London time, on the second day on which banks are open for business in London, New York City and Glen Allen, Virginia, preceding the applicable payment date, for the purchase of U.S. dollars with the Specified Currency for settlement on such payment date of the aggregate amount of the Specified Currency payable to all holders of Notes denominated other than in the U.S. dollar scheduled to receive U.S. dollar payments. If such bid quotation is not available, the Exchange Rate Agent will obtain a bid quotation from a leading foreign exchange bank in London or New York City selected by the Exchange Rate Agent for such purchase. If no such bids are available, payment of the aggregate amount due to the holder of this Note on the payment date will be made in the Specified Currency, subject to the other provisions of this Note relating to payment in such Specified Currency. All currency exchange costs will be borne by the holder of this Note by deductions from such payments. All determinations referred to above made by the Exchange Rate Agent shall be at its sole discretion and shall, in the absence of manifest error, be conclusive for all purposes and binding upon the holder of this Note.

If this Note is a DTC Global Note and the Specified Currency indicated on the face hereof is other than the U.S. dollar, the holder of this Note may elect to receive payment of principal (and premium, if any) and interest on this Note in the Specified Currency indicated on the face hereof by submitting a written notice to the Paying Agents prior to 5:00 pm, New York City time, on the fifth Business Day following the applicable Record Date in the case of interest and the tenth calendar day prior to the payment date for the payment of principal. Such notice, which may be mailed or hand delivered or sent by cable, telex or facsimile transmission, shall contain (i) the

holder's election to receive all or a portion of such payment in the Specified Currency on the relevant Interest Payment Date or Maturity, as the case may be, and (ii) wire transfer instructions to an account denominated in the Specified Currency with respect to any payment to be made in the Specified Currency. Any such election made with respect to this Note by the holder will remain in effect with respect to any further payments of principal of, and premium, if any, and interest on this Note payable to the holder of this Note unless such election is revoked on or prior to the fifth Business Day following the applicable Record Date in the case of interest and the tenth calendar day prior to the payment date for the payment of principal.

If (i) this Note is a DTC Global Note and the holder of this Note shall have duly made an election to receive all or a portion of a payment of principal of, and premium, if any, or interest on this Note in the Specified Currency indicated on the face hereof, or (ii) if this Note is not a DTC Global Note, in the case of (i) or (ii) in the event the Specified Currency indicated on the face hereof has been replaced by another currency (a "Replacement Currency"), any amount due pursuant to this Note may be repaid, at the option of the Bank, in the Replacement Currency or in U.S. dollars, at a rate of exchange which takes into account the conversion, at the rate prevailing on the most recent date on which official conversion rates were quoted or set by the national government or other authority responsible for issuing the Replacement Currency, from the Specified Currency to the Replacement Currency and, if necessary, the conversion of the Replacement Currency into U.S. dollars at the rate prevailing on the date of such conversion.

If the Specified Currency indicated on the face hereof is other than the U.S. dollar and (i) this Note is a DTC Global Note and the holder of this Note shall have duly made an election to receive all or a portion of a payment of principal of, and premium, if any, or interest on this Note in the Specified Currency indicated on the face hereof, or (ii) if this Note is not a DTC Global Note, in the case of (i) or (ii) if such Specified Currency is not available due to the imposition of exchange controls or other circumstances beyond the control of the Bank, the Bank will be entitled to satisfy its obligations to the holder of this Note by making such payments of principal of (and premium, if any) or interest on this Note in U.S. dollars until, in the sole discretion of the Bank, the Specified Currency is again available. In such circumstances, the U.S. dollar amount to be received by the holder of this Note will be made on the basis of the most recently available bid quotation from a leading foreign exchange bank in London or New York City selected by the Exchange Rate Agent, for the purchase of U.S. dollars with the Specified Currency for settlement on such payment date of the aggregate amount of the Specified Currency payable to all holders of Notes denominated other than in the U.S. dollar scheduled to receive U.S. dollar payments. Any payment made under such circumstances in U.S. dollars, where the payment is required to be made in the Specified Currency, will not constitute an "Event of Default" with respect to this Note.

The Chase Manhattan Bank shall initially act as domestic paying agent (the "Domestic Paying Agent") and the Bank has initially appointed The Chase Manhattan Bank, London Branch, acting through its specified office in London as London paying agent (the "London Paying Agent") and Chase Manhattan Bank Luxembourg S.A. as Luxembourg paying agent (the "Luxembourg Paying Agent" and together with the Domestic Paying Agent and the London Paying Agent, the "Paying Agents," and each individually, a "Paying Agent," and such terms shall include any additional or successor paying agents appointed pursuant to the Global Agency Agreement (as defined on the face hereof)) in respect of the Notes. If this Note is in registered form, this Note

may be presented or surrendered for payment, and notices, designations or requests in respect of payments with respect to this Note may be served, at the office or agency of any Paying Agent maintained for that purpose. The Bank may at any time rescind any designation of a Paying Agent, appoint any additional or successor Paying Agents or approve a change in the office through which a Paying Agent acts.

Subject to any fiscal or other laws and regulations applicable thereto in the place of payment, payments on registered Notes to be made in a Specified Currency other than the U.S. dollar and payments on bearer Notes will be made by a check in the Specified Currency drawn on or by wire transfer to an account in the Specified Currency (which, in the case of a payment in Yen to a non-resident of Japan, shall be a non-resident account) maintained by the payee with a bank (which, in the case of a payment in Yen to a non-resident of Japan, shall be an authorized foreign exchange bank) in the Principal Financial Center of the country of the Specified Currency, provided, however, that a check may not be delivered to an address in, and an amount may not be transferred to an account located in, the United States of America or its possessions by any office or agency of the Bank or any Paying Agent.

Fixed Rate Interest Provisions

If this Note is designated as a "Fixed Rate Note" on the face hereof, the Bank will pay interest on each Interest Payment Date specified in the Pricing Supplement (or, if this Note is in definitive form, specified on the face hereof) and on the Maturity Date or any Redemption Date (as defined below) or Holder's Optional Repayment Date (as defined below) (each such Maturity Date, Redemption Date and Holder's Optional Repayment Date and the date on which the principal or an installment of principal is due and payable by declaration of acceleration as provided herein being hereinafter referred to as a "Maturity" with respect to the principal repayable on such date), commencing on the first Interest Payment Date next succeeding the Original Issue Date specified on the face hereof (or if the Original Issue Date is between a Record Date and the Interest Payment Date immediately following such Record Date, on the Second Interest Payment Date following the Original Issue Date), at the Interest Rate per annum specified in the Pricing Supplement (or, if this Note is in definitive form, specified on the face hereof), until the principal hereof is paid or duly made available for payment.

Payments of interest hereon will include interest accrued from and including the most recent Interest Payment Date to which interest on this Note (or any predecessor Note) has been paid or duly provided for (or, if no interest has been paid or duly provided for, from and including the Original Issue Date) to but excluding the relevant Interest Payment Date or Maturity, as the case may be. Unless otherwise specified in the Pricing Supplement (or, if this note is in definitive form, on the face hereof), if the Maturity Date specified on the face hereof falls more than one year from the Original Issue Date, interest payments for this Note shall be computed and paid on the basis of a 360-day year of twelve 30-day months. Unless otherwise specified in the Pricing Supplement (or, if this Note is in definitive form, on the face hereof) if the Maturity Date specified on the face hereof falls one year or less from the Original Issue Date, interest payments for this Note shall be computed and paid on the basis of the actual number of days in the year divided by 360.

Unless otherwise provided herein, if any Interest Payment Date or the Maturity of this Note falls on a day which is not a Business Day, the related payment of principal of, or premium, if any, or interest on, this Note shall be made on the next succeeding Business Day with the same force and effect as if made on the date such payments were due, and no interest shall accrue on the amount so payable for the period from and after such Interest Payment Date or the Maturity, as the case may be.

Floating Rate Interest Provisions

If this Note is designated as a "Floating Rate Note" on the face hereof, the Bank will pay interest on each Interest Payment Date specified in the Pricing Supplement (or, if this Note is in definitive form specified on the face hereof) and at Maturity, commencing on the first Interest Payment Date next succeeding the Original Issue Date specified on the face hereof (or, if the Original Issue Date is between a Record Date and the Interest Payment Date immediately following such Record Date, on the second Interest Payment Date following the Original Issue Date), at a rate per annum determined in accordance with the provisions hereof (and, if this Note is in global form, in accordance with the Pricing Supplement), until the principal hereof is paid or duly made available for payment.

Payments of interest hereon will include interest accrued from and including the most recent Interest Payment Date to which interest on this Note (or any predecessor Note) has been paid or duly provided for (or, if no interest has been paid or duly provided for, from and including the Original Issue Date) to but excluding the relevant Interest Payment Date or Maturity, as the case may be (each such period, an "Interest Period").

Unless otherwise specified herein (or, if this Note is in global form, in the Pricing Supplement), if any Interest Payment Date (or other date which is subject to adjustment in accordance with a Business Day Convention specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement)) in respect of this Note (other than an Interest Payment Date at Maturity) would otherwise fall on a day that is not a Business Day, then, if the Business Day Convention specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement) is:

- (1) the "Floating Rate Convention," such Interest Payment Date (or other date) shall be postponed to the next succeeding day which is a Business Day unless it would thereby fall into the next succeeding calendar month, in which event (A) such Interest Payment Date (or other date) shall be brought forward to the next preceding Business Day and (B) each subsequent Interest Payment Date (or other date) shall be the last Business Day in the month which falls the number of months or other period specified as the Interest Payment Period on the face hereof after the preceding applicable Interest Payment Date (or other date) occurred; or
- (2) the "Following Business Day Convention," such Interest Payment Date (or other date) shall be postponed to the next succeeding day which is a Business Day; or
- (3) the "Modified Following Business Day Convention," such Interest Payment Date (or other date) shall be postponed to the next succeeding day that is a Business Day unless it would thereby fall into the next succeeding calendar month, in

which event such Interest Payment Date (or other date) shall be brought forward to the next preceding Business Day; or

- (4) the "Preceding Business Day Convention," such Interest Payment Date (or other date) shall be brought forward to the next preceding Business Day.

If the Maturity of this Note falls on a day that is not a Business Day, the related payment of principal of (and premium, if any) and interest on, this Note will be made on the next succeeding Business Day with the same force and effect as if made on the date such payment was due, and no interest shall accrue on the amount so payable for the period from and after such Maturity.

If "ISDA Rate" is specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement) in connection with the determination of the rate of interest on this Note, the rate of interest on this Note for each Interest Period will be the relevant ISDA Rate (as defined below) plus or minus the Margin, if any, specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement). Unless otherwise specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement), "ISDA Rate" means, with respect to any Interest Period, the rate equal to the Floating Rate that would be determined by the Calculation Agent or other person specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement) pursuant to an interest rate swap transaction if the Calculation Agent or that other person were acting as calculation agent for that swap transaction in accordance with the terms of an agreement in the form of the Interest Rate and Currency Exchange Agreement published by the International Swaps and Derivatives Association, Inc. (the "ISDA Agreement") and evidenced by a Confirmation (as defined in the ISDA Agreement) incorporating the ISDA Definitions (as defined below) and under which:

- (A) the Floating Rate Option is as specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement);
- (B) the Designated Maturity is the period specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement), and
- (C) the relevant Reset Date is either (i) if the applicable Floating Rate Option is based on the London inter-bank offered rate for a currency or on the Euro-zone inter-bank offered rate ("EURIBOR") for a currency, the first day of that Interest Period or (ii) in any other case, as specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement).

As used in this paragraph, "Floating Rate," "Calculation Agent," "Floating Rate Option," "Designated Maturity," and "Reset Date" have the meanings ascribed to those terms in the ISDA Definitions.

If "Reference Rate Determination" is specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement) in connection with the determination of the rate of interest on this Note, this Note will bear interest at a rate per annum equal to the Initial Interest Rate specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement) until the Initial Interest Reset Date specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement) and thereafter at a rate per annum determined as follows:

1. If this Note is designated as a "Regular Floating Rate Note" on the face hereof (or, if this Note is in global form, in the Pricing Supplement) or if no designation is made for Interest Calculation on the face hereof (or, if this Note is in global form, in the Pricing Supplement), then, except as described below (or, if this Note is in global form, in the Pricing Supplement), this Note shall bear interest at the rate determined by reference to the applicable Interest Rate Basis or Bases specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement) (i) plus or minus the applicable Spread, if any, and/or (ii) multiplied by the applicable Spread Multiplier, if any, specified and applied in the manner described on the face hereof (or, if this Note is in global form, in the Pricing Supplement). Commencing on the Initial Interest Reset Date, the rate at which interest on this Note is payable shall be reset as of each Interest Reset Date specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement); provided, however, that the interest rate in effect for the period from the Original Issue Date to the Initial Interest Reset Date will be the Initial Interest Rate.

2. If this Note is designated as a "Floating Rate/Fixed Rate Note" on the face hereof (or, if this Note is in global form, in the Pricing Supplement), then, except as described below (or, if this Note is in global form, in the Pricing Supplement), this Note shall bear interest at the rate determined by reference to the applicable Interest Rate Basis or Bases specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement) (i) plus or minus the applicable Spread, if any, and/or (ii) multiplied by the applicable Spread Multiplier, if any, specified and applied in the manner described on the face hereof (or, if this Note is in global form, in the Pricing Supplement). Commencing on the Initial Interest Reset Date, the rate at which interest on this Note is payable shall be reset as of each Interest Reset Date specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement); provided, however, that (i) the interest rate in effect for the period from the Original Issue Date to the Initial Interest Reset Date shall be the Initial Interest Rate and (ii) the interest rate in effect commencing on, and including, the Fixed Rate Commencement Date specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement) to the Maturity Date shall be the Fixed Interest Rate, if such a rate is specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement), or if no such Fixed Interest Rate is so specified, the interest rate in effect hereon on the Business Day immediately preceding the Fixed Rate Commencement Date.

3. If this Note is designated as an "Inverse Floating Rate Note" on the face hereof (or, if this Note is in global form, in the Pricing Supplement), then, except as described below (or, if this Note is in global form, in the Pricing Supplement), this Note shall bear interest equal to the Fixed Interest Rate indicated on the face hereof (or, if this Note is in global form, in the Pricing Supplement) minus the rate determined by reference to the applicable Interest Rate Basis or Bases specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement) (i) plus or minus the applicable Spread, if any, and/or (ii) multiplied by the applicable Spread Multiplier, if any, specified and applied in the manner described on the face hereof (or, if this Note is in global form, in the Pricing Supplement); provided, however, that, unless otherwise specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement), the interest rate hereon will not be less than zero percent. Commencing on the Initial Interest Reset Date, the rate at which interest on this Note is payable shall be reset as of each Interest Rate Reset Date specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement); provided, however, that the interest rate in effect for the period from the Original Issue Date to the Initial Interest Reset Date shall be the Initial Interest Rate.

Except as provided above, if "Reference Rate Determination" is specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement) in connection with the determination of the rate of interest on this Note, the interest rate in effect on each day shall be (a) if such day is an Interest Reset Date, the interest rate determined as of the Interest Reset Determination Date (as defined below) immediately preceding such Interest Reset Date or (b) if such day is not an Interest Reset Date, the interest rate determined as of the Interest Determination Date immediately preceding the next preceding Interest Reset Date. Each Interest Rate Basis shall be the rate determined in accordance with the applicable provision below. If any Interest Reset Date (which term includes the term Initial Interest Reset Date unless the context otherwise requires) would otherwise be a day that is not a Business Day, such Interest Reset Date shall be adjusted in accordance with the Business Day Convention specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement).

Unless otherwise specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement), the "Interest Determination Date" with respect to the CD Rate, the CMT Rate, the Commercial Paper Rate, the Federal Funds Rate, the J.J. Kenny Rate, and the Prime Rate will be the second Business Day preceding each Interest Reset Date; the "Interest Determination Date" with respect to the Eleventh District Cost of Funds Rate will be the last working day of the month immediately preceding each Interest Reset Date on which the Federal Home Loan Bank of San Francisco (the "FHLB of San Francisco") publishes the Index (as defined below); the "Interest Determination Date" with respect to EURIBOR will be the second day on which the TARGET system is open immediately preceding each Interest Reset Date; the "Interest Determination Date" with respect to LIBOR shall be the second London Banking Day (as defined below) preceding each Interest Reset Date; the "Interest Determination Date" with respect to the Treasury Rate will be the day in the week in which the related Interest Reset Date falls on which day Treasury Bills (as defined below) are normally auctioned (Treasury Bills are normally sold at auction on Monday of each week, unless that day is a legal holiday, in which case the auction is normally held on the following Tuesday, except that such auction may be held on the preceding Friday); provided, however, that if an auction is held on the Friday of the week preceding the related Interest Reset Date, the related Interest Determination Date shall be such preceding Friday; and provided, further, that if an auction shall fall on any Interest Reset Date, then the Interest Reset Date shall instead be the first Business Day following such auction. If the interest rate of this Note is determined with reference to two or more Interest Rate Bases as specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement), the Interest Determination Date pertaining to this Note will be the latest Business Day which is at least two Business Days prior to such Interest Reset Date on which each Interest Rate Basis is determinable. Each Interest Rate Basis shall be determined on such date, and the applicable interest rate shall take effect on the Interest Reset Date.

Determination of CD Rate. If an Interest Rate Basis for this Note is the CD

Rate, as specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement), the CD Rate shall be determined as of the applicable Interest Determination Date (a "CD Rate Interest Determination Date") as the rate on such date for negotiable United States dollar certificates of deposit having the Index Maturity specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement) as published in H.15(519) (as defined below) under the heading "CDs (Secondary Market)". In the event that such rate is not so published prior to 3:00 p.m., New York City time, on the Calculation Date pertaining to such CD Rate Interest Determination Date,

the CD Rate will be the rate on such CD Rate Interest Determination Date for certificates of deposit having the Index Maturity specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement) as published in H.15 Daily Update (as defined below), or another recognized electronic source used for the purpose of displaying that rate, under the heading "CDs (secondary market)". If such rate is published neither in H.15(519) nor in H.15 Daily Update or another recognized electronic source by 3:00 p.m., New York City time, on such Calculation Date, the CD Rate for such CD Rate Interest Determination Date will be calculated by the Calculation Agent and will be the arithmetic mean of the secondary market offered rates as of 10:00 a.m., New York City time, on such CD Rate Interest Determination Date, of three leading nonbank dealers of negotiable United States dollar certificates of deposit in The City of New York selected by the Calculation Agent for negotiable United States dollar certificates of deposit of major United States money market banks for negotiable certificates of deposit with a remaining maturity closest to the Index Maturity specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement) in an amount that is representative for a single transaction in that market at that time; provided, however, that if the dealers selected as aforesaid by the Calculation Agent are not quoting as mentioned in this sentence, the CD Rate determined on such CD Rate Interest Determination Date will be the CD Rate in effect on such date.

"H.15(519)" means the weekly statistical release designated as such, or any successor publication, published by the Board of Governors of the Federal Reserve System.

"H.15 Daily Update" means the daily update of H.15(519), available through the world-wide-web site of the Board of Governors of the Federal Reserve System at <http://www.bog.frb.fed.us/releases/h15/update>, or any successor site or publication.

Determination of CMT Rate. If an Interest Rate Basis for this Note is the CMT
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Rate, as specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement), the CMT Rate shall be determined by the Calculation Agent as of the applicable Interest Determination Date (a "CMT Rate Interest Determination Date") in accordance with the following provisions:

(i) If "CMT Telerate Page 7051" is specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement), the CMT Rate on the CMT Rate Interest Determination Date shall be a percentage equal to the yield for United States Treasury securities at "constant maturity" having the Index Maturity specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement) as set forth in H.15(519) under the caption "Treasury Constant Maturities," as such yield is displayed on Telerate, Inc. (or any successor service) on page 7051 (or any other page as may replace such page on such service) ("Telerate Page 7051") for such CMT Rate Interest Determination Date. If such rate does not appear on Telerate Page 7051, the CMT Rate on such CMT Rate Interest Determination Date shall be a percentage equal to the yield for United States Treasury securities at "constant maturity" having the Index Maturity and for such CMT Rate Interest Determination Date as set forth in H.15(519) under the caption "Treasury Constant Maturities". If such rate does not appear in H.15(519), the CMT Rate on such CMT Rate Interest Determination Date shall be the rate for the period of the Index Maturity as may then be published by either the Board of Governors of the Federal Reserve System or the United States Department of the Treasury that the Calculation Agent determines to be comparable to the rate which would otherwise have been published in H.15(519). If the Board of

Governors of the Federal Reserve System or the United States Department of the Treasury does not publish a yield on United States Treasury securities at "constant maturity" having the Index Maturity for such CMT Rate Interest Determination Date, the CMT Rate on such CMT Rate Interest Determination Date shall be calculated by the Calculation Agent and shall be a yield-to-maturity based on the arithmetic mean of the secondary market bid prices at approximately 3:30 p.m., New York City time, on such CMT Rate Interest Determination Date of three leading primary United States government securities dealers in The City of New York (each, a "Reference Dealer") selected by the Calculation Agent (from five such Reference Dealers and eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest)) for United States Treasury securities with an original maturity equal to the Index Maturity, a remaining term to maturity no more than 1 year shorter than the Index Maturity and in a principal amount that is representative for a single transaction in such securities in such market at such time. If fewer than five but more than two such prices are provided as requested, the CMT Rate on such CMT Rate Interest Determination Date shall be based on the arithmetic mean of the bid prices obtained and neither the highest nor lowest of such quotations shall be eliminated. If fewer than three prices are provided as requested, the CMT Rate on such CMT Rate Interest Determination Date shall be calculated by the Calculation Agent and shall be a yield-to-maturity based on the arithmetic mean of the secondary market bid prices as of approximately 3:30 p.m., New York City time, on such CMT Rate Interest Determination Date of three Reference Dealers selected by the Calculation Agent (from five such Reference Dealers and eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest)) for United States Treasury securities with an original maturity greater than the Index Maturity, a remaining term to maturity closest to the Index Maturity and in a principal amount that is representative for a single transaction in such securities in such market at such time. If fewer than five but more than two such prices are provided as requested, the CMT Rate on such CMT Rate Interest Determination Date shall be based on the arithmetic mean of the bid prices obtained and neither the highest nor the lowest of such quotations shall be eliminated; provided, however, that if fewer than three such prices are provided as requested, the CMT Rate determined as of such CMT Rate Interest Determination Date shall be the CMT Rate in effect on such CMT Rate Interest Determination Date. If two such United States Treasury securities with an original maturity greater than the Index Maturity have remaining terms to maturity equally close to the Index Maturity, the quotes for the Treasury security with the shorter original term to maturity will be used.

(ii) If "CMT Telerate Page 7052" is specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement), the CMT Rate on the CMT Rate Interest Determination Date shall be a percentage equal to the one-week or one-month, as specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement), average yield for United States Treasury securities at "constant maturity" having the Index Maturity specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement) as set forth in H.15(519) opposite the caption "Treasury Constant Maturities," as such yield is displayed on Telerate, Inc. (or any successor service) on page 7052 (or any other page as may replace such page on such service) ("Telerate Page 7052") for the week or month, as applicable, ended immediately preceding the week or month, as applicable, in which such CMT Rate Interest Determination Date falls. If such rate does not appear on the Telerate Page 7052, the CMT Rate on such CMT Rate Interest Determination Date shall be a percentage equal to the one-week or one-month, as specified on

the face hereof (or, if this Note is in global form, in the Pricing Supplement), average yield for United States Treasury securities at "constant maturity" having the Index Maturity and for the week or month, as applicable, preceding such CMT Rate Interest Determination Date as set forth in H.15(519) opposite the caption "Treasury Constant Maturities". If such rate does not appear in H.15(519), the CMT Rate on such CMT Rate Interest Determination Date shall be the one-week or one-month, as specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement), average yield for United States Treasury securities at "constant maturity" having the Index Maturity as otherwise announced by the Federal Reserve Bank of New York for the week or month, as applicable, ended immediately preceding the week or month, as applicable, in which such CMT Rate Interest Determination Date falls. If the Federal Reserve Bank of New York does not publish a one-week or one-month, as specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement), average yield on United States Treasury securities at "constant maturity" having the Index Maturity for the applicable week or month, the CMT Rate on such CMT Rate Interest Determination Date shall be calculated by the Calculation Agent and shall be a yield-to-maturity based on the arithmetic mean of the secondary market bid prices at approximately 3:30 p.m., New York City time, on such CMT Rate Interest Determination Date of three Reference Dealers selected by the Calculation Agent (from five such Reference Dealers and eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest)) for United States Treasury securities with an original maturity equal to the Index Maturity, a remaining term to maturity of no more than 1 year shorter than the Index Maturity and in a principal amount that is representative for a single transaction in such securities in such market at such time. If fewer than five but more than two such prices are provided as requested, the CMT Rate on such CMT Rate Interest Determination Date shall be based on the arithmetic mean of the bid prices obtained and neither the highest nor lowest of such quotations shall be eliminated. If fewer than three prices are provided as requested, the CMT Rate on such CMT Rate Interest Determination Date shall be calculated by the Calculation Agent and shall be a yield-to-maturity based on the arithmetic mean of the secondary market bid prices as of approximately 3:30 p.m., New York City time, on such CMT Rate Interest Determination Date of three Reference Dealers selected by the Calculation Agent (from five such Reference Dealers and eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest)) for United States Treasury securities with an original maturity longer than the Index Maturity, a remaining term to maturity closest to the Index Maturity and in a principal amount that is representative for a single transaction in such securities in such market at such time. If fewer than five but more than two such prices are provided as requested, the CMT Rate on such CMT Rate Interest Determination Date shall be based on the arithmetic mean of the bid prices obtained and neither the highest nor lowest of such quotations shall be eliminated; provided, however, that if fewer than three such prices are provided as requested, the CMT Rate determined as of such CMT Rate Interest Determination Date shall be the CMT Rate in effect on such CMT Rate Interest Determination Date. If two United States Treasury securities with an original maturity greater than the Index Maturity have remaining terms to maturity equally close to the Index Maturity, the quotes for the Treasury security with the shorter original term to maturity will be used.

Determination of Commercial Paper Rate. If an Interest Rate Basis for this Note

is the Commercial Paper Rate, as specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement), the Commercial Paper Rate shall be determined as of the applicable

Interest Determination Date (a "Commercial Paper Rate Interest Determination Date") as the Money Market Yield (as defined below) on such date of the rate for commercial paper having the Index Maturity specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement) as published in H.15(519) under the caption "Commercial Paper-Nonfinancial" or, if not so published by 3:00 p.m., New York City time, on the related Calculation Date, the Money Market Yield of the rate on such Commercial Paper Rate Interest Determination Date for commercial paper having the Index Maturity as published in H.15 Daily Update, or such other recognized electronic source used for the purpose of displaying such rate, under the caption "Commercial Paper-Nonfinancial." If such rate is not yet published in H.15(519), H.15 Daily Update or another recognized electronic source by 3:00 p.m., New York City time, on such Calculation Date, then the Commercial Paper Rate on such Commercial Paper Rate Interest Determination Date will be calculated by the Calculation Agent and shall be the Money Market Yield of the arithmetic mean of the offered rates at approximately 11:00 a.m., New York City time, on such Commercial Paper Rate Interest Determination Date of three leading dealers of United States dollar commercial paper in The City of New York selected by the Calculation Agent for commercial paper having the Index Maturity placed for industrial issuers whose bond rating is "Aa," or the equivalent, from a nationally recognized statistical rating organization; provided, however, that if the dealers so selected by the Calculation Agent are not quoting as mentioned in this sentence, the Commercial Paper Rate determined as of such Commercial Paper Rate Interest Determination Date will be the Commercial Paper Rate in effect on such Commercial Paper Rate Interest Determination Date.

"Money Market Yield" means a yield (expressed as a percentage) calculated in accordance with the following formula:

$$\text{Money Market Yield} = \frac{D \times 360}{360 - (D \times M)} \times 100$$

where "D" refers to the applicable per annum rate for commercial paper quoted on a bank discount basis and expressed as a decimal, and "M" refers to the actual number of days in the applicable Interest Reset Period.

Determination of Eleventh District Cost of Funds Rate. If an Interest Rate Basis

 for this Note is the Eleventh District Cost of Funds Rate, as specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement), the Eleventh District Cost of Funds Rate shall be determined as of the applicable Interest Determination Date (an "Eleventh District Cost of Funds Rate Interest Determination Date"), as the rate equal to the monthly weighted average cost of funds for the calendar month immediately preceding the month in which such Eleventh District Cost of Funds Rate Interest Determination Date falls, as set forth under the caption "11th District" on Telerate Page 7058 (as defined below) as of 11:00 a.m., San Francisco time, on such Eleventh District Cost of Funds Rate Interest Determination Date. If such rate does not appear on Telerate Page 7058 on the related Eleventh District Cost of Funds Rate Interest Determination Date, the Eleventh District Cost of Funds Rate for such Eleventh District Cost of Funds Rate Interest Determination Date shall be the monthly weighted average cost of funds paid by member institutions of the Eleventh Federal Home Loan Bank District that was most recently announced (the "Index") by the FHLB of San Francisco as such cost of funds for the calendar month immediately preceding the date of such announcement. If the FHLB of San Francisco fails to

announce such rate for the calendar month immediately preceding such Eleventh District Cost of Funds Rate Interest Determination Date, then the Eleventh District Cost of Funds Rate determined as of such Eleventh District Cost of Funds Rate Interest Determination Date shall be the Eleventh District Cost of Funds Rate in effect on such Eleventh District Cost of Funds Rate Interest Determination Date.

"Telerate Page 7058" means the display designated as page "7058" on the Bridge Telerate Service (or such other page as may replace the 7058 page on that service for the purpose of displaying the monthly weighted average costs of funds paid by member institutions of the Eleventh Federal Home Loan Bank District).

Determination of EURIBOR. If an Interest Rate Basis for this Note is EURIBOR, as ----- specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement), EURIBOR shall be determined as of the applicable Interest Determination Date (a "EURIBOR Interest Determination Date"), in accordance with the following provisions:

(i) With respect to any EURIBOR Interest Determination Date, EURIBOR will be:

(a) the rate for deposits in euro as sponsored, calculated and published jointly by the European Banking Federation and ACI--The Financial Market Association, or any company established by the joint sponsors for purposes of compiling and publishing those rates, having the Index Maturity specified on the face hereof (or if this Note is in global form, in the Pricing Supplement), commencing on the applicable Interest Reset Date, as that rate appears on Telerate, Inc., or any successor service, on page 248 (or any other page as may replace such page on such service) ("Telerate Page 248") as of 11:00 a.m., Brussels time, on the applicable EURIBOR Interest Determination Date.

(b) if the rate referred to in clause (a) above does not appear on Telerate Page 248, or is not so published by 11:00 a.m., Brussels time, on the applicable EURIBOR Interest Determination Date, the rate calculated by the Calculation Agent as the arithmetic mean of at least two quotations obtained by the Calculation Agent after requesting the principal Euro-zone (as defined hereinafter) offices of four major banks in the Euro-zone interbank market, in the European interbank market, to provide the Calculation Agent with its offered quotation for deposits in euro for the period of the Index Maturity designated on the face hereof (or if this Note is in global form, in the Pricing Supplement), commencing on the applicable Interest Reset Date, to prime banks in the Euro-zone interbank market at approximately 11:00 a.m., Brussels time, on the applicable EURIBOR Interest Determination Date and in a principal amount not less than the equivalent of U.S.\$1,000,000 in euro that is representative for a single transaction in euro in such market at such time.

(c) if fewer than two quotations referred to in clause (b) above are provided, EURIBOR for such EURIBOR Interest Determination Date will be calculated by the Calculation Agent and will be the arithmetic mean of the rates quoted at approximately 11:00 a.m., Brussels time, on such EURIBOR Interest Determination Date by four major banks in the Eurozone for loans in euro to leading European banks, having the Index Maturity designated on the face hereof (or if this Note is in global form, in the Pricing

Supplement), commencing on the applicable Interest Reset Date and in principal amount not less than the equivalent of U.S.\$1,000,000 in euro that is representative for a single transaction in euro in such market at such time.

(d) if the banks so selected by the Calculation Agent are not quoting as mentioned in clause (c) above, EURIBOR determined as of such EURIBOR Interest Determination Date shall be EURIBOR in effect on such EURIBOR Interest Determination Date.

"Euro-zone" means the region comprised of member states of the European Union that adopt the single currency in accordance with the treaty establishing the European Community, as amended by the treaty on European Union.

Determination of Federal Funds Rate. If an Interest Rate Basis for this Note is -----

the Federal Funds Rate, as specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement), the Federal Funds Rate shall be determined as of the applicable Interest Determination Date (a "Federal Funds Rate Interest Determination Date") as the rate on such date for United States dollar federal funds as published in H.15(519) under the heading "Federal Funds (Effective)", as such rate is displayed on Bridge Telerate, Inc. (or any successor service) on page 120 (or any other page as may replace such page on such service) ("Telerate Page 120"), or, if such rate does not appear on Telerate Page 120 or is not so published by 3:00 p.m., New York City time, on the Calculation Date, the rate on such Federal Funds Rate Interest Determination Date for United States dollar federal funds as published in H.15 Daily Update, or such other recognized electronic source used for the purpose of displaying such rate, under the caption "Federal Funds (Effective)." If such rate does not appear on Telerate Page 120 or is not yet published in H.15(519), H.15 Daily Update or another recognized electronic source by 3:00 p.m., New York City time, on the related Calculation Date, then the Federal Funds Rate on such Federal Funds Rate Interest Determination Date shall be calculated by the Calculation Agent and will be the arithmetic mean of the rates for the last transaction in overnight United States dollar federal funds arranged by three leading brokers of United States dollar federal funds transactions in The City of New York selected by the Calculation Agent, prior to 9:00 a.m., New York City time, on such Federal Funds Rate Interest Determination Date; provided, however, that if the brokers so selected by the Calculation Agent are not quoting as mentioned in this sentence, the Federal Funds Rate determined as of such Federal Funds Rate Interest Determination Date will be the Federal Funds Rate in effect on such Federal Funds Rate Interest Determination Date.

Determination of J.J. Kenny Rate. If an Interest Rate Basis for this Note is the -----

J.J. Kenny Rate, as specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement), the J.J. Kenny Rate shall be determined as of the applicable Interest Determination Date (a "J.J. Kenny Interest Determination Date") as the rate in the high grade weekly index (the "Weekly Index") on such date made available by Kenny Information Systems ("Kenny") to the Calculation Agent. The Weekly Index Maturity is, and shall be, based upon 30-day yield evaluations at par of bonds, the interest of which is exempt from Federal income taxation under the Internal Revenue Code of 1986, as amended (the "Code"), of not less than five high grade component issuers selected by Kenny which shall include, without limitation, issuers of general obligation bonds. The specific issuers included among the component issuers may be changed

from time to time by Kenny in its discretion. The bonds on which the Weekly Index is based shall not include any bonds on which the interest is subject to a minimum tax or similar tax under the Code, unless all tax-exempt bonds are subject to such tax. In the event Kenny ceases to make available such Weekly Index, a successor indexing agent will be selected by the Calculation Agent, such index to reflect the prevailing rate for bonds rated in the highest short-term rating category by Moody's Investors Service, Inc. and Standard & Poor's Ratings Group in respect of issuers most closely resembling the high grade component issuers selected by Kenny for its Weekly Index, the interest on which is (i) variable on a weekly basis, (ii) exempt from Federal income taxation under the Code, and (iii) not subject to a minimum tax or similar tax under the Code, unless all tax-exempt bonds are subject to such tax. If such successor indexing agent is not available, the rate for any J.J. Kenny Interest Determination Date shall be 67% of the rate determined if the Treasury Rate option had been originally selected.

Determination of LIBOR. If an Interest Rate Basis for this Note is LIBOR, as

specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement), LIBOR shall be determined by the Calculation Agent as of the applicable Interest Determination Date (a "LIBOR Interest Determination Date"), in accordance with the following provisions:

(i) if "LIBOR Telerate" is specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement) or if neither "LIBOR Reuters" nor "LIBOR Telerate" is specified on the face hereof as the method for calculating LIBOR, LIBOR will be the rate for deposits in the Designated LIBOR Currency having the Index Maturity specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement), commencing on such Interest Reset Date, that appears on the Designated LIBOR Page (as defined hereinafter) as of 11:00 a.m., London time, on such LIBOR Interest Determination Date; or (b) if "LIBOR Reuters" is specified on the face hereof, the arithmetic mean of the offered rates (unless the Designated LIBOR Page by its terms provides only for a single rate, in which case such single rate shall be used) for deposits in the Designated LIBOR Currency having the Index Maturity, commencing on the applicable Interest Reset Date, that appear (or, if only a single rate is required as aforesaid, appears) on the Designated LIBOR Page (as defined hereinafter) as of 11:00 a.m., London time, on such LIBOR Interest Determination Date. If fewer than two such offered rates so appear, or if no such rate so appears, as applicable, LIBOR on such LIBOR Interest Determination Date shall be determined in accordance with the provisions described in clause (ii) below.

(ii) With respect to a LIBOR Interest Determination Date on which fewer than two offered rates appear, or no rate appears, as the case may be, on the Designated LIBOR Page as specified in clause (i) above, the Calculation Agent shall request the principal London offices of each of four major reference banks in the London interbank market, as selected by the Calculation Agent, to provide the Calculation Agent with its offered quotation for deposits in the Designated LIBOR Currency for the period of the Index Maturity, commencing on the applicable Interest Reset Date, to prime banks in the London interbank market at approximately 11:00 a.m., London time, on such LIBOR Interest Determination Date and in a principal amount that is representative for a single transaction in the Designated LIBOR Currency in such market at such time. If at least two such quotations are so provided, then LIBOR on such LIBOR Interest Determination Date will be the arithmetic mean of such quotations. If fewer than two such quotations are so provided, then LIBOR on such LIBOR Interest Determination Date will be the arithmetic mean of the rates quoted at approximately 11:00 a.m., in the applicable Principal

Financial Center, on such LIBOR Interest Determination Date by three major banks in such Principal Financial Center (as defined hereafter) selected by the Calculation Agent for loans in the Designated LIBOR Currency to leading European banks, having the Index Maturity and in a principal amount that is representative for a single transaction in the Designated LIBOR Currency in such market at such time; provided, however, that if the banks so selected by the Calculation Agent are not quoting as mentioned in this sentence, LIBOR determined as of such LIBOR Interest Determination Date shall be LIBOR in effect on such LIBOR Interest Determination Date.

"Designated LIBOR Currency" means the currency specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement) as to which LIBOR shall be calculated or, if no such currency is specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement), United States dollars.

"Designated LIBOR Page" means (a) if "LIBOR Reuters" is specified on the face hereof, the display on the Reuter Monitor Money Rates Service (or any successor service) on the page specified on the face hereof (or any other page as may replace such page on such service) for the purpose of displaying the London interbank rates of major banks for the Designated LIBOR Currency, or (b) if "LIBOR Telerate" is specified on the face hereof or neither "LIBOR Reuters" nor "LIBOR Telerate" is specified on the face hereof as the method for calculating LIBOR, the display on Bridge Telerate, Inc. (or any successor service) on the page specified on the face hereof (or any other page as may replace such page on such service) for the purpose of displaying the London interbank rates of major banks for the Designated LIBOR Currency.

"Principal Financial Center" means the capital city of the country to which the Designated LIBOR Currency relates except that with respect to United States dollars, Australian dollars, Canadian dollars, Deutsche marks, Dutch guilders, Italian lire, Portuguese escudos, South African rand and Swiss francs, the "Principal Financial Center" shall be The City of New York, Sydney, Toronto, Frankfurt, Amsterdam, Milan, London (solely in the case of the Designated LIBOR Currency), Johannesburg and Zurich, respectively.

"London Banking Day" means any day (other than a Saturday or Sunday) on which dealings in deposits in the Index Currency are transacted in the London interbank market.

Determination of Prime Rate. If an Interest Rate Basis for this Note is the

Prime Rate, as specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement), the Prime Rate shall be determined as of the applicable Interest Determination Date (a "Prime Rate Interest Determination Date") as the rate on such date as such rate is published in H.15(519) under the caption "Bank Prime Loan" or, if not published by 3:00 p.m., New York City time, on the related Calculation Date, the rate on such Prime Rate Interest Determination Date as published in H.15 Daily Update, or such other recognized electronic source used for the purpose of displaying such rate, under the caption "Bank Prime Loan." If such rate is not yet published in H.15(519), H.15 Daily Update or another recognized electronic source by 3:00 p.m., New York City time, on the related Calculation Date, then the Prime Rate shall be the arithmetic mean of the rates of interest publicly announced by each bank that appears on the Reuters Screen US PRIME 1 Page (as defined hereinafter) as such bank's prime rate or base lending rate as of 11:00 a.m., New York City time, on such Prime Rate Interest Determination Date. If fewer than

four such rates so appear on the Reuters Screen US PRIME 1 Page for such Prime Rate Interest Determination Date, then the Prime Rate shall be the arithmetic mean of the prime rates or base lending rates quoted on the basis of the actual number of days in the year divided by a 360-day year as of the close of business on such Prime Rate Interest Determination Date by three major banks in The City of New York selected by the Calculation Agent; provided, however, that if the banks or trust companies so selected by the Calculation Agent are not quoting as mentioned in this sentence, the Prime Rate determined as of such Prime Rate Interest Determination Date will be the Prime Rate in effect on such Prime Rate Interest Determination Date.

"Reuters Screen US PRIME 1 Page" means the display on the Reuter Monitor Money Rates Service (or any successor service) on the "US PRIME 1" page (or such other page as may replace the US PRIME 1 page on such service) for the purpose of displaying prime rates or base lending rates of major United States banks.

Determination of Treasury Rate. If an Interest Rate Basis for this Note is the

Treasury Rate, as specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement), the Treasury Rate shall be determined as of the applicable Interest Determination Date (a "Treasury Rate Interest Determination Date") as the rate from the auction held on such Treasury Rate Interest Determination Date (the "Auction") of direct obligations of the United States ("Treasury Bills") having the Index Maturity specified on the face hereof under the caption "INVESTMENT RATE" on the display on Telerate, Inc. (or any successor service) on page 56 (or any other page as may replace such page on such service) ("Telerate Page 56") or page 57 (or any other page as may replace such page on such service) ("Telerate Page 57") or, if not so published by 3:00 p.m., New York City time, on the related Calculation Date, the Bond Equivalent Yield (as defined hereinafter) of the rate for such Treasury Bills as published in H.15 Daily Update, or such other recognized electronic source used for the purpose of displaying such rate, under the caption "U.S. Government Securities/Treasury Bills/Auction High." If such rate is not so published in H.15 Daily Update or another recognized electronic source by 3:00 p.m., New York City time, on the related Calculation Date, the Treasury Rate on such Treasury Rate Interest Determination Date shall be Bond Equivalent Yield of the auction rate of such Treasury Bills as announced by the United States Department of the Treasury. In the event that such auction rate is not so announced by the United States Department of the Treasury on such Calculation Date, or if no such Auction is held, then the Treasury Rate on such Treasury Rate Interest Determination Date shall be the Bond Equivalent Yield of the rate on such Treasury Rate Interest Determination Date of Treasury Bills having the Index Maturity as published in H.15(519) under the caption "U.S. Government Securities/Treasury Bills/Secondary Market" or, if not yet published by 3:00 p.m., New York City time, on the related Calculation Date, the rate on such Treasury Rate Interest Determination Date of such Treasury Bills as published in H.15 Daily Update, or such other recognized electronic source used for the purpose of displaying such rate, under the caption "U.S. Government Securities/Treasury Bills/Secondary Market." If such rate is not yet published in H.15(519), H.15 Daily Update or another recognized electronic source by 3:00 p.m., New York City time, on the related Calculation Date, then the Treasury Rate on such Treasury Rate Interest Determination Date shall be calculated by the Calculation Agent and shall be the Bond Equivalent Yield of the arithmetic mean of the secondary market bid rates, as of approximately 3:30 p.m., New York City time, on such Treasury Rate Interest Determination Date, of three leading primary United States government securities dealers selected by the Calculation Agent, for the issue of Treasury Bills with a remaining maturity closest to the Index

Maturity; provided, however, that if the dealers so selected by the Calculation Agent are not quoting as mentioned in this sentence, the Treasury Rate determined as of such Treasury Rate Interest Determination Date will be the Treasury Rate in effect on such Treasury Rate Interest Determination Date.

"Bond Equivalent Yield" means a yield (expressed as a percentage) calculated in accordance with the following formula:

$$\text{Bond Equivalent Yield} = \frac{D \times N}{360 - (D \times M)} \times 100$$

where "D" refers to the applicable per annum rate for Treasury Bills quoted on a bank discount basis and expressed as a decimal, "N" refers to 365 or 366, as the case may be, and "M" refers to the actual number of days in the applicable Interest Reset Period.

Unless otherwise specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement), accrued interest hereon shall be an amount calculated by multiplying the face amount hereof by an accrued interest factor. Such accrued interest factor shall be computed by adding the interest factor calculated for each day in the period for which accrued interest is being calculated. Unless otherwise specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement), the interest factor for each such day shall be computed and paid on the basis of a 360-day year of twelve 30-day months if the Day Count Convention specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement) is "30/360" for the period specified thereunder, or by dividing the applicable per annum interest rate by 360 if the Day Count Convention specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement) is "Actual/360" for the period specified thereunder, or by dividing the applicable per annum interest rate by the actual number of days in the year if the Day Count Convention specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement) is "Actual/Actual" for the period specified thereunder. If no Day Count Convention is specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement), the interest factor for each day in the relevant Interest Period shall be computed, if an Interest Rate Basis specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement) is the CMT Rate, EURIBOR, or Treasury Rate or if the Specified Currency indicated on the face hereof (or, if this Note is in global form, in the Pricing Supplement) is Sterling, as if "Actual/Actual" had been specified thereon and, in all other cases, as if "Actual/360" had been specified thereon. Unless otherwise specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement), if interest on this Note is to be calculated with reference to two or more Interest Rate Bases as specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement), the interest factor will be calculated in each period in the same manner as if only one of the applicable Interest Rate Bases applied.

Unless otherwise specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement), if "Reference Rate Determination" is specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement) in connection with the determination of the rate of interest on this Note, the "Calculation Date," if applicable, pertaining to any Interest Determination Date will be the earlier of (i) the tenth calendar day after such Interest

Determination Date or, if such day is not a Business Day, the next succeeding Business Day and (ii) the Business Day immediately preceding the applicable Interest Payment Date or Maturity Date, as the case may be. All calculations in respect of determining the interest rate applicable to this Note (other than any calculations made by the Exchange Rate Agent) shall be made by the Calculation Agent specified on the face hereof (or, if this Note is in global form, the Pricing Supplement) or such successor thereto as is duly appointed by the Bank. The determination of any interest rate by the Calculation Agent shall, in the absence of manifest error, be conclusive for all purposes and binding upon the holder hereof.

All percentages resulting from any calculation on this Note would be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point, with five one-millionths of a percentage point rounded upward (e.g., 9.876545% (or 0.09876545) would be rounded to 9.87655% (or 0.0987655%) and 9.876544% (or 0.09876544) would be rounded to 9.87654% (or 0.0987654)), and all dollar amounts used in or resulting from such calculation will be rounded to the nearest cent or, if the Specified Currency is other than dollars, to the nearest unit (with one-half cent or unit being rounded upward).

At the request of the holder hereof, the Calculation Agent shall provide to the holder hereof the interest rate hereon then in effect and, if determined, the interest rate which shall become effective for the next Interest Period.

Notwithstanding the foregoing, the interest rate hereon shall not be greater than the Maximum Interest Rate, if any, or less than the Minimum Interest Rate, if any, specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement). In addition to any Maximum Interest Rate applicable hereto pursuant to the above provisions, the interest rate on this Note will in no event be higher than the maximum rate permitted by New York law, as the same may be modified by United States law of general application.

Redemption at the Option of the Bank

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Unless otherwise specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement), this Note will not be subject to any sinking fund. This Note may be redeemed by the Bank either in whole or in part on and after the Initial Redemption Date, if any, specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement). If no Initial Redemption Date is specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement), this Note may not be redeemed prior to the Maturity Date except as provided below in the event that any Additional Amounts (as defined below) are required to be paid by the Bank with respect to this Note. On and after the Initial Redemption Date, if any, this Note may be redeemed in increments of US\$1,000 (or, if the Specified Currency indicated on the face hereof is other than the United States dollar, in such Authorized Denominations specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement)) at the option of the Bank at the applicable Redemption Price (as defined below) together with unpaid interest accrued hereon at the applicable rate borne by this Note to the date of redemption (each such date, a "Redemption Date"), on written notice given by or on behalf of the Bank not more than 60 nor less than 30 calendar days prior to the Redemption Date (unless otherwise specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement)); provided, however, that, in the event of redemption of this Note in part only, the unredeemed portion

thereof shall be an Authorized Denomination specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement). In the event of redemption of this Note in part only, a new Note for the unredeemed portion hereof shall be issued in the name of the holder hereof upon the surrender of this Note, or, where applicable, an appropriate notation will be made on the schedule attached hereto for such notations.

The "Redemption Price" shall initially be the Initial Redemption Percentage specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement) of the principal amount of this Note to be redeemed and shall decline at each anniversary of the Initial Redemption Date specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement) by the Annual Redemption Percentage Reduction, if any, specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement), of the principal amount to be redeemed until the Redemption Price is 100% of such principal amount.

Repayment at the Option of the Holder

This Note may be subject to repayment at the option of the holder hereof in accordance with the terms hereof on any Holder's Optional Repayment Date(s), if any, specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement). If no Holder's Optional Repayment Date is specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement), this Note will not be repayable at the option of the holder hereof prior to the Maturity Date. On any Holder's Optional Repayment Date, this Note will be repayable in whole or in part in increments of US\$1,000 (or, if the Specified Currency indicated on the face hereof is other than the U.S. dollar, in such Authorized Denominations specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement)) at the option of the holder hereof at the repayment price equal to 100% of the principal amount to be repaid, together with accrued and unpaid interest hereon payable to the date of repayment; provided, however, that, in the event of repayment of this Note in part only, the unrepaid portion hereof shall be an Authorized Denomination specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement). For this Note to be repaid in whole or in part at the option of the holder hereof on a Holder's Optional Repayment Date, this Note must be delivered, with the form entitled "Option to Elect Repayment" attached hereto duly completed, to the Domestic Paying Agent or the London Paying Agent (as appropriate in accordance with such attached form) at the address set forth on such form or at such other address which the Bank shall from time to time notify the holders of the Notes not more than 60 nor less than 30 days prior to such Holder's Optional Repayment Date. In the event of repayment of this Note in part only, a new Note for the unrepaid portion hereof shall be issued in the name of the holder hereof upon the surrender hereof, or, where applicable, an appropriate notation will be made on the schedule attached hereto for such notations. Exercise of such repayment option by the holder hereof shall be irrevocable.

Additional Amounts

All payments of principal (and premium, if any) and interest with respect to this Note will be made without withholding or deduction at source for, or on account of, any present or future taxes, fees, duties, assessments or governmental charges of whatever nature imposed or levied by the United States or any political subdivision or taxing authority thereof or therein, unless such

withholding or deduction is required by (i) the laws (or any regulations or rulings promulgated thereunder) of the United States or any political subdivision or taxing authority thereof or therein or (ii) an official position regarding the application, administration, interpretation or enforcement of any such laws, regulations or rulings including, without limitation, a holding by a court of competent jurisdiction or by a taxing authority in the United States or any political subdivision thereof). If a withholding or deduction at source is required, the Bank will (subject to certain limitations and exceptions set forth below) pay to the holder hereof on behalf of an owner of a beneficial interest herein (an "Owner") who is a United States Alien (as defined below) such additional amounts ("Additional Amounts") as may be necessary so that every net payment of principal (and premium, if any) or interest made to the holder hereof on behalf of such Owner, after such withholding or deduction, will not be less than the amount provided for in this Note with respect to such Owner's interest; provided, however, that the Bank shall not be required to make any payment of Additional Amounts for or on account of:

(a) any tax, fee, duty, assessment or other governmental charge which would not have been imposed but for (i) the existence of any present or former connection between such Owner (or between a fiduciary, settlor, beneficiary, member or shareholder of, or possessor of a power over, such Owner, if such Owner is an estate, trust, partnership or corporation) and the United States, including, without limitation, such Owner (or such fiduciary, settlor, beneficiary, member, shareholder or possessor) being or having been a citizen or resident thereof or being or having been present or engaged in trade or business therein or having had a permanent establishment therein, or (ii) the presentation of this Note for payment on a date more than 15 days after the date on which such payment became due and payable or the date on which payment thereof is duly provided for, whichever occurs later;

(b) any estate, inheritance, gift, sales, transfer, personal property or similar tax, assessment or other governmental charge;

(c) any tax, fee, duty, assessment or other governmental charge imposed by reason of such Owner's past or present status as a personal holding company, foreign personal holding company, passive foreign investment company or controlled foreign corporation with respect to the United States or as a corporation which accumulates earnings to avoid United States federal income tax;

(d) any tax, fee, duty, assessment or other governmental charge which is payable otherwise than by withholding from payments of principal or interest with respect to this Note;

(e) any tax, fee, duty, assessment or other governmental charge imposed on interest received by anyone who owns (actually or constructively) 10% or more of the total combined voting power of all classes of stock of the Bank;

(f) any tax, fee, duty, assessment or other governmental charge required to be withheld by any Paying Agent from any payment of principal (and premium, if any) or interest with respect to this Note, if such payment can be made without such withholding by any other Paying Agent with respect to this Note;

(g) any tax, fee, duty, assessment or other governmental charge which would not have been imposed but for the failure to comply with certification, information or other reporting requirements concerning the nationality, residence, identity or connection with the United States of the holder hereof or of such Owner, if such compliance is required by statute or by regulation of the United States Treasury Department as a precondition to relief or exemption from such tax, assessment or other governmental charge; or

(h) any combination of items (a), (b), (c), (d), (e), (f) and (g);

nor shall Additional Amounts be paid to any holder of this Note on behalf of any Owner who is a fiduciary or partnership or other than the sole Owner to the extent a beneficiary or settlor with respect to such fiduciary or a member of such partnership or Owner would not have been entitled to payment of the Additional Amounts had such beneficiary, settlor, member or Owner been the sole Owner of this Note.

As used herein, the term "United States Alien" means any corporation, individual, fiduciary or partnership that for United States federal income tax purposes is a foreign corporation, nonresident alien individual, nonresident alien fiduciary of a foreign estate or trust, or foreign partnership one or more members of which is a foreign corporation, nonresident alien individual or nonresident alien fiduciary of a foreign estate or trust.

If this Note is in bearer form and the Bank shall determine, based upon a written opinion of independent counsel selected by the Bank, that any payment made outside the United States by the Bank or any of its Paying Agents of the full amount of the next scheduled payment of either principal (and premium, if any) or interest due with respect to this Note would, under any present or future laws or regulations of the United States affecting taxation or otherwise, be subject to any certification, information or other reporting requirements of any kind, the effect of which requirements is the disclosure to the Bank, any of its Paying Agents or any governmental authority of the nationality, residence or identity (as distinguished from status as a United States Alien) of any Owner of this Note who is a United States Alien (other than such requirements which (i) would not be applicable to a payment made to a custodian, nominee or other agent of the Owner, or which can be satisfied by such a custodian, nominee or other agent certifying to the effect that such Owner is a United States Alien; provided, however, in each case that payment by such custodian, nominee or agent to such Owner is not otherwise subject to any requirements referred to in this sentence, (ii) are applicable only to payment by a custodian, nominee or other agent of the Owner to or on behalf of such Owner, or (iii) would not be applicable to a payment made by any other paying agent of the Bank), the Bank shall redeem this Note as a whole but not in part at a redemption price equal to the principal amount hereof (or, if this is an Original Issue Discount Note, the Amortized Face Amount (as defined herein) hereof determined as of the date of redemption), together, if appropriate, with accrued interest to, but excluding, the date fixed for redemption, such redemption to take place on such date not later than one year after notice of such determination has been given as described herein. If the Bank becomes aware of an event that might give rise to such certification, information or other reporting requirements, the Bank shall, as soon as practicable, solicit advice of independent counsel selected by the Bank to establish whether such certification, information or other reporting requirements will apply and, if such requirements will, in the written opinion of such counsel, apply, the Bank shall give

prompt notice of such determination (a "Tax Notice") stating in such notice the effective date of such certification, information or other reporting requirements and, if applicable, the date by which the redemption shall take place. Notwithstanding the foregoing, the Bank shall not redeem this Note if the Bank, based upon the written opinion of independent counsel selected by the Bank, shall subsequently determine not less than 30 days prior to the date fixed for redemption that subsequent payments would not be subject to any such requirements, in which case the Bank shall give prompt notice of such determination and any earlier redemption notice shall thereby be revoked and of no further effect.

Notwithstanding the foregoing, if and so long as the certification information or other reporting requirements referred to in the preceding paragraph would be fully satisfied by payment of a withholding, backup withholding tax or similar charge, the Bank may elect prior to giving the Tax Notice to have the provisions described in this paragraph apply in lieu of the provisions described in the preceding paragraph, in which case the Tax Notice shall state the effective date of such certification, information or reporting requirements and that the Bank has elected to pay Additional Amounts rather than redeem this Note. In such event, the Bank will also pay as Additional Amounts such sums as may be necessary so that every net payment made following the effective date of such certification, information or reporting requirements outside the United States by the Bank or any of its Paying Agents of principal (and premium, if any) or interest due with respect to this Note to the bearer hereof who certifies to the effect that the beneficial owners of this Note are United States Aliens (provided that such certification shall not have the effect of communicating to the Bank or any of its Paying Agents or any governmental authority the nationality, residence or identity of such beneficial owners) after deduction or withholding for or on account of such withholding, backup withholding tax or similar charge (other than a withholding, backup withholding tax or similar charge which (i) is imposed as a result of certification, information or other reporting requirements referred to in the second parenthetical clause of the first sentence of the preceding paragraph or (ii) is imposed as a result of the fact that the Bank or any of its Paying Agents has actual knowledge that the bearer hereof or any beneficial owner of this Note is not a United States Alien but is within the category of persons, corporations or other entities described in clause (a)(i) of the third preceding paragraph, or (iii) is imposed as a result of presentation of this Note for payment more than 15 days after the date on which such payment becomes due and payable or on which payment thereof is duly provided for, whichever occurs later), will not be less than the amount provided for in this Note to be then due and payable. In the event the Bank elects to pay such Additional Amounts, the Bank will have the right, at its sole option, at any time, to redeem this Note, as a whole but not in part, at a redemption price equal to the principal amount hereof (or, if this is an Original Issue Discount Note, the Amortized Face Amount hereof determined as of the date of redemption), together, if appropriate, with accrued interest to the date fixed for redemption including any Additional Amounts required to be paid under this paragraph. If the Bank has made the determination described in the preceding paragraph with respect to certification, information or other reporting requirements applicable to interest only and subsequently makes a determination in the manner and of the nature referred to in such preceding paragraph with respect to such requirements applicable to principal, the Bank will redeem this Note in the manner and on the terms described in the preceding paragraph (except as provided below), unless the Bank elects to have the provisions of this paragraph apply rather than the provisions of the immediately preceding paragraph. If in such circumstances this Note is to be redeemed, the Bank will be obligated to pay Additional Amounts with respect to interest, if any, accrued to the date of redemption. If the

Bank has made the determination described in the preceding paragraph and subsequently makes a determination in the manner and of the nature referred to in such preceding paragraph that the level of withholding applicable to principal or interest has been increased, the Bank will redeem this Note in the manner and on the terms described in the preceding paragraph (except as provided below), unless the Bank elects to have the provisions of this paragraph apply rather than the provisions of the immediately preceding paragraph. If in such circumstances this Note is to be redeemed, the Bank will be obligated to pay Additional Amounts with respect to the original level of withholding on principal and interest, if any, accrued to the date of redemption.

Whenever in this Note there is mentioned, in any context, the payment of the principal of (or premium, if any) or interest on, or in respect of, this Note, such mention shall be deemed to include mention of the payment of Additional Amounts provided for herein to the extent that, in such context, Additional Amounts are, were or would be payable in respect hereof pursuant to the provisions of this Note and express mention of the payment of Additional Amounts (if applicable) in any provisions hereof shall not be construed as including Additional Amounts in those provisions hereof where such express mention is not made.

Except as specifically provided herein (or, if this Note is in global form, in the Pricing Supplement) (i) neither the Bank nor any Paying Agent shall be required to make, any payment with respect to any tax, fee, duty, assessment or other governmental charge imposed by any government or a political subdivision or taxing authority thereof or therein; (ii) a Paying Agent on behalf of the Bank shall have the right, but not the duty, to withhold from any amounts otherwise payable to a holder of this Note such amount as is necessary for the payment of any such taxes, fees, duties, assessments or other governmental charges; and (iii) if such an amount is withheld, the amount payable to the holder of this Note shall be the amount otherwise payable reduced by the amount so withheld.

The Bank may redeem this Note in whole but not in part at any time at a redemption price equal to the principal amount hereof (or, if this is an Original Issue Discount Note, the Amortized Face Amount hereof determined as of the date of redemption), together with accrued interest to but excluding the date fixed for redemption, if the Bank shall determine, based upon a written opinion of independent counsel selected by the Bank, that as a result of any change in or amendment to the laws (or any regulations or rulings promulgated hereunder) of the United States or of any political subdivision or taxing authority thereof or therein affecting taxation, or any change in application or official interpretation of any such laws, regulations or rulings, which amendment or change is effective on or after the Original Issue Date, the Bank would be required to pay Additional Amounts on the occasion of the next payment due with respect to such Note.

Notice of intention to redeem this Note, in whole but not in part, pursuant to the immediately preceding paragraph will be given (i) if this Note is in registered form, to the registered holder of this Note at least once not less than 30 days nor more than 60 days prior to the date fixed for redemption or (ii) if this Note is in bearer form, by publication in accordance with applicable law, provided that no such notice of redemption shall be given earlier than 90 days prior to the effective date of such change or amendment and that at the time notice of such redemption is given, such obligation to pay such Additional Amounts remains in effect and cannot be avoided by the Bank's taking reasonable measures available to it. From and after any redemption date, if

monies for the redemption of this Note shall have been made available for redemption on such redemption date, this Note shall cease to bear interest (and, if this Note is a definitive bearer Note, any interest coupons appertaining hereto (whether or not attached) maturing after the redemption date shall become void and no payment shall be made in respect thereof), and the only right of the holder of this Note shall be to receive payment of the principal amount hereof (or, if this is an Original Issue Discount Note, the Amortized Face Amount hereof) and all unpaid interest accrued to such redemption date.

Events of Default, Acceleration of Maturity

In respect of this Note, the occurrence of any of the following events shall constitute an "Event of Default" with respect to this Note:

(i) default in the payment of any interest (including any Additional Amounts) with respect to this Note when due, which continues for 30 days;

(ii) default, in the payment of any principal of, or premium, if any, on, this Note when due;

(iii) whatever the reason for such and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body, the entry by a court having jurisdiction in the premises of:

(a) a decree or order for relief in respect of the Bank in an involuntary case or proceeding under any applicable United States federal or state bankruptcy, insolvency, reorganization or other similar law; or

(b) a decree or order appointing a conservator, receiver, liquidator, assignee, trustee, sequestrator or any other similar official of the Bank, or of substantially all of the property of the Bank, or ordering the winding up or liquidation of the affairs of the Bank, and the continuance of any such decree or order for relief or any such other decree or order unstayed and in effect for a period of 60 consecutive days; or

(iv) the commencement by the Bank of a voluntary case or proceeding under any applicable United States federal or state bankruptcy, insolvency, reorganization or other similar law or the commencement of any bankruptcy or insolvency case or proceeding, or the filing by the Bank of a petition or answer or consent seeking reorganization or relief under any applicable United States federal or state law, or the consent by the Bank to the filing of such petition or to the appointment of or taking possession by a custodian, receiver, liquidator, assignee, trustee, sequestrator or similar official of the Bank or of substantially all of the property of the Bank, or the making by the Bank of an assignment for the benefit of creditors, or the taking of corporate action by the Bank in furtherance of any such action.

If an Event of Default shall occur and be continuing, the holder of this Note may declare the principal amount of, and accrued interest and premium, if any, on, this Note due and payable

immediately by written notice to the Bank. Upon such declaration and notice, such principal amount (and premium, if any) and accrued interest shall become immediately due and payable. Any Event of Default with respect to this Note may be waived by the holder thereof.

This Note contains no limitation on the amount of senior debt, deposits or other obligations that rank senior to this Note that may be hereafter incurred or assumed by the Bank.

Miscellaneous

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Notwithstanding anything to the contrary contained herein, if this Note is identified as a Discount Note on the face hereof (or, if this Note is in global form, in the Pricing Supplement), the amount payable to the holder of this Note in the event of redemption, repayment or acceleration of Maturity will be equal to (i) the Amortized Face Amount (as defined below) as of the date of such event, plus (ii) with respect to any redemption of this Note (other than as provided above in the event that Additional Amounts are required to be paid by the Bank with respect to this Note), the Initial Redemption Percentage specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement) (as adjusted by the Annual Redemption Percentage Reduction specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement), if any) minus 100% multiplied by the Issue Price specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement), net of any portion of such Issue Price which has been paid prior to the date of redemption, or the portion of the Issue Price (or the net amount) proportionate to the portion of the unpaid principal amount to be redeemed, plus (iii) any accrued interest to the date of such event the payment of which would constitute qualified stated interest payments within the meaning of U.S. Treasury Regulation 1.1273-1 (c) under the Code. The "Amortized Face Amount" shall mean an amount equal to (i) the Issue Price plus (ii) the aggregate portions of the original issue discount (the excess of the amounts considered as part of the "stated redemption price at maturity" of this Note within the meaning of Section 1273(a)(2) of the Code, whether denominated as principal or interest, over the Issue Price) which shall theretofore have accrued pursuant to Section 1272 of the Code (without regard to Section 1272(a)(7) of the Code) from the date of issue of this Note to the date of determination, minus (iii) any amount considered as part of the "stated redemption price at maturity" of this Note which has been paid from the date of issue to the date of determination.

As used herein, "Business Day" means, unless otherwise specified on the face hereof (or, if this Note is in global form, in the Pricing Supplement), a day which is both (i) a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in The City of New York, Glen Allen, Virginia, and London; and (ii) either (a) if this is a Note denominated in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments in the principal financial center of the country of the relevant Specified Currency (if other than the City of New York or London) or (b) if this is a Note denominated in euro, a day (other than a Saturday or a Sunday) on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) System is open. As used herein, "London Business Day" means any day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in London.

Any action by the holder of this Note shall bind all future holders of this Note, and of any Note issued in exchange or substitution hereof or in place hereof, in respect of anything done or permitted by the Bank or by the Paying Agents in pursuance of such action.

In case any Note shall at any time become mutilated, defaced, destroyed, lost or stolen, and such Note or evidence of the loss, theft or destruction thereof satisfactory to the Bank and the Registrar or London Issuing Agent, as the case may be, and such other documents or proof as may be required by the Bank and the Registrar or London Issuing Agent, as the case may be, shall be delivered to the Registrar or London Issuing Agent, as the case may be, the Registrar or London Issuing Agent, as the case may be, shall issue a new Note of like tenor and principal amount, having a serial number not contemporaneously outstanding, in exchange and substitution for the mutilated or defaced Note or in lieu of the Note destroyed, lost or stolen but, in the case of any destroyed, lost or stolen Note, only upon receipt of evidence satisfactory to the Bank and the Registrar or London Issuing Agent, as the case may be, that such Note was destroyed, stolen or lost, and, if required, upon receipt of indemnity satisfactory to the Bank and the Registrar or London Issuing Agent, as the case may be. Upon the issuance of any substituted Note, the Bank may require the payment of a sum sufficient to cover all expenses and reasonable charges connected with the preparation and delivery of a new Note. If any Note which has matured or has been redeemed or repaid or is about to mature or to be redeemed or repaid shall become mutilated, defaced, destroyed, lost or stolen, the Bank may, instead of issuing a substitute Note, pay or authorize the payment of the same (without surrender thereof except in the case of a mutilated or defaced Note) upon compliance by the holder with the provisions of this paragraph.

No recourse shall be had for the payment of principal of (and premium, if any) or interest on, this Note for any claim based hereon, or otherwise in respect hereof, against any shareholder, employee, agent, officer or director, as such, past, present or future, of the Bank or of any successor organization, either directly or through the Bank or any successor organization, whether by virtue of any constitution, statute or rule of law or by the enforcement of any assessment or penalty or otherwise, all such liability being, by the acceptance hereof and as part of the consideration for the issue hereof, expressly waived and released.

The Notes are issued in accordance with the Global Agency Agreement. The Notes, and any receipts or interest coupons appertaining thereto, may be amended by the Bank, and the Global Agency Agreement may be amended by the parties thereto, (i) for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained therein, (ii) to make any further modifications of the terms of the Global Agency Agreement necessary or desirable to allow for the issuance of any additional Notes (which modifications shall not be materially adverse to holders of outstanding Notes) or (iii) in any manner which the Bank (and, in the case of the Global Agency Agreement, the parties thereto) may deem necessary or desirable and which shall not materially adversely affect the interests of the holders of the Notes, or any receipts, talons or interest coupons appertaining thereto, to all of which each holder of Notes, receipts, talons or interest coupons shall, by acceptance thereof, be deemed to have consented; provided, however, that no such modification or amendment may, without the consent of the holder of each outstanding Note affected thereby, (1) change the Maturity Date with respect to any Note or reduce or cancel the amount payable at Maturity; (2) reduce the amount payable or modify the payment date for any interest with respect to any Note or vary the method

of calculating the rate of interest with respect to any Note; (3) reduce any Minimum Interest Rate and/or Maximum Interest Rate with respect to any Note; (4) modify the currency in which payments under any Note and/or any receipts, coupons or talons appertaining thereto are to be made; (5) change the obligation of the Bank to pay Additional Amounts with respect to Notes, receipts, talons or coupons; or (6) reduce the percentage in principal amount of outstanding Notes the consent of the holders of which is necessary to modify the provisions of the Notes or to waive any future compliance or past default. Any instrument given by or on behalf of any holder of a Note in connection with any consent to any such modification, amendment or waiver shall be irrevocable once given and shall be conclusive and binding on all subsequent holders of such Note. Any modifications, amendments or waivers to this Agreement or the provisions of the Notes, receipts, talons or coupons shall be conclusive and binding on all holders of Notes, receipts, talons or coupons, whether or not notation of such modifications, amendments or waivers is made upon the Notes, receipts, talons or coupons. It will not be necessary for the consent of the holders of Notes to approve the particular form of any proposed amendment, but it shall be sufficient if such consent shall approve the substance thereof.

No provision of this Note shall alter or impair the obligation of the Bank, which is absolute and unconditional, to pay principal of (and premium, if any) and interest on, and any Additional Amounts with respect to, this Note in the Specified Currency indicated on the face hereof (or, as provided herein, in the equivalent in U.S. dollars) at the times, places and rate herein prescribed.

No service charge shall be made to a holder of this Note for any transfer or exchange of this Note, but the Bank may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection therewith.

If this Note is in registered form, prior to due presentment of this Note for registration of transfer, the Bank, Domestic Paying Agent, Registrar, London Paying Agent, Luxembourg Paying Agent, Transfer Agent and Listing Agent (collectively, together with any successors thereto, the "Agents") or any agent of the Bank or the Agents may treat the holder in whose name this Note is registered as the owner hereof for all purposes, whether or not this Note be overdue, and neither the Bank, the Agents nor any such agent shall be affected by notice to the contrary except as required by applicable law.

All notices to the Bank under this Note shall be in writing and addressed to the Bank at Capital One Bank, 8000 Jones Branch Road, McLean, Virginia 22102, USA, Attention: Treasurer; telephone: (703) 8751000; and facsimile: (703) 875-1099 or to such other address of the Bank as the Bank may notify the holders of the Notes.

OPTION TO ELECT REPAYMENT

The undersigned hereby irrevocably request(s) and instruct(s) the Bank to repay this Note (or portion hereof specified below) pursuant to its terms at a price equal to 100% of the principal amount hereof to be repaid, together with accrued and unpaid interest hereon, payable to the date of repayment, to the undersigned, at -----

(Please print or typewrite name and address of the undersigned.)

For this Note to be repaid, the undersigned must give to the London Paying Agent, if this Note is in bearer form, at 9 Thomas More Street, London, E1W 1YT or, if this Note is in registered form, to the Domestic Paying Agent at The Chase Manhattan Bank, 450 West 33(rd) Street, New York, New York 10001-2697, United States of America, or to the London Paying Agent at its address, as the case may be, or at such other place or places of which the Bank shall from time to time notify the holders of the Notes not more than 60 days nor less than 30 days prior to the date of repayment, this Note (and, if this Note is in definitive bearer form, all interest coupons appertaining hereto maturing after the repayment date) with this "Option to Elect Repayment" form duly completed.

If less than the entire principal amount of this Note is to be repaid, specify the portion hereof (which shall be increments of US\$1,000, or equivalent denominations in other currencies) which the holder elects to have repaid and specify the denomination or denominations (which shall be an Authorized Denomination specified on the face of the within Note) of the Notes to be issued to the holder for the portion of this Note not being repaid (in the absence of any such specification, one such Note will be issued for the portion not being repaid):

US\$ -----

Signature

Dated: -----

NOTICE: The signature on this "Option to Elect Repayment" form must correspond with the name as written upon the face of the within Note in every particular, without alteration or enlargement or any change whatsoever.

Signature Guarantee

NOTICE: The signature(s) should be guaranteed by an eligible guarantor institution (banks, stockbrokers, savings and loan associations, and credit unions with membership in an approved signature guarantee medallion program), pursuant to Rule 17Ad- 15 under the Securities Exchange Act of 1934.

[Face of Note]

UNLESS AND UNTIL IT IS EXCHANGED IN WHOLE OR IN PART FOR THE INDIVIDUAL SECURITIES REPRESENTED HEREBY, THIS GLOBAL SECURITY MAY NOT BE TRANSFERRED EXCEPT AS A WHOLE BY THE DEPOSITARY TRUST COMPANY OR ANY SUCCESSOR DEPOSITARY APPOINTED AS SUCH PURSUANT TO THE SENIOR INDENTURE (THE "DEPOSITARY") TO A NOMINEE OF THE DEPOSITARY OR BY A NOMINEE OF THE DEPOSITARY TO THE DEPOSITARY OR ANOTHER NOMINEE OF THE DEPOSITARY OR BY THE DEPOSITARY OR ANY SUCH NOMINEE TO SUCH A SUCCESSOR DEPOSITARY OR A NOMINEE OF SUCH SUCCESSOR DEPOSITARY. UNLESS THIS GLOBAL SECURITY IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITARY TO THE COMPANY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY SECURITY ISSUED IS REGISTERED IN THE NAME OF THE DEPOSITARY OR ITS NOMINEE OR SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITARY AND ANY PAYMENT IS MADE TO THE DEPOSITARY OR ITS NOMINEE, ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL SINCE THE REGISTERED OWNER HEREOF HAS AN INTEREST HEREIN.

CUSIP No. 14040HAF2
No. R-001

\$300,000,000

CAPITAL ONE FINANCIAL CORPORATION

8 3/4% NOTES DUE FEBRUARY 1, 2007

Capital One Financial Corporation, a corporation duly organized and existing under the laws of Delaware (the "Company"), for value received, hereby promises to pay to Cede & Co. or registered assigns the principal sum of THREE HUNDRED MILLION United States Dollars at the Company's office or agency for said purpose in the Borough of Manhattan, The City of New York, on February 1, 2007 in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts, and to pay interest semi-annually in arrears on February 1 and August 1 of each year (each an "interest payment date"), commencing August 1, 2002, on said principal sum in like coin or currency at the rate per annum set forth above at said office or agency from January 30, 2002 or from the most recent February 1 or August 1, as the case may be, to which interest on the Securities has been paid or duly provided for, until payment of said principal sum has been made or duly provided for; provided that, unless this Security is a Security issued in

global form (a "Global Security"), interest may be paid, at the option of the company, by mailing a check therefor payable to the Holder entitled thereto at his last address as it appears on the Security Register. The interest so payable will be paid to the Person in whose name this Global Security (or one or more Predecessor Securities) is registered at the close of business on the January 15 or July 15, as the case may be, next preceding such interest payment date, unless the Company shall default in the payment of interest due on such interest payment date after taking into account any applicable grace period, in which case such defaulted interest shall be paid as set forth in the

Senior Indenture. Notwithstanding the foregoing, as long as this Security is a Global Security, the Company shall pay or cause to be paid the principal of, and interest on, this Security to the Holder hereof or a single nominee of the Holder, or, at the option of the Company, to such other Persons as the Holder hereof may designate, by wire transfer of immediately available funds on the date such payments are due.

Reference is made to the further provisions set forth on the reverse hereof, including the definitions of certain capitalized terms. Such further provisions shall for all purposes have the same effect as though fully set forth at this place.

This Security shall not be valid or obligatory until the certificate of authentication hereon shall have been duly signed by the Trustee acting under the Senior Indenture.

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed.

Dated: January 30, 2002

CAPITAL ONE FINANCIAL CORPORATION

By: _____

Name:

Title:

[CORPORATE SEAL]

Attest By: _____

Name:

Title:

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the Securities issued under the within-mentioned Senior Indenture.

Dated: January 30, 2002

BNY MIDWEST TRUST COMPANY,
as Trustee

By: _____
Authorized Officer

[Reverse of Note]

Capital One Financial Corporation

8 3/4% Notes Due February 1, 2007

This Security is one of a duly authorized issue of debt securities of the Company, of the series hereinafter specified, all issued or to be issued under an Indenture, dated as of November 1, 1996 (the "Senior Indenture"), and duly executed and delivered by the Company to BNY Midwest Trust Company, as successor to Harris Trust and Savings Bank, as trustee (hereinafter, the "Trustee"), to which reference to the Senior Indenture is hereby made for a description of the respective rights and duties thereunder of the Trustee, the Company and the Holders of the Securities. This Security is one of a series designated as the "8 3/4 % Notes Due February 1, 2007" of the Company (hereinafter called the "Notes"), issued under the Senior Indenture.

Neither the Senior Indenture nor the Notes limit or otherwise restrict the amount of indebtedness which may be incurred or other securities which may be issued by the Company. The Notes issued under the Senior Indenture are direct, unsecured obligations of the Company and will mature on February 1, 2007. The Notes rank on parity with all other unsecured, unsubordinated indebtedness of the Company.

The Notes will bear interest at the rate of 8 3/4% per annum.

The Notes are not redeemable prior to maturity.

The Notes are not entitled to any sinking fund.

In case an Event of Default shall have occurred and be continuing with respect to the Notes, the principal hereof may be declared, and upon such declaration shall become, due and payable, in the manner, with the effect and subject to the conditions provided in the Senior Indenture. The Senior Indenture provides that in certain circumstances such declaration and its consequences may be waived by the Holders of a majority in aggregate principal amount of the Notes then Outstanding. However, any such consent or waiver by the Holder shall not affect any subsequent default or impair any right consequent thereon.

The Senior Indenture permits the Company and the Trustee, without the consent of the Holders of the Notes for certain situations and with the consent of not less than two-thirds of the Holders in aggregate principal amount of the Outstanding Notes in other situations, to execute supplemental indentures adding to, modifying or changing various provisions to the Senior Indenture; provided that no such supplemental indenture, without the consent of

the Holder of each Outstanding Note affected thereby, shall (i) change the Stated Maturity of the principal of, or any installment of interest on, the Notes, or reduce the principal amount thereof or the interest thereon, or change the place or currency of payment of principal of, or interest on, the Notes, or impair the right to institute suit for the enforcement of any payment on or after the Stated Maturity thereof, or change the Company's obligation to pay additional amounts (except as otherwise contemplated in the Senior Indenture); (ii) reduce the percentage in principal amount of the Outstanding Notes, the consent of whose Holders is required for any such

supplemental indenture, or the consent of whose Holders is required for any waiver (of compliance with certain provisions of the Senior Indenture or certain defaults hereunder and their consequences) provided for in the Senior Indenture; or (iii) modify any of the provisions of Sections 902, 513 or 1008 of the Senior Indenture, except to increase any such percentage or provide that certain other provisions of the Senior Indenture cannot be modified or waived without the consent of the Holder of each Outstanding Note affected thereby.

The Company may omit in any particular instance to comply with any term, provision or condition set forth in Section 1005, 1006 or 1007 of the Senior Indenture, if before the time for such compliance, the Holders of at least a majority in principal amount of the Outstanding Notes, by act of such Holders, either shall waive such compliance in such instance or generally shall have waived compliance with such term, provision or condition, but no such waiver shall extend to or affect such term, provision or condition except to the extent so expressly waived, and, until such waiver shall become effective, the obligations of the Company and the duties of the Trustee in respect of any such term, provision or condition shall remain in full force and effect.

No reference herein to the Senior Indenture and no provision of this Note or of the Senior Indenture shall alter or impair the obligations of the Company, which are absolute and unconditional, to pay the principal of, premium, if any, and interest on this Note at the place, at the respective times, at the rate and in the coin and currency herein prescribed.

The Notes are issuable in registered form without coupons in denominations of \$1,000 and any multiple thereof.

At the office or agency of the Company referred to on the face hereof and in the manner and subject to the limitations provided in the Senior Indenture, the Notes may be exchanged for a like aggregate principal amount of Notes of other authorized denominations.

Upon due presentment for registration of transfer of the Notes at the above-mentioned office or agency of the Company, a new Note or Notes of authorized denominations, for a like aggregate principal amount, will be issued to the transferee as provided in the Senior Indenture. No service charge shall be made for any such transfer, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto.

Prior to due presentation of this Note for registration of transfer, the Company, the Trustee, and any authorized agent of the Company or the Trustee, may deem and treat the Holder hereof as the absolute owner of the Note (whether or not any payment with respect to this Note shall be overdue), for the purpose of receiving payment of, or on account of, the principal hereof and, subject to the provisions on the face hereof, interest hereon and for all other purposes, and neither the Company nor the Trustee nor any authorized agent of the Company or the Trustee shall be affected by any notice to the contrary.

No recourse shall be had for the payment of the principal of, or the interest on, this Note, for any claim based hereon, or otherwise in respect hereof, or based on or in respect of the Senior Indenture or any indenture supplemental thereto, against any incorporator,

shareholder, officer or director, as such, past, present or future, of the Company or of any successor corporation, either directly or through the Company or any successor corporation, whether by virtue of any constitution, statute or rule of law or by the enforcement of any assessment or penalty or otherwise, all such liability being, by the acceptance hereof and as part of the consideration for the issue hereof, expressly waived and released.

THIS NOTE SHALL BE DEEMED TO BE A CONTRACT MADE UNDER THE LAWS

OF THE STATE OF NEW YORK, AND FOR ALL PURPOSES SHALL BE CONSTRUED IN ACCORDANCE

WITH THE LAWS OF SAID STATE.

All terms used in this Note (and not otherwise defined in this Note) that are defined in the Senior Indenture shall have the meanings assigned to them in the Senior Indenture.

CAPITAL ONE FINANCIAL CORPORATION

1999 NON-EMPLOYEE DIRECTORS STOCK INCENTIVE PLAN

(As Amended October 18, 2001)

1. Purpose. The purpose of the Capital One Financial Corporation 1999 Non-Employee Directors Stock Incentive Plan (the "Plan") is to encourage ownership in the Company by non-employee members of the Board of Directors, in order to promote long-term shareholder value and to provide non-employee members of the Board with an incentive to continue as directors of the Company.

2. Definitions. As used in the Plan, the following terms have the meanings indicated:

- A. "Board" means the Board of Directors of the Company.
- B. "Change of Control" means:

- (i) The acquisition by an individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 20% (or, if such shares are purchased from the Company, 40%) or more of either (A) the then outstanding shares of common stock of the Company (the "Outstanding Company Common Stock") or (B) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Company Voting Securities"), provided, however, that any acquisition by (x)

the Company or any of its subsidiaries, or any employee benefit plan (or related trust) sponsored or maintained by the Company or any of its subsidiaries or (y) any corporation with respect to which, immediately following such acquisition, more than 60% of, respectively, the then outstanding shares of common stock of such corporation and the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors is then beneficially owned, directly or indirectly, by all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Company Common Stock and Company Voting Securities immediately prior to such acquisition in substantially the same proportion as their ownership, immediately prior to such acquisition, of

the Outstanding Company Common Stock and Company Voting Securities, as the case may be, shall not constitute a Change of Control; or

(ii) Individuals who constituted the Board as of January 1, 1999 (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board, provided that any individual becoming a director subsequent to January 1, 1999 whose appointment to fill a vacancy or to fill a new Board position or whose nomination for election by the Company's shareholders was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office is in connection with an actual or threatened election contest relating to the election of the Directors of the Company (as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Exchange Act); or

(iii) Approval by the shareholders of the Company of a reorganization, merger or consolidation (a "Business Combination"), in each case, with respect to which all or substantially all of the individuals and entities who were the respective beneficial owners of the Outstanding Company Common Stock and Company Voting Securities immediately prior to such Business Combination do not in the aggregate, immediately following such Business Combination, beneficially own, directly or indirectly, more than 60% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination in substantially the same proportion as their ownership immediately prior to such Business Combination of the Outstanding Company Common Stock and Company Voting Securities, as the case may be; or

(iv) (A) a complete liquidation or dissolution of the Company or (B) sale or other disposition of all or substantially all of the assets of the Company other than to a corporation with respect to which, immediately following such sale or disposition, more than 60% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors is then beneficially owned, directly or indirectly, in the aggregate by all or

substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Company Common Stock and Company Voting Securities immediately prior to such sale or disposition in substantially the same proportion as their ownership of the Outstanding Company Common Stock and Company Voting Securities, as the case may be, immediately prior to such sale or disposition.

C. "Company" means Capital One Financial Corporation, a Delaware corporation, or any successor thereto.

D. "Company Stock" means Common Stock of the Company or any securities substituted for Common Stock of the Company pursuant to Section 10.

E. "Date of Grant" means the date as of which a director is awarded an Option pursuant to Section 7.

F. "Disability" means the inability to perform the services to the Company as a director as determined by the Board, and such determination shall be conclusive.

G. "Eligible Director" means a director described in Section 4.

H. "Fair Market Value" means as of the date for which a value determination is being made, the average of the Common Stock's highest and lowest prices on such date as reported on The New York Stock Exchange-Composite Transactions Tape made (or, if the New York Stock Exchange is not open for trading on such date, for the last preceding day on which Company Stock was traded). In the absence of any such sale, fair market value means the average of the highest bid and lowest asked prices of a share of Company Stock on such date as reported by such source. In the absence of such average or if shares of Company Stock are no longer traded on The New York Stock Exchange, the fair market value shall be determined by the Board using any reasonable method in good faith.

I. "IRC" means the Internal Revenue Code of 1986, as amended.

J. "Option" or "Options" means the right to purchase Company Stock subject to the terms and conditions set forth in Section 7.

K. "Subsidiary" means a corporation or other entity more than 50% of whose voting shares are owned directly or indirectly by the Company.

3. Administration.

A. The Board shall administer the Plan. The award of Options under the Plan shall be as described in Section 7. However, the Board shall have all powers vested in it by the terms of the Plan, including, without limitation, the authority (within the limitations described herein) to prescribe the form of the agreement applicable to evidence the award of Options under

the Plan, to construe the Plan, to determine all questions arising under the Plan, and to adopt and amend rules and regulations for the administration of the Plan as it may deem desirable. Any decision of the Board in the administration of the Plan, as described herein, shall be final and conclusive. The Board may act only by a majority of its members in office, except that members thereof may authorize any one or more of their number or any officer of the Company to execute and deliver documents on behalf of the Board.

B. The Board shall have general authority to impose any limitation or condition upon an Option that the Board deems appropriate to achieve the objectives of the Option and the Plan and, in addition, and without limitation and in addition to powers set forth elsewhere in the Plan, shall have the power and complete discretion to determine (a) which Eligible Directors shall receive an Option and the nature of the Option, (b) the number of shares of Company Stock to be covered by each Option, (c) the Fair Market Value of Company Stock, (d) the time or times when an Option shall be granted, (e) whether an Option shall become vested over a period of time and when it shall be fully vested, (f) when Options may be exercised, (g) whether a Disability exists, (h) the manner in which payment will be made upon the exercise of Options, (i) notice provisions relating to the sale of Company Stock acquired under the Plan, and (j) any additional requirements relating to Options that the Board deems appropriate.

C. No member of the Board shall be liable for any action, omission, or determination relating to the Plan, and the Company shall indemnify and hold harmless each member of the Board and each other employee or consultant of the Company to whom any duty or power relating to the administration or interpretation of the Plan has been delegated against any cost or expense (including counsel fees) or liability arising out of any action, omission or determination relating to the Plan, to the maximum extent permitted by law.

4. Participation in the Plan. Each director of the Company who is not otherwise an employee of the Company or any Subsidiary on the Date of Grant of an Option under the Plan shall be eligible to participate in the Plan.

5. Stock Subject to the Plan. Subject to Section 10 of the Plan, there shall be reserved for issuance under the Plan an aggregate of 825,000 shares of Company Stock, which shall be treasury shares. Shares granted under the Plan subject to Options that expire or otherwise terminate unexercised may again be subjected to a grant under the Plan. The Board is expressly authorized to grant an Option to an optionee conditioned upon the surrender for cancellation of an existing Option.

6. Non-Statutory Stock Options. All Options granted under the Plan shall be non-statutory in nature and shall not be entitled to special tax treatment under IRC Section 422.

7. Terms, Conditions and Award of Options. The Board may award Options to Eligible Directors under this Plan from time to time as it deems appropriate. Each award of an Option shall be evidenced by written agreement between the Company and the Eligible Director in such form as the Board shall from time to time approve, stating the number of shares for which Options are granted, the Option exercise price per share and the conditions to which the grant and exercise of the Options are subject.

A. Option Exercise Price. The Option exercise price shall be the Fair

Market Value of the shares of Company Stock subject to such Option on the Date of Grant.

B. Options Not Transferable. Options, by their terms, shall not be

transferable by the optionee except by will or by the laws of descent and distribution and shall be exercisable, during the optionee's lifetime, only by the optionee or by his guardian or legal representative. An Option transferred by will or by the laws of descent and distribution may be exercised by the optionee's personal representative within one year of the date of the optionee's death to the extent the optionee could have exercised the Option on the date of his death, but in any event not later than the expiration date of the Option exercise period. The Board is expressly authorized, in its discretion, to provide that all or a portion of an Option may be granted to an optionee upon terms that permit transfer of the Option in a form and manner determined by the Board. Any person to whom an Option is transferred pursuant to this Section 7 shall agree in writing to be bound by the terms of the Plan and the stock option agreement for such Option as if such transferee had been an original signatory thereto, and to execute and/or deliver to the Board any documents as may be requested by the Board from time to time.

C. Exercise of Options. An Option shall be exercisable on the terms and

conditions determined by the Board; provided, however, that no Option may be exercised:

(i) if sooner terminated in accordance with the terms of the Plan or the Option, or later than ten (10) years from the Date of Grant; and

(ii) unless optionee delivers payment in cash in the amount of the full Option exercise price for the shares of Company Stock being acquired thereunder provided that if the terms of an Option so permit, the optionee may (i) deliver Company Stock owned by the optionee (valued at Fair Market Value on the date of exercise) in satisfaction of all or any part of the exercise price or (ii) deliver a properly executed exercise notice together with irrevocable instructions to a broker to promptly deliver to the Company the amount of the sale or loan proceeds to pay the exercise price.

D. Change of Control. The Board may, in its discretion, grant

Options which by their terms become fully exercisable upon a Change of Control, notwithstanding other conditions on exercisability in the stock option agreement.

8. Termination, Modification, Change. If not sooner terminated by the Board, the Plan shall terminate at the close of business on April 28, 2009. No Options shall be granted under the Plan after its termination. The Board may terminate the Plan or may amend the Plan in such respects as it shall deem advisable, including amendments that the Board deems appropriate to ensure compliance with applicable law. The termination or amendment of the Plan shall not, without the consent of the optionee, detrimentally affect an optionee's rights under an Option previously granted to him, except such termination or amendment as the Board deems appropriate to ensure compliance with applicable law. Notwithstanding the foregoing, the Board may terminate any Option previously granted to an optionee and any agreement relating thereto in whole or in part provided that upon any such termination the Company in full consideration of the termination of such Option or portion thereof pays to such optionee an amount in cash for each share of Company Stock subject to such Option or portion thereof being terminated equal to the excess, if any, of (a) the Fair Market Value of a share of Company Stock over (b) the sum of (i) the exercise price per share of such Option, or, if the Board permits and the optionee elects, accelerates the exercisability of such optionee's Option or portion thereof (if necessary) and allows such optionee 30 days to exercise such Option or portion thereof before the termination of such Option or portion thereof. The Board shall also have the power to amend the terms of previously granted Options so long as the terms as amended are consistent with the Plan and provided that, except for such amendments as the Board deems appropriate to ensure compliance with applicable law, the consent of the optionee is obtained with respect to any amendment that would be detrimental to him.

9. Limitation of Rights.

A. No Right to Continue as a Director. Neither the Plan nor the

award of an Option, nor any other action taken pursuant to the Plan, shall constitute or be evidence of any agreement or understanding, express or implied, that the Company will retain any person as a director for any period of time.

B. No Shareholders' Rights Under Options. The Company may place

on any certificate representing Company Stock issued upon the exercise of an Option any legend deemed desirable by the Company's counsel to comply with Federal or state securities laws, and the Company may require of the optionee a customary written indication of his investment intent. Until the optionee has made any required payment and has had issued to him a certificate

(whether original, book-entry or otherwise) for the shares of Company Stock acquired, he shall possess no shareholder rights with respect to the shares.

10. Changes in Capital Structure.

A. In the event of a stock dividend, stock split or combination of shares, spin-off, recapitalization or merger in which the Company is the surviving corporation, a consolidation or a merger in which the Company is not the surviving corporation, a transaction that results in the acquisition of substantially all of the Company's outstanding stock by a single person or entity, or a sale or transfer of substantially all of the Company's assets, or other change in the Company's capital stock (including, but not limited to, the creation or issuance to shareholders generally of rights, options or warrants for the purchase of common stock or preferred stock of the Company), the Board (whose determination shall be binding on all persons) may take such actions with respect to the Plan and any outstanding Options as the Board deems appropriate, including adjusting appropriately the number and kind of shares of stock or securities of the Company to be subject to the Plan and to Options then outstanding or to be granted under the Plan, the maximum number of shares or securities which may be delivered under the Plan, the exercise price and any other relevant provisions. If the adjustment would produce fractional shares with respect to any unexercised Option, the Board may adjust appropriately the number of shares covered by the Option so as to eliminate the fractional shares.

B. Notwithstanding anything in the Plan to the contrary, the Board may take the foregoing actions without the consent of any optionee, and the Board's determination shall be conclusive and binding on all persons for all purposes.

11. Notice. All notices and other communications required or permitted to be given under the Plan shall be in writing and shall be deemed to have been duly given if delivered personally or mailed first class, postage prepaid, as follows: (a) if to the Company, at its principal business address to the attention of the Secretary; and (b) if to any optionee, at the last address of the optionee known to the sender at the time the notice or other communication is sent.

12. Governing Law. The terms of the Plan shall be governed by the laws of the Commonwealth of Virginia.

Selected Financial and Operating Data

Year Ended December 31	2001	2000	1999	1998	1997	Five-Year Compound Growth Rate
(Dollars in Thousands, Except Per Share Data)						
Income Statement Data:						
Interest income	\$ 2,834,397	\$ 2,389,902	\$ 1,593,484	\$ 1,111,536	\$ 717,985	33.82%
Interest expense	1,171,007	801,017	540,882	424,284	341,849	31.75
Net interest income	1,663,390	1,588,885	1,052,602	687,252	376,136	35.40
Provision for loan losses	989,836	718,170	382,948	267,028	262,837	42.71
Net interest income after provision for loan losses	673,554	870,715	669,654	420,224	113,299	27.71%
Non-interest income	4,419,893	3,034,416	2,372,359	1,488,283	1,069,130	42.08
Non-interest expense	4,058,027	3,147,657	2,464,996	1,464,586	876,976	41.59
Income before income taxes	1,035,420	757,474	577,017	443,921	305,453	33.03
Income taxes	393,455	287,840	213,926	168,690	116,072	33.38
Net income	\$ 641,965	\$ 469,634	\$ 363,091	\$ 275,231	\$ 189,381	32.83
Dividend payout ratio	3.48%	4.43%	5.69%	7.46%	10.90%	
Per Common Share:						
Basic earnings	\$ 3.06	\$ 2.39	\$ 1.84	\$ 1.40	\$.96	31.44%
Diluted earnings	2.91	2.24	1.72	1.32	.93	30.46
Dividends	.11	.11	.11	.11	.11	
Book value as of year-end	15.40	9.94	7.69	6.45	4.55	
Average common shares	209,866,782	196,477,624	197,593,371	196,768,929	198,209,691	
Average common and common equivalent shares	220,576,093	209,448,697	210,682,740	208,765,296	202,952,592	
Selected Average Balances:						
Securities	\$ 3,038,360	\$ 1,764,257	\$ 2,027,051	\$ 1,877,276	\$ 1,650,961	21.51%
Allowance for loan losses	(637,789)	(402,208)	(269,375)	(214,333)	(132,728)	50.15
Total assets	23,346,309	15,209,585	11,085,013	8,330,432	6,568,937	33.20
Interest-bearing deposits	10,373,511	5,339,474	2,760,536	1,430,042	958,885	58.22
Borrowings	8,056,665	6,870,038	6,078,480	5,261,588	4,440,393	17.33
Stockholders' equity	2,781,182	1,700,973	1,407,899	1,087,983	824,077	32.67
Selected Year-End Balances:						
Securities	\$ 3,467,449	\$ 1,859,029	\$ 1,968,853	\$ 2,080,980	\$ 1,475,354	
Consumer loans	20,921,014	15,112,712	9,913,549	6,157,111	4,861,687	
Allowance for loan losses	(840,000)	(527,000)	(342,000)	(231,000)	(183,000)	
Total assets	28,184,047	18,889,341	13,336,443	9,419,403	7,078,279	
Interest-bearing deposits	12,838,968	8,379,025	3,783,809	1,999,979	1,313,654	
Borrowings	9,330,757	6,976,535	6,961,014	5,481,593	4,526,550	
Stockholders' equity	3,323,478	1,962,514	1,515,607	1,270,406	893,259	
Managed Consumer Loan Data:						
Average reported loans	\$ 17,284,306	\$ 11,487,776	\$ 7,667,355	\$ 5,348,559	\$ 4,103,036	36.47%
Average off-balance sheet loans	18,328,011	11,147,086	10,379,558	9,860,978	8,904,146	19.20
Average total managed loans	35,612,317	22,634,862	18,046,913	15,209,537	13,007,182	25.88
Interest income	5,513,166	4,034,882	3,174,057	2,583,872	2,045,967	27.09
Year-end total managed loans	45,263,963	29,524,026	20,236,588	17,395,126	14,231,015	28.73
Year-end total accounts (000s)	43,815	33,774	23,705	16,706	11,747	38.54
Yield	15.48%	17.83%	17.59%	16.99%	15.73%	
Net interest margin	9.04	10.71	10.83	9.91	8.81	
Delinquency rate	4.95	5.23	5.23	4.70	6.20	
Net charge-off rate	4.04	3.90	3.85	5.33	6.59	
Operating Ratios:						
Return on average assets	2.75%	3.09%	3.28%	3.30%	2.88%	
Return on average equity	23.08	27.61	25.79	25.30	22.98	
Equity to assets (average)	11.91	11.18	12.70	13.06	12.55	
Allowance for loan losses to loans as of year-end	4.02	3.49	3.45	3.75	3.76	

INTRODUCTION

Capital One Financial Corporation (the "Corporation") is a holding company whose subsidiaries market a variety of financial products and services to consumers using its Information-Based Strategy ("IBS"). The principal subsidiaries are Capital One Bank (the "Bank"), which offers credit card products, and Capital One, F.S.B. (the "Savings Bank"), which offers consumer lending (including credit cards) and deposit products. The Corporation and its subsidiaries are collectively referred to as the "Company." As of December 31, 2001, the Company had 43.8 million accounts and \$45.3 billion in managed consumer loans outstanding and was one of the largest providers of MasterCard and Visa credit cards in the world.

The Company's profitability is affected by the net interest income and non-interest income earned on earning assets, consumer usage patterns, credit quality, the level of marketing expense and operating efficiency. The Company's revenues consist primarily of interest income on consumer loans (including past-due fees) and securities, and non-interest income consisting of servicing income on securitized loans, fees (such as annual membership, cash advance, cross-sell, interchange, overlimit and other fee income, collectively "fees") and gains on the securitizations of loans. The Company's primary expenses are the costs of funding assets, provision for loan losses, operating expenses (including salaries and associate benefits), marketing expenses and income taxes.

Significant marketing expenses (e.g., advertising, printing, credit bureau costs and postage) to implement the Company's new product strategies are incurred and expensed prior to the acquisition of new accounts while the resulting revenues are recognized over the life of the acquired accounts. Revenues recognized are a function of the response rate of the initial marketing program, usage and attrition patterns, credit quality of accounts, product pricing and effectiveness of account management programs.

EARNINGS SUMMARY

The following discussion provides a summary of 2001 results compared to 2000 results and 2000 results compared to 1999 results. Each component is discussed in further detail in subsequent sections of this analysis.

Year Ended December 31, 2001 Compared to Year Ended December 31, 2000

Net income of \$642.0 million, or \$2.91 per share, for the year ended December 31, 2001, compares to net income of \$469.6 million, or \$2.24 per share, in 2000. The \$172.4 million, or 37%, increase in net income is primarily the result of an increase in asset and account volumes. Net interest income increased \$74.5 million, or 5%, as the average reported earning assets increased 56% while the net interest margin decreased to 8.03% from 11.99%. The provision for loan losses increased \$271.6 million, or 38%, as average reported consumer loans increased 50% and the reported net charge-off rate decreased 64 basis points to 4.00% in 2001 from 4.64% in 2000. Non-interest income increased \$1.4 billion, or 46%, primarily due to an increase in the average off-balance sheet loan portfolio (increasing servicing and securitizations income), the increase in average accounts of 39%, as well as a shift in the mix of the reported and off-balance sheet portfolios. Marketing expenses increased \$176.8 million, or 20%, to \$1.1 billion to reflect the increase in marketing investment in existing and new product opportunities. Salaries and associate benefits expense increased \$368.7 million, or 36%, to \$1.4 billion as a direct result of the cost of operations to manage the growth in the Company's accounts and products offered. Average managed consumer loans grew 57% for the year ended December 31, 2001, to \$35.6 billion from \$22.6 billion for the year ended December 31, 2000, and average accounts grew 39% for the same period as a result of the continued success of the Company's marketing and account management strategies.

Year Ended December 31, 2000 Compared to Year Ended December 31, 1999

Net income of \$469.6 million, or \$2.24 per share, for the year ended December 31, 2000, compares to net income of \$363.1 million, or \$1.72 per share, in 1999. The \$106.5 million, or 29%, increase in net income is primarily the result of an increase in both asset and account volumes and an increase in net interest margin. Net interest income increased \$536.3 million, or 51%, as average earning assets increased 37% and the net interest margin increased to 11.99% from 10.86%. The provision for loan losses increased \$335.2 million, or 88%, as the average reported consumer loans increased 50% combined with the reported net

[GRAPHIC]

charge-off rate increase to 4.64% in 2000 from 3.59% in 1999. Non-interest income increased \$662.1 million, or 28%, primarily due to the increase in average accounts of 41%. Increases in marketing expenses of \$174.2 million, or 24%, and salaries and benefits expense of \$243.2 million, or 31%, reflect the increase in marketing investment in existing and new product opportunities and the cost of operations to manage the growth in the Company's accounts and products offered. Average managed consumer loans grew 25% for the year ended December 31, 2000, to \$22.6 billion from \$18.0 billion for the year ended December 31, 1999, and average accounts grew 41% for the same period as a result of the continued success of the Company's marketing and account management strategies.

MANAGED CONSUMER LOAN PORTFOLIO

The Company analyzes its financial performance on a managed consumer loan portfolio basis. Managed consumer loan data adds back the effect of off-balance sheet consumer loans. The Company also evaluates its interest rate exposure on a managed portfolio basis.

The Company's managed consumer loan portfolio is comprised of reported and off-balance sheet loans. Off-balance sheet loans are those which have been securitized and accounted for as sales in accordance with Statement of Financial Accounting Standards ("SFAS") No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities" ("SFAS 140"), and are not assets of the Company. Therefore, those loans are not shown on the balance sheet. SFAS 140 replaced SFAS 125 and was effective for securitization transactions occurring after March 31, 2001. SFAS 140 revised the standards for accounting for securitizations and other transfers of financial assets and collateral and requires certain additional disclosures; however, most of the provisions of SFAS 125 have been carried forward without amendment. Accordingly, the Company has modified or implemented several of its securitization trust agreements, and may modify or implement others, to meet the new requirements to continue recognizing transfers of consumer loans to special-purpose entities as sales. The adoption of SFAS 140 did not have a material effect on the results of the Company's operations.

Table 1 summarizes the Company's managed consumer loan portfolio.

table 1: Managed Consumer Loan Portfolio

	Year Ended December 31				
	2001	2000	1999	1998	1997
	(In Thousands)				
Year-End Balances:					
Reported consumer loans:					
Domestic	\$ 18,541,819	\$ 12,580,973	\$ 7,783,535	\$ 4,569,664	\$ 4,441,740
Foreign	2,379,195	2,531,739	2,130,014	1,587,447	419,947
Total	20,921,014	15,112,712	9,913,549	6,157,111	4,861,687
Off-balance sheet loans:					
Domestic	22,747,293	13,961,714	10,013,424	10,933,984	9,369,328
Foreign	1,595,656	449,600	309,615	304,031	
Total	24,342,949	14,411,314	10,323,039	11,238,015	9,369,328
Managed consumer loan portfolio:					
Domestic	41,289,112	26,542,687	17,796,959	15,503,648	13,811,068
Foreign	3,974,851	2,981,339	2,439,629	1,891,478	419,947
Total	\$ 45,263,963	\$ 29,524,026	\$ 20,236,588	\$ 17,395,126	\$ 14,231,015
Average Balances:					
Reported consumer loans:					
Domestic	\$ 14,648,298	\$ 9,320,165	\$ 5,784,662	\$ 4,336,757	\$ 3,914,839
Foreign	2,636,008	2,167,611	1,882,693	1,011,802	188,197
Total	17,284,306	11,487,776	7,667,355	5,348,559	4,103,036
Off-balance sheet loans:					
Domestic	17,718,683	10,804,845	10,062,771	9,773,284	8,904,146
Foreign	609,328	342,241	316,787	87,694	
Total	18,328,011	11,147,086	10,379,558	9,860,978	8,904,146
Managed consumer loan portfolio:					
Domestic	32,366,981	20,125,010	15,847,433	14,110,041	12,818,985
Foreign	3,245,336	2,509,852	2,199,480	1,099,496	188,197
Total	\$ 35,612,317	\$ 22,634,862	\$ 18,046,913	\$ 15,209,537	\$ 13,007,182

The Company actively engages in off-balance sheet consumer loan securitization transactions. Securitizations involve the transfer of a pool of loan receivables by the Company to an entity created for securitizations, generally a trust or other special purpose entity (“the trusts”). The credit quality of the receivables is supported by credit enhancements, which may be in various forms including interest-only strips, subordinated interests in the pool of receivables, cash collateral accounts, and accrued but unbilled interest on the pool of receivables. Securities (\$24.3 billion outstanding as of December 31, 2001) representing undivided interests in the pool of consumer loan receivables are sold to the public through an underwritten offering or to private investors in private placement transactions. The Company receives the proceeds of the sale. In certain securitizations, the Company retains an interest in the trust (“seller’s interest”) equal to the amount of the outstanding receivables transferred to the trust in excess of the principal balance of the securities outstanding. For revolving securitizations, the Company’s undivided interest in the trusts varies as the amount of the excess receivables in the trusts fluctuates as the accountholders make principal payments and incur new charges on the selected accounts. A securitization of amortizing assets, such as auto loans, generally does not include a seller’s interest. A securitization accounted for as a sale in accordance with SFAS 140 generally results in the removal of the receivables, other than any applicable seller’s interest, from the Company’s balance sheet for financial and regulatory accounting purposes.

[GRAPHIC]

Collections received from securitized receivables are used to pay interest to investors, servicing and other fees, and are available to absorb the investors’ share of credit losses. For revolving securitizations, amounts collected in excess of that needed to pay the above amounts are remitted to the Company, as described in servicing and securitizations income. For amortizing securitizations, amounts in excess of the amount that is used to pay interest, fees and principal are generally remitted to the Company, but may be paid to investors in further reduction of their outstanding principal as described below.

Investors in the Company’s revolving securitization program are generally entitled to receive principal payments either in one lump sum after an accumulation period or through monthly payments during an amortization period. Amortization may begin sooner in certain circumstances, including the possibility of the annualized portfolio yield (generally consisting of interest and fees) for a three-month period dropping below the sum of the security rate payable to investors, loan servicing fees and net credit losses during the period. Increases in net credit losses and payment rates could significantly decrease the spread and cause early amortization. At December 31, 2001, the annualized portfolio yields on the Company’s off-balance sheet securitizations sufficiently exceeded the sum of the related security rate payable to investors, loan servicing fees and net credit losses, and as such, early amortizations of its off-balance sheet securitizations were not expected.

[GRAPHIC]

In revolving securitizations, prior to the commencement of the amortization or accumulation period, the investors’ share of the principal payments received on the trusts’ receivables are reinvested in new receivables to maintain the principal balance of the securities. During the amortization period, the investors’ share of principal payments is paid to the security holders until the securities are repaid. When the trust allocates principal payments to the security holders, the Company’s reported consumer loans increase by the new amount on any new activity on the accounts. During the accumulation period, the investors’ share of principal payments is paid into a principal funding account designed to accumulate principal collections so that the securities can be paid in full on the expected final payment date.

Table 2 indicates the impact of the consumer loan securitizations on average earning assets, net interest margin and loan yield for the periods presented. The Company intends to continue to securitize consumer loans.

table 2: Operating Data and Ratios

	Year Ended December 31		
	2001	2000	1999
	(Dollars in Thousands)		
Reported:			
Average earning assets	\$ 20,706,172	\$ 13,252,033	\$ 9,694,406
Net interest margin	8.03%	11.99%	10.86%
Loan yield	15.29	19.91	19.33
Managed:			
Average earning assets	\$ 38,650,677	\$ 24,399,119	\$ 20,073,964
Net interest margin	9.04%	10.71%	10.83%
Loan yield	15.48	17.83	17.59

RISK ADJUSTED REVENUE AND MARGIN

The Company's products are designed with the objective of maximizing customer value while optimizing revenue for the level of risk undertaken. Management believes that comparable measures for external analysis are the risk adjusted revenue and risk adjusted margin of the managed portfolio. Risk adjusted revenue is defined as net interest income and non-interest income less net charge-offs. Risk adjusted margin measures risk adjusted revenue as a percentage of average earning assets. These measures consider not only the loan yield and net interest margin, but also the fee income associated with these products. By deducting net charge-offs, consideration is given to the risk inherent in the Company's portfolio.

[GRAPHIC]

The Company markets its card products to specific consumer populations. The terms of each card product are actively managed to achieve a balance between risk and expected performance, while obtaining the expected return. For example, card product terms typically include the ability to reprice individual accounts upwards or downwards based on the consumer's performance. In addition, since 1998, the Company has aggressively marketed low non-introductory rate cards to consumers with the best established credit profiles to take advantage of the favorable risk return characteristics of this consumer type. Industry competitors have continuously solicited the Company's customers with similar interest rate strategies. Management believes the competition has put, and will continue to put, additional pressure on the Company's pricing strategies.

By applying its IBS and in response to dynamic competitive pressures, the Company also concentrates a significant amount of its marketing expense to other credit card product opportunities. Examples of such products include secured cards, lifestyle cards, co-branded cards, student cards and other cards marketed to certain consumer populations that the Company feels are underserved by the Company's competitors. These products do not have a significant, immediate impact on managed loan balances; rather they typically consist of lower credit limit accounts and balances that build over time. The terms of these customized card products tend to include membership fees and higher annual finance charge rates. The profile of the consumer populations that these products are marketed to, in some cases, may also tend to result in higher account delinquency rates and consequently higher past-due and overlimit fees as a percentage of loan receivables outstanding than the low non-introductory rate products.

[GRAPHIC]

Table 3 provides income statement data and ratios for the Company's managed consumer loan portfolio. The causes of increases and decreases in the various components of risk adjusted revenue are discussed in further detail in subsequent sections of this analysis.

table 3: Managed Risk Adjusted Revenue

	Year Ended December 31		
	2001	2000	1999
	(Dollars in Thousands)		
Managed Income Statement:			
Net interest income	\$ 3,492,620	\$ 2,614,321	\$ 2,174,726
Non-interest income	3,337,397	2,360,111	1,668,381
Net charge-offs	(1,438,370)	(883,667)	(694,073)
Risk adjusted revenue	\$ 5,391,647	\$ 4,090,765	\$ 3,149,034
Ratios:(1)			
Net interest income	9.04%	10.71%	10.83%
Non-interest income	8.63	9.67	8.31
Net charge-offs	(3.72)	(3.62)	(3.45)
Risk adjusted margin	13.95%	16.77%	15.69%

(1) As a percentage of average managed earning assets.

NET INTEREST INCOME

Net interest income is interest and past-due fees earned from the Company's consumer loans and securities less interest expense on borrowings, which include interest-bearing deposits, borrowings from senior notes and other borrowings.

Reported net interest income for the year ended December 31, 2001, was \$1.7 billion compared to \$1.6 billion for 2000, representing an increase of \$74.5 million, or 5%. Net interest income increased as a result of growth in earning assets. Average earning assets increased 56% for the year ended December 31, 2001, to \$20.7 billion from \$13.3 billion for the year ended December 31, 2000. The reported net interest margin decreased to 8.03% in 2001, from 11.99% in 2000 primarily attributable to a 462 basis point decrease in the yield on consumer loans to 15.29% for the year ended December 31, 2001, from 19.91% for the year ended December 31, 2000. The yield on consumer loans decreased primarily due to a shift in the mix of the reported portfolio toward a greater composition of lower yielding, higher credit quality loans, a decrease in the frequency of past-due fees and a selective increase in the use of low introductory rates as compared to the prior year.

The managed net interest margin for the year ended December 31, 2001, decreased to 9.04% from 10.71% for the year ended December 31, 2000. This decrease was primarily the result of a 234 basis point decrease in consumer loan yield for the year ended December 31, 2001. The decrease in consumer loan yield to 15.48% for the year ended December 31, 2001, from 17.83% in 2000 was due to a shift in the mix of the managed portfolio to lower yielding, higher credit quality loans, as well as an increase in the amount of low introductory rate balances as compared to the prior year.

Reported net interest income for the year ended December 31, 2000, was \$1.6 billion, compared to \$1.1 billion for 1999, representing an increase of \$536.3 million, or 51%. Net interest income increased as a result of growth in earning assets and an increase in the net interest margin. Average earning assets increased 37% for the year ended December 31, 2000, to \$13.3 billion from \$9.7 billion for the year ended December 31, 1999. The reported net interest margin increased to 11.99% in 2000, from 10.86% in 1999 and was primarily attributable to a 58 basis point increase in the yield on consumer loans to 19.91% for the year ended December 31, 2000, from 19.33% for the year ended December 31, 1999. The yield on consumer loans increased primarily due to an increase in the frequency of past-due fees and a slight shift in the mix of the portfolio to higher yielding assets as compared to the prior year.

The managed net interest margin for the year ended December 31, 2000, decreased to 10.71% from 10.83% for the year ended December 31, 1999. This decrease was primarily the result of an increase of 74 basis points in borrowing costs to 6.53% in 2000, from 5.79% in 1999, offset by a 24 basis point increase in consumer loan yield for the year ended December 31, 2000. The increase in consumer loan yield to 17.83% for the year ended December 31, 2000, from 17.59% in 1999 was primarily the result of an increase in the frequency of past-due fees as compared to the prior year.

Table 4 provides average balance sheet data, an analysis of net interest income, net interest spread (the difference between the yield on earning assets and the cost of interest-bearing liabilities) and net interest margin for each of the years ended December 31, 2001, 2000 and 1999.

table 4: Statements of Average Balances, Income and Expense, Yields and Rates

	Year Ended December 31								
	2001			2000			1999		
	Average Balance	Income/Expense	Yield/Rate	Average Balance	Income/Expense	Yield/Rate	Average Balance	Income/Expense	Yield/Rate
	(Dollars in Thousands)								
Assets:									
Earning assets									
Consumer loans(1)									
Domestic	\$14,648,298	\$2,257,183	15.41%	\$ 9,320,165	\$1,996,968	21.43%	\$ 5,784,662	\$1,260,313	21.79%
Foreign	2,636,008	358,584	14.63%	2,167,611	289,806	13.37%	1,882,693	222,058	11.79%
Total	17,284,306	2,642,767	15.29%	11,487,776	2,286,774	19.91%	7,667,355	1,482,371	19.33%
Securities available for sale									
Other	2,526,529	138,188	5.47	1,611,582	96,554	5.99	1,852,826	105,438	5.69%
Domestic	593,050	45,877	7.74%	107,416	5,993	5.58%	151,029	5,295	3.51%
Foreign	302,287	7,565	2.50%	45,259	581	1.28%	23,196	380	1.64%
Total	895,337	53,442	5.97%	152,675	6,574	4.31%	174,225	5,675	3.26%
Total earning assets	20,706,172	\$2,834,397	13.69%	13,252,033	\$2,389,902	18.03%	9,694,406	\$1,593,484	16.44%
Cash and due from banks	171,392			103,390			17,046		
Allowance for loan losses	(637,789)			(402,208)			(269,375)		
Premises and equipment, net	735,282			549,133			366,709		
Other	2,371,252			1,707,237			1,276,227		
Total assets	\$23,346,309			\$15,209,585			\$11,085,013		
Liabilities and Equity:									
Interest-bearing liabilities									
Deposits									
Domestic	\$ 9,700,132	\$ 594,183	6.13%	\$ 5,313,178	\$ 322,497	6.07%	\$ 2,760,536	\$ 137,792	4.99%
Foreign	673,379	46,287	6.87%	26,296	1,511	5.75%			
Total	10,373,511	640,470	6.17%	5,339,474	324,008	6.07%	2,760,536	137,792	4.99%
Senior notes	5,064,356	357,495	7.06%	3,976,623	274,975	6.91%	4,391,438	302,698	6.89%
Other borrowings									
Domestic	2,551,996	145,316	5.69%	2,011,295	142,355	7.08%	1,398,397	82,508	5.90%
Foreign	440,313	27,726	6.30%	882,120	59,679	6.77%	288,645	17,884	6.20%
Total	2,992,309	173,042	5.78%	2,893,415	202,034	6.98%	1,687,042	100,392	5.95%
Total interest-bearing liabilities	18,430,176	\$1,171,007	6.35%	12,209,512	\$ 801,017	6.56%	8,839,016	\$ 540,882	6.12%
Other	2,134,951			1,299,100			838,098		
Total liabilities	20,565,127			13,508,612			9,677,114		
Equity	2,781,182			1,700,973			1,407,899		
Total liabilities and equity	\$23,346,309			\$15,209,585			\$11,085,013		
Net interest spread			7.34%			11.47%			10.32%
Interest income to average earning assets			13.69			18.03			16.44
Interest expense to average earning assets			5.66			6.04			5.58
Net interest margin			8.03%			11.99%			10.86%

(1) Interest income includes past-due fees on loans of approximately \$709,596, \$780,014 and \$478,918 for the years ended December 31, 2001, 2000 and 1999, respectively.

INTEREST VARIANCE ANALYSIS

Net interest income is affected by changes in the average interest rate earned on earning assets and the average interest rate paid on interest-bearing liabilities. In addition, net interest income is affected by changes in the volume of earning assets and interest-bearing liabilities. Table 5 sets forth the dollar amount of the increases and decreases in interest income and interest expense resulting from changes in the volume of earning assets and interest-bearing liabilities and from changes in yields and rates.

table 5: Interest Variance Analysis

	Year Ended December 31					
	2001 vs. 2000			2000 vs. 1999		
	Increase (Decrease)	Change Due to(1)		Increase (Decrease)	Change Due to(1)	
		Volume	Yield /Rate		Volume	Yield/Rate
	(Dollars in Thousands)					
Interest Income:						
Consumer loans						
Domestic	\$ 260,215	\$ 926,633	\$ (666,418)	\$ 736,655	\$757,865	\$ (21,210)
Foreign	95,778	66,728	29,050	67,748	35,989	31,759
Total	355,993	970,541	(614,548)	804,403	759,271	45,132
Securities available for sale	41,634	50,678	(9,044)	(8,884)	(14,244)	5,360
Other						
Domestic	39,884	36,743	3,141	698	(1,826)	2,524
Foreign	6,984	5,984	1,000	201	298	(97)
Total	46,868	43,420	3,448	899	(765)	1,664
Total interest income	444,495	1,117,519	(673,024)	796,418	629,696	166,722
Interest Expense:						
Deposits						
Domestic	271,686	268,697	2,989	184,705	149,727	34,978
Foreign	44,776	44,422	354	1,511	1,511	
Total	316,462	310,709	5,753	186,216	151,286	34,930
Senior notes	82,520	76,672	5,848	(27,723)	(28,681)	958
Other borrowings						
Domestic	2,961	33,938	(30,977)	59,847	41,121	18,726
Foreign	(31,953)	(28,072)	(3,881)	41,795	40,006	1,798
Total	(28,992)	6,708	(35,700)	101,642	81,806	19,836
Total interest expense	369,990	395,995	(26,005)	260,135	218,759	41,376
Net interest income(1)	\$ 74,505	\$ 707,857	\$ (633,352)	\$ 536,283	\$417,642	\$ 118,641

(1) The change in interest due to both volume and yield/rates has been allocated in proportion to the relationship of the absolute dollar amounts of the change in each. The changes in income and expense are calculated independently for each line in the table. The totals for the volume and yield/rate columns are not the sum of the individual lines.

SERVICING AND SECURITIZATIONS INCOME

In accordance with SFAS 140, the Company records gains or losses on the off-balance sheet securitizations of consumer loan receivables on the date of sale based on the estimated fair value of assets sold and retained and liabilities incurred in the sale. Retained interests in securitized assets include interest-only strips, retained subordinated interests in the transferred pool of receivables, cash collateral accounts and accrued but unbilled interest on the investors' share of the pool of receivables. Gains represent the present value of estimated excess cash flows the Company will receive over the estimated life of the receivables and are included in servicing and securitizations income. Essentially, this excess cash flow represents an interest-only strip, consisting of the excess of finance charges and past-due fees over the sum of the return paid to investors, estimated contractual servicing fees and credit losses. The credit risk exposure on retained interests exceeds the pro rata share of the Company's interest in the pool of receivables. However, exposure to credit losses on the securitized loans is contractually limited to the retained interests.

Servicing and securitizations income represents servicing fees, excess spread and other fees relating to the pool of loan receivables sold through securitization transactions, as well as gains and losses recognized as a result of the securitization transactions. Servicing and securitizations income increased \$1.3 billion, or 112%, to \$2.4 billion for the year ended December 31, 2001, from \$1.2 billion in 2000. This increase was primarily due to a 64% increase in the average off-balance sheet loan portfolio and a shift in the mix of that portfolio toward higher yielding, lower credit quality loans to more closely reflect the composition of the managed portfolio.

Servicing and securitizations income decreased \$34.7 million, or 3%, to \$1.2 billion for the year ended December 31, 2000, compared to 1999. This decrease was primarily due to an increase in net charge-offs on such loans as a result of the seasoning of accounts combined with a change in customer usage patterns, resulting in decreases of certain fees.

Certain estimates inherent in the determination of the fair value of the retained interests are influenced by factors outside the Company's control, and as a result, such estimates could materially change in the near term. Any future gains that will be recognized in accordance with SFAS 140 will be dependent on the timing and amount of future securitizations. The Company intends to continuously assess the performance of new and existing securitization transactions as estimates of future cash flows change.

OTHER NON-INTEREST INCOME

Interchange income increased \$142.0 million, or 60%, to \$379.8 million for the year ended December 31, 2001, from \$237.8 million in 2000. This increase was primarily attributable to increased purchase volume and new account growth for the year ended December 31, 2001. Service charges and other customer-related fees decreased by \$45.3 million, or 3%, to \$1.6 billion for the year ended December 31, 2001. This decrease was primarily due to the shift in the mix of the reported loan portfolio toward a greater composition of lower fee-generating loans, offset by a 39% increase in the average number of accounts in 2001.

Interchange income increased \$93.5 million, or 65%, to \$237.8 million for the year ended December 31, 2000, from \$144.3 million in 1999. Service charges and other customer-related fees increased to \$1.6 billion, or 58%, for the year ended December 31, 2000, compared to \$1.0 billion for the year ended December 31, 1999. These increases were primarily due to a 41% increase in the average number of accounts for the year ended December 31, 2000, from 1999, an increase in purchase volume, customer usage patterns and increased purchases of cross-sell products.

NON-INTEREST EXPENSE

Non-interest expense for the year ended December 31, 2001, increased \$910.4 million, or 29%, to \$4.1 billion from \$3.1 billion for the year ended December 31, 2000. Contributing to the increase in non-interest expense were marketing expenses, which increased \$176.8 million, or 20%, to \$1.1 billion in 2001, from \$906.1 million in 2000. The increase in marketing expenses during 2001 reflects the Company's continued identification of and investments in opportunities for growth, as well as our marketing extension into television advertisements. Salaries and associate benefits increased \$368.7 million, or 36%, to \$1.4 billion in 2001, from \$1.0 billion in 2000, as the Company added approximately 2,400 net new associates to our staffing levels to manage the growth in the Company's accounts. All other non-interest expenses increased \$364.8 million, or 30%, to \$1.6 billion for the year ended December 31, 2001, from \$1.2 billion in 2000. The increase in other non-interest expenses was primarily composed of increased depreciation expense due to premises and equipment growth, increased collections costs as a result of increased collection and recovery efforts, and non-recurring expenses such as the write-off of an investment in an ancillary business as well as costs associated with the mailing of amendments to customer account agreements. The increase was also driven by the 39% increase in average accounts.

[GRAPHIC]

Non-interest expense for the year ended December 31, 2000, increased \$682.7 million, or 28%, to \$3.1 billion from \$2.5 billion for the year ended December 31, 1999. Contributing to the increase in non-interest expense were marketing expenses which increased \$174.2 million, or 24%, to \$906.1 million in 2000, from \$731.9 million in 1999. The increase in marketing expenses during 2000 reflects the Company's continued identification of and investments in opportunities for growth. Salaries and associate benefits increased \$243.2 million, or 31%, to \$1.0 billion in 2000, from \$780.2 million in 1999, as the Company added approximately 3,800 net new associates to our staffing levels to manage the growth in the Company's accounts. All other non-interest expenses increased \$265.2 million, or 28%, to \$1.2 billion for the year ended December 31, 2000, from \$952.9 million in 1999. The increase in other non-interest expense, as well as the increase in salaries and associate benefits, was primarily a result of a 41% increase in the average number of accounts for the year ended December 31, 2000, and the Company's continued exploration and testing of new products and markets.

INCOME TAXES

The Company's income tax rate was 38%, 38% and 37%, for the years ended December 31, 2001, 2000 and 1999, respectively. The effective rate includes both state and federal income tax components.

ASSET QUALITY

The asset quality of a portfolio is generally a function of the initial underwriting criteria used, levels of competition, account management activities and demographic concentration, as well as general economic conditions. The seasoning of the accounts is also an important factor in the delinquency and loss levels of the portfolio. Accounts tend to exhibit a rising trend of delinquency and credit losses as they season. As of December 31, 2001 and 2000, 58% and 60% of managed accounts, respectively, representing 51% of the total managed loan balance, were less than eighteen months old. Accordingly, it is likely that the Company's managed loan portfolio could experience increased levels of delinquency and credit losses as the average age of the Company's accounts increases.

Changes in the rates of delinquency and credit losses can also result from a shift in the product mix. As discussed in "Risk Adjusted Revenue and Margin," certain customized card products have, in some cases, higher delinquency and higher charge-off rates. In the case of secured card loans, collateral, in the form of cash deposits, reduces any ultimate charge-offs. The costs associated with higher delinquency and charge-off rates are considered in the pricing of individual products.

During 2001, general economic conditions for consumer credit deteriorated slightly as industry levels of charge-offs (including bankruptcies) and delinquencies both increased. These trends did not have a material impact on the Company's 2001 results.

DELINQUENCIES

Table 6 shows the Company's consumer loan delinquency trends for the years presented on a reported and managed basis. The entire balance of an account is contractually delinquent if the minimum payment is not received by the payment due date. Delinquencies not only have the potential to impact earnings if the account charges off, but they also result in additional costs in terms of the personnel and other resources dedicated to resolving the delinquencies.

The 30-plus day delinquency rate for the managed consumer loan portfolio was 4.95% as of December 31, 2001, down 28 basis points from 5.23% as of December 31, 2000. The 30-plus day delinquency rate for the reported consumer loan portfolio decreased to 4.84% as of December 31, 2001, from 7.26% as of December 31, 2000. Both reported and managed consumer loan delinquency rate decreases as of December 31, 2001, as compared to December 31, 2000, principally reflected improvements in customer credit performance including enhanced payment activity. The decrease in the reported consumer loan delinquency rate was also a result of a shift in the mix of the composition of the reported portfolio towards lower yielding, higher credit quality loans.

[GRAPHIC]

table 6: Delinquencies

As of December 31	2001		2000		1999		1998		1997	
	Loans	% of Total Loans	Loans	% of Total Loans	Loans	% of Total Loans	Loans	% of Total Loans	Loans	% of Total Loans
(Dollars in Thousands)										
Reported:										
Loans outstanding	\$ 20,921,014	100.00%	\$ 15,112,712	100.00%	\$ 9,913,549	100.00%	\$ 6,157,111	100.00%	\$ 4,861,687	100.00%
Loans delinquent:										
30-59 days	494,871	2.37	418,967	2.77	236,868	2.39	123,162	2.00	104,216	2.14
60-89 days	233,206	1.11	242,770	1.61	129,251	1.30	67,504	1.10	64,217	1.32
90 or more days	284,480	1.36	435,574	2.88	220,513	2.23	98,798	1.60	99,667	2.05
Total	\$ 1,012,557	4.84%	\$ 1,097,311	7.26%	\$ 586,632	5.92%	\$ 289,464	4.70%	\$ 268,100	5.51%
Loans delinquent by geographic area:										
Domestic	930,077	5.02%	1,034,995	8.23%	533,081	6.85%	264,966	5.80%	264,942	5.96%
Foreign	82,480	3.47%	62,316	2.46%	53,551	2.51%	24,498	1.54%	3,158	0.75%
Managed:										
Loans outstanding	\$ 45,263,963	100.00%	\$ 29,524,026	100.00%	\$ 20,236,588	100.00%	\$ 17,395,126	100.00%	\$ 14,231,015	100.00%
Loans delinquent:										
30-59 days	934,681	2.06	605,040	2.05	416,829	2.06	329,239	1.89	327,407	2.30
60-89 days	502,959	1.11	349,250	1.18	238,476	1.18	182,982	1.05	213,726	1.50
90 or more days	804,007	1.78	590,364	2.00	403,464	1.99	305,589	1.76	340,887	2.40
Total	\$ 2,241,647	4.95%	\$ 1,544,654	5.23%	\$ 1,058,769	5.23%	\$ 817,810	4.70%	\$ 882,020	6.20%

NET CHARGE-OFFS

Net charge-offs include the principal amount of losses (excluding accrued and unpaid finance charges, fees and fraud losses) less current period recoveries. The Company charges off credit card loans (net of any collateral) at 180 days past the due date and generally charges off other consumer loans at 120 days past the due date. All amounts collected on previously charged-off accounts are included in recoveries. Costs to recover previously charged-off accounts are recorded as collections expense in non-interest expenses.

For the year ended December 31, 2001, the managed net charge-off rate increased 14 basis points to 4.04%. The managed net charge-off rate for the first three quarters of 2001 remained stable while the fourth quarter managed net charge-off rate increased significantly resulting in an overall increase for the year ended December 31, 2001. This increase is a result of the seasoning of accounts originated in the fourth quarter of the year ended December 31, 2000. For the year ended December 31, 2001, the reported net charge-off rate decreased 64 basis points to 4.00%. The decrease in the reported net charge-off rate was the result of a shift in the overall mix of the reported portfolio towards lower yielding, higher credit quality loans. Table 7 shows the Company's net charge-offs for the years presented on a reported and managed basis.

The Company takes measures as necessary, including requiring collateral on certain accounts and other marketing and account management techniques, to maintain the Company's credit quality standards and to manage the risk of loss on existing accounts. See "Risk Adjusted Revenue and Margin" for further discussion.

table 7: Net Charge-Offs

<u>Year Ended December 31</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
	(Dollars in Thousands)				
Reported:					
Average loans outstanding	\$ 17,284,306	\$ 11,487,776	\$ 7,667,355	\$ 5,348,559	\$ 4,103,036
Net charge-offs	691,636	532,621	275,470	226,531	198,192
Net charge-offs as a percentage of average loans outstanding	4.00%	4.64%	3.59%	4.24%	4.83%
Managed:					
Average loans outstanding	\$ 35,612,317	\$ 22,634,862	\$ 18,046,913	\$ 15,209,537	\$ 13,007,182
Net charge-offs	1,438,370	883,667	694,073	810,306	856,704
Net charge-offs as a percentage of average loans outstanding	4.04%	3.90%	3.85%	5.33%	6.59%

PROVISION AND ALLOWANCE FOR LOAN LOSSES

The allowance for loan losses is maintained at an amount estimated to be sufficient to absorb probable losses, net of recoveries (including recovery of collateral), inherent in the existing reported loan portfolio. The provision for loan losses is the periodic cost of maintaining an adequate allowance. Management believes that the allowance for loan losses is adequate to cover anticipated losses in the reported homogeneous consumer loan portfolio under current conditions. There can be no assurance as to future credit losses that may be incurred in connection with the Company's consumer loan portfolio, nor can there be any assurance that the loan loss allowance that has been established by the Company will be sufficient to absorb such future credit losses. The allowance is a general allowance applicable to the entire reported homogeneous consumer loan portfolio. The amount of allowance necessary is determined primarily based on a migration analysis of delinquent and current accounts. In evaluating the sufficiency of the allowance for loan losses, management also takes into consideration the following factors: recent trends in delinquencies and charge-offs including bankrupt, deceased and recovered amounts; historical trends in loan volume; forecasting uncertainties and size of credit risks; the degree of risk inherent in the composition of the loan portfolio; economic conditions; credit evaluations and underwriting policies. Additional information on the Company's allowance for loan loss policy can be found in Note A to the Consolidated Financial Statements.

Table 8 sets forth the activity in the allowance for loan losses for the periods indicated. See "Asset Quality," "Delinquencies" and "Net Charge-Offs" for a more complete analysis of asset quality.

For the year ended December 31, 2001, the provision for loan losses increased to \$989.8 million, or 38%, from the 2000 provision for loan losses of \$718.2 million. This increase is primarily a result of the 50% increase in average reported loans, offset by a 64 basis point, or 14%, decrease in the reported net charge-off rate as a result of the aforementioned shift in the mix of the composition of the reported portfolio. As a result of these factors, the Company increased the allowance for loan losses by \$313 million during 2001.

For the year ended December 31, 2000, the provision for loan losses increased 88% to \$718.2 million from the 1999 provision for loan losses of \$382.9 million as a result of an increase in average reported loans 50%, continued seasoning of the reported portfolio and the shift in the mix of the composition of the reported portfolio. As a result of these factors, the Company increased the allowance for loan losses by \$185.0 million during 2000.

table 8: Summary of Allowance for Loan Losses

<u>Year Ended December 31</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
	(Dollars in Thousands)				
Provision for loan losses:					
Domestic	920,155	611,406	320,978	230,821	254,904
Foreign	69,681	106,764	61,970	36,207	7,933
Total provisions for loan losses	<u>989,836</u>	<u>718,170</u>	<u>382,948</u>	<u>267,028</u>	<u>262,837</u>
Acquisitions/other	<u>14,800</u>	<u>(549)</u>	<u>3,522</u>	<u>7,503</u>	<u>(2,770)</u>
Charge-offs:					
Domestic	(908,065)	(693,106)	(344,679)	(282,455)	(221,401)
Foreign	(110,285)	(79,296)	(55,464)	(11,840)	(1,628)
Total charge-offs	<u>(1,018,350)</u>	<u>(772,402)</u>	<u>(400,143)</u>	<u>(294,295)</u>	<u>(223,029)</u>
Recoveries:					
Domestic	304,919	230,123	122,258	67,683	27,445
Foreign	21,795	9,658	2,415	81	17
Total recoveries	<u>326,714</u>	<u>239,781</u>	<u>124,673</u>	<u>67,764</u>	<u>27,462</u>
Net charge-offs	<u>(691,636)</u>	<u>(532,621)</u>	<u>(275,470)</u>	<u>(226,531)</u>	<u>(195,567)</u>
Balance at end of year	<u>\$ 840,000</u>	<u>\$ 527,000</u>	<u>\$ 342,000</u>	<u>\$ 231,000</u>	<u>\$ 183,000</u>
Allowance for loan losses to loans at end of year	<u>4.02%</u>	<u>3.49%</u>	<u>3.45%</u>	<u>3.75%</u>	<u>3.76%</u>
Allowance for loan losses by geographic distribution:					
Domestic	\$ 784,857	\$ 451,074	\$ 299,424	\$ 198,419	\$ 174,659
Foreign	55,143	75,926	42,576	32,581	8,341

FUNDING

The Company has established access to a variety of funding alternatives, in addition to securitization of its consumer loans. In June 2000, the Company established a \$5.0 billion global senior and subordinated bank note program, of which \$3.0 billion was outstanding as of December 31, 2001 with original terms of three to five years. In 2001, the Company issued a \$1.3 billion five-year fixed rate senior bank note and a \$750.0 million three-year fixed rate senior bank note under the global bank note program. The Company has historically issued senior unsecured debt of the Bank through its \$8.0 billion domestic bank note program, of which \$1.8 billion was outstanding as of December 31, 2001, with original terms of one to ten years. The Company did not renew such program and it is no longer available for future issuances. Internationally, the Company has funding programs designed for foreign investors or to raise funds in foreign currencies allowing the Company to borrow from both U.S. and non-U.S. lenders, including two committed revolving credit facilities offering foreign currency funding options. The Company funds its foreign assets by directly or synthetically borrowing or securitizing in the local currency to mitigate the financial statement effect of currency translation.

[GRAPHIC]

Additionally, the Company has three shelf registration statements under which the Company from time to time may offer and sell senior or subordinated debt securities, preferred stock and common stock. As of December 31, 2001, the Company had existing unsecured senior debt outstanding under the shelf registrations of \$550.0 million and had issued 6,750,390 shares of common stock in a public offering, increasing equity by \$412.8 million. As of December 31, 2001, the Company had \$587.2 million available for future issuance under these registration statements. On January 30, 2002, the Company issued \$300.0 million aggregate principal amount of senior notes due in 2007. Following such issuance, the Company had \$287.2 million available for future issuance under these registration statements. The Company has also filed a new shelf registration statement that will enable the Company to sell senior or subordinated debt securities, preferred stock, common stock, common equity units, stock purchase contracts and, through one or more subsidiary trusts, other preferred securities, in an aggregate amount not to exceed \$1.5 billion.

The Company has significantly expanded its retail deposit gathering efforts through both direct and broker marketing channels. The Company uses its IBS capabilities to test and market a variety of retail deposit origination strategies, including via the Internet, as well as to develop customized account management programs. As of December 31, 2001, the Company had \$12.8 billion in interest-bearing deposits, with original maturities up to ten years.

Table 9 reflects the costs of other borrowings of the Company as of and for each of the years ended December 31, 2001, 2000 and 1999.

table 9: Short-Term Borrowings

	Maximum Outstanding as of any Month-End	Outstanding as of Year-End	Average Outstanding	Average Interest Rate	Year-End Interest Rate
(Dollars in Thousands)					
2001					
Federal funds purchased and resale agreements	\$ 1,643,524	\$ 434,024	\$ 1,046,647	3.77%	1.91%
Other	616,584	449,393	224,995	7.66%	2.29%
Total		\$ 883,417	\$ 1,271,642	4.46%	2.10%
2000					
Federal funds purchased and resale agreements	\$ 1,303,714	\$ 1,010,693	\$ 1,173,267	6.26%	6.58%
Other	371,020	43,359	129,700	11.52	6.17
Total		\$ 1,054,052	\$ 1,302,967	6.79%	6.56%
1999					
Federal funds purchased and resale agreements	\$ 1,491,463	\$ 1,240,000	\$ 1,046,475	5.33%	5.84%
Other	193,697	97,498	175,593	8.42	3.97
Total		\$ 1,337,498	\$ 1,222,068	5.77%	5.70%

Table 10 shows the maturities of domestic time certificates of deposit in denominations of \$100,000 or greater (large denomination CDs) as of December 31, 2001.

table 10: Maturities of Large Denomination Certificates — \$100,000 or More

December 31, 2001	Balance	Percent
(Dollars in Thousands)		
3 months or less	\$ 719,957	15.57%
Over 3 through 6 months	491,885	10.64
Over 6 through 12 months	919,073	19.88
Over 12 months	2,492,081	53.91
Total	\$ 4,622,996	100.00%

Additional information regarding funding can be found in Note E to the Consolidated Financial Statements.

Table 11 summarizes the amounts and maturities of the contractual funding obligations of the Company, including off-balance sheet funding.

table 11: Funding Obligations

As of December 31, 2001	Total	Up to 1 year	1-3 years	4-5 years	After 5 years
Interest bearing deposits	\$ 12,838,968	\$ 3,723,143	\$ 4,794,191	\$ 4,028,736	\$ 292,898
Senior notes	5,335,229	518,635	2,148,045	2,269,262	399,287
Other borrowings	3,995,528	1,691,436	1,370,228	486,000	447,864
Operating leases	253,571	57,619	87,749	51,949	56,254
Off-balance sheet securitization amortization	24,322,085	3,734,661	7,939,135	8,474,385	4,173,904
Total obligations	\$ 46,745,381	\$ 9,725,494	\$ 16,339,348	\$ 15,310,332	\$ 5,370,207

The terms of the lease and credit facility agreements related to certain other borrowings and operating leases in Table 11 require several financial covenants (including performance measures and equity ratios) to be met. If these covenants are not met, there may be an acceleration of the payment due dates noted above. As of December 31, 2001, the Company was not in default of any such covenants.

LIQUIDITY

Liquidity refers to the Company's ability to meet its cash needs. The Company meets its cash requirements by securitizing assets, gathering deposits and through issuing debt. As discussed in "Managed Consumer Loan Portfolio," a significant source of liquidity for the Company has been the securitization of consumer loans. Maturity terms of the existing securitizations vary from 2002 to 2008 and for revolving securitizations, have accumulation periods during which principal payments are aggregated to make payments to investors. As payments on the loans are accumulated and are no longer reinvested in new loans, the Company's funding requirements for such new loans increase accordingly. The occurrence of certain events may cause the securitization transactions to amortize earlier than scheduled, which would accelerate the need for funding. Additionally, this early amortization would have a significant effect on the ability of the Bank and the Savings Bank to meet the capital adequacy requirements as all off-balance sheet loans experiencing such early amortization would have to be recorded on the balance sheet.

The amounts of investor principal from off-balance sheet consumer loans that are expected to amortize into the Company's consumer loans, or be otherwise paid over the periods indicated, based on outstanding off-balance sheet consumer loans as of January 1, 2002 are summarized in Table 11. As of December 31, 2001 and 2000, 54% and 51%, respectively, of the Company's total managed loans were included in off-balance sheet securitizations.

As such amounts amortize or are otherwise paid, the Company believes it can securitize consumer loans, gather deposits, purchase federal funds and establish other funding sources to fund the amortization or other payment of the securitizations in the future, although no assurance can be given to that effect. Additionally, the Company maintains a portfolio of high-quality securities such as U.S. Treasuries and other U.S. government obligations, mortgage-backed securities, commercial paper, interest-bearing deposits with other banks, federal funds and other cash equivalents in order to provide adequate liquidity and to meet its ongoing cash needs. As of December 31, 2001, the Company had \$3.8 billion of such securities.

Liability liquidity is measured by the Company's ability to obtain borrowed funds in the financial markets in adequate amounts and at favorable rates. As of December 31, 2001, the Company, the Bank and the Savings Bank collectively had over \$1.7 billion in unused commitments under its credit facilities available for liquidity needs.

CAPITAL ADEQUACY

The Bank and the Savings Bank are subject to capital adequacy guidelines adopted by the Federal Reserve Board (the "Federal Reserve") and the Office of Thrift Supervision (the "OTS") (collectively, the "regulators"), respectively. The capital adequacy guidelines and the regulatory framework for prompt corrective action require the Bank and the Savings Bank to maintain specific capital levels based upon quantitative measures of their assets, liabilities and off-balance sheet items.

The most recent notifications received from the regulators categorized the Bank and the Savings Bank as "well-capitalized." As of December 31, 2001, there were no conditions or events since the notifications discussed above that management believes would have changed either the Bank or the Savings Bank's capital category.

In November 2001, the four federal banking agencies (the "Agencies") adopted an amendment to the regulatory capital standards regarding the treatment of certain recourse obligations, direct credit substitutes (i.e., guarantees on third-party assets), residual interests in asset securitizations, and other securitized transactions that expose institutions primarily to credit risk. Effective January 1, 2002, this rule amends the Agencies' regulatory capital standards to create greater differentiation in the capital treatment of residual interests. Based on the Company's analysis of the rule adopted by the Agencies, we do not anticipate any material changes to our regulatory capital ratios when the rule becomes effective.

On January 31, 2001, the Agencies issued "Expanded Guidance for Subprime Lending Programs" (the "Guidelines"). The Guidelines, while not constituting a formal regulation, provide guidance to the federal bank examiners regarding the adequacy of capital and loan loss reserves held by insured depository institutions engaged in subprime lending. The Guidelines adopt a broad definition of "subprime" loans which likely covers more than one-third of all consumers in the United States. Because our business strategy is to provide credit card products and other consumer loans to a wide range of consumers, the examiners may view a portion of our loan assets as "subprime." Thus, under the Guidelines, bank examiners could require the Bank or the Savings Bank to hold additional capital (up to one and one-half to three times the minimally required level of capital, as set forth in the Guidelines), or additional loan loss reserves, against such assets. As described above, at December 31, 2001 the Bank and the Savings Bank each met the requirements for a "well-capitalized" institution, and management believes that each institution is holding an appropriate amount of capital or loan loss reserves against higher risk assets. Management also believes we have general risk management practices in place that are appropriate in light of our business strategy.

Significantly increased capital or loan loss reserve requirements, if imposed, however, could have a material impact on the Company's consolidated financial statements.

In connection with the Bank's subsidiary bank in the United Kingdom, the Company has committed to the Federal Reserve that, for so long as the Bank maintains a branch or subsidiary bank in the United Kingdom, the Company will maintain a minimum Tier 1 leverage ratio of 3.0%. As of December 31, 2001 and 2000, the Company's Tier 1 leverage ratio was 11.93% and 11.14%, respectively.

Additional information regarding capital adequacy can be found in Note K to the Consolidated Financial Statements.

DIVIDEND POLICY

Although the Company expects to reinvest a substantial portion of its earnings in its business, the Company intends to continue to pay regular quarterly cash dividends on the Common Stock. The declaration and payment of dividends, as well as the amount thereof, is subject to the discretion of the Board of Directors of the Company and will depend upon the Company's results of operations, financial condition, cash requirements, future prospects and other factors deemed relevant by the Board of Directors. Accordingly, there can be no assurance that the Corporation will declare and pay any dividends. As a holding company, the ability of the Company to pay dividends is dependent upon the receipt of dividends or other payments from its subsidiaries. Applicable banking regulations and provisions that may be contained in borrowing agreements of the Company or its subsidiaries may restrict the ability of the Company's subsidiaries to pay dividends to the Corporation or the ability of the Corporation to pay dividends to its stockholders.

OFF-BALANCE SHEET RISK

The Company is subject to off-balance sheet risk in the normal course of business including commitments to extend credit and interest rate sensitivity related to its securitization transactions.

DERIVATIVE INSTRUMENTS

The Company enters into interest rate swap agreements in the management of its interest rate exposure. The Company also enters into forward foreign currency exchange contracts and currency swaps to reduce its sensitivity to changing foreign currency exchange rates. These derivative financial instruments expose the Company to certain credit, market, legal and operational risks. The Company has established credit policies for these instruments.

The Company adopted SFAS No.133, "Accounting for Derivative Instruments and Hedging Activities," as amended by SFAS No. 137, "Accounting for Derivative Instruments and Hedging Activities—Deferral of Effective Date of FASB Statement No. 133," and SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities," (collectively, "SFAS 133") on January 1, 2001. SFAS 133 required the Company to recognize all of its derivative instruments as either assets or liabilities in the balance sheet at fair value. The accounting for changes in the fair value (i.e., gains and losses) of a derivative instrument depends on whether it has been designated and qualifies as part of a hedging relationship and further, on the type of hedging relationship. For those derivative instruments that are designated and qualify as hedging instruments, a company must designate the hedging instrument, based upon the exposure being hedged, as a fair value hedge, a cash flow hedge or a hedge of a net investment in a foreign operation.

Additional information regarding derivative instruments can be found in Note O to the Consolidated Financial Statements.

INTEREST RATE SENSITIVITY

Interest rate sensitivity refers to the change in earnings that may result from changes in the level of interest rates. To the extent that managed interest income and expense do not respond equally to changes in interest rates, or that all rates do not change uniformly, earnings could be affected. The Company's managed net interest income is affected primarily by changes in LIBOR, as variable rate card receivables, securitization bonds and corporate debts are repriced. The Company manages and mitigates its interest rate sensitivity through several techniques, which include, but are not limited to, changing the maturity, repricing and distribution of assets and liabilities and by entering into interest rate swaps.

The Company measures interest rate risk through the use of a simulation model. The model generates a normal distribution of 12-month managed net interest income outcomes based on a plausible set of interest rate paths, which are generated from an industry-accepted model. The consolidated balance sheet and all off-balance sheet positions are included in the analysis. The Company's Asset/Liability Management Policy requires, that based on this distribution, there be no more than a 5% probability of a 12-month reduction in net interest income of more than \$50 million, or 1.4% of 2001 net interest income. As of December 31, 2001, the Company was in compliance with the policy. The interest rate scenarios evaluated as of December 31, 2001, included scenarios in which short-term interest rates rose by over 400 basis points or fell by as much as 170 basis points over the 12 months. Additionally, the Company regularly reviews the output of other industry accepted techniques for measuring and managing exposures to rate movements, including measures based on the net present value of assets less liabilities (termed "economic value of equity"). These analyses do not consider the effects from changes in the overall level of economic activity associated with various interest rate scenarios. Further, in the event of a rate change of large magnitude, management would likely take actions to further mitigate its exposure. For example, management may, within legal and competitive constraints, reprice interest rates on outstanding credit card loans.

Table 12 reflects the interest rate repricing schedule for earning assets and interest-bearing liabilities as of December 31, 2001.

table 12: Interest Rate Sensitivity

	As of December 31, 2001 Subject to Repricing			
	Within 180 Days	>180 Days– 1 Year	>1 Year–5 Years	Over 5 Years
	(Dollars in Millions)			
Earning assets:				
Federal funds sold and resale agreements	\$ 20			
Interest-bearing deposits at other banks	332			
Securities available for sale	55	\$ 203	\$ 749	\$ 2,109
Consumer loans	8,097	1,800	7,903	3,121
Total earning assets	8,504	2,003	8,652	5,230
Interest-bearing liabilities:				
Interest-bearing deposits	3,155	1,980	7,411	293
Other borrowings	500	292	4,144	399
Senior notes	1,408	557	1,720	311
Total interest-bearing liabilities	5,063	2,829	13,275	1,003
Non-rate related assets				(2,219)
Interest sensitivity gap	3,441	(826)	(4,623)	2,008
Impact of swaps	2,202	(348)	(1,754)	(100)
Impact of consumer loan securitizations	(1,117)	1,168	(3,602)	3,551
Interest sensitivity gap adjusted for impact of securitizations and swaps	\$ 4,526	\$ (6)	\$ (9,979)	\$ 5,459
Adjusted gap as a percentage of managed assets	8.62%	-.01%	-19.01%	10.40%
Adjusted cumulative gap	\$ 4,526	\$ 4,520	\$ (5,459)	\$ —
Adjusted cumulative gap as a percentage of managed assets	8.62%	8.61%	-10.40%	0.00%

BUSINESS OUTLOOK

Earnings, Goals and Strategies

This business outlook section summarizes Capital One's expectations for earnings for 2002, and our primary goals and strategies for continued growth. The statements contained in this section are based on management's current expectations. Certain statements are forward-looking and, therefore, actual results could differ materially. Factors that could materially influence results are set forth throughout this section and in Capital One's Annual Report on Form 10-K for the year ended December 31, 2001 (Part I, Item 1, Risk Factors).

We have set targets, dependent on the factors set forth below, to increase Capital One's earnings per share for 2002 by approximately 20% over earnings per share for the prior year. As discussed elsewhere in this report and below, Capital One's actual earnings are a function of our revenues (net interest income and non-interest income on our earning assets), consumer usage and payment patterns, credit quality of our earning assets (which affects fees and charge-offs), marketing expenses and operating expenses.

Product and Market Opportunities

Our strategy for future growth has been, and is expected to continue to be, to apply our proprietary IBS to our lending business. We will seek to identify new product opportunities and to make informed investment decisions regarding new and existing products. Our lending and other financial products are subject to competitive pressures, which management anticipates will increase as these markets mature.

Lending includes credit card and other consumer lending products, such as automobile financing and unsecured installment lending. Credit card opportunities include, and are expected to continue to include, a wide variety of highly customized products with interest rates, credit lines and other features specifically tailored for numerous consumer segments. We expect continued growth across a broad spectrum of new and existing customized products, which are distinguished by a range of credit lines, pricing structures and other characteristics. For example, our low rate products, which are typically marketed to consumers with the best established credit profiles, are characterized by higher credit lines, lower yields and an expectation of lower delinquencies and credit loss rates. On the other hand, certain

other customized card products are characterized by lower credit lines, higher yields (including fees) and, in some cases, higher delinquencies and credit loss rates. These products also involve higher operational costs but exhibit better response rates, less adverse selection, less attrition and a greater ability to reprice than traditional products. More importantly, on a portfolio basis, these customized products continue to have less volatile returns than traditional products in recent market conditions, based partly on our ability to diversify risk. Based in part on the success of this range of products and continued significant offerings of introductory rate products, we expect strong growth in our managed loan balances during 2002. We believe that we can continue to gain market share and to grow accounts and loan balances, despite our expectation that the credit card industry as a whole will continue to experience slower growth.

Partnership finance relationships have continued to grow through the fourth quarter of 2001. We recently announced a new alliance with TJX Companies, Inc. to offer credit cards to their customers. We anticipate entering into more alliances of this nature through 2002 as opportunities arise to utilize our IBS strategy to originate accounts through partnering relationships.

Capital One Auto Finance, Inc., our automobile finance subsidiary, offers loans, secured by automobiles, through dealer networks and through direct-to-consumer channels throughout the United States. As with our credit card lending, we have applied IBS to our auto finance lending activities by reinventing existing products and creating new products to optimize pricing and customer selection, and to implement our conservative risk management strategy. In October 2001, we acquired PeopleFirst, Inc., the largest online provider of direct motor vehicle loans. We anticipate continued significant auto finance lending activities growth during 2002.

We have expanded our existing operations outside of the United States and have experienced growth in the number of accounts and loan balances in our international business. To date, our principal operations outside of the United States have been in the United Kingdom, with additional operations in Canada, France and South Africa. Our bank in the United Kingdom has authority to conduct full-service operations to support the continued growth of our United Kingdom business and any future business in Europe. We anticipate entering and doing business in additional countries from time to time as opportunities arise.

We will continue to apply our IBS in an effort to balance the mix of credit card products with other financial products and services to optimize profitability within the context of acceptable risk. We continually test new product offerings and pricing combinations, using IBS, to target different consumer groups. The number of tests we conduct has increased each year since 1994 and we expect further increases in 2002. Our growth through expansion and product diversification, however, will be affected by our ability to build internally or acquire the necessary operational and organizational infrastructure, recruit experienced personnel, fund these new businesses and manage expenses. Although we believe we have the personnel, financial resources and business strategy necessary for continued success, there can be no assurance that our results of operations and financial condition in the future will reflect our historical financial performance.

Marketing Investment

We expect our 2002 marketing expenses to exceed the marketing expense level in 2001, as we continue to invest marketing funds in various consumer lending products and services. Our marketing expenditures reached their highest level to date in the fourth quarter of 2001, with a continued focus on capitalizing on the opportunities that we see in the market.

We also plan to continue our focus on a brand marketing, or "brand awareness," strategy with the intent of building a branded franchise to support our IBS and mass customization strategies. We caution, however, that an increase in marketing expenses does not necessarily equate to a comparable increase in outstanding balances or accounts based on historical results. As our portfolio continues to grow, generating balances and accounts to offset attrition requires increasing amounts of marketing. Although we are one of the leading direct mail marketers in the credit card industry, increased mail volume throughout the industry indicates that competition in customer mailings is at near record levels. This intense competition in the credit card market has resulted in an industry-wide reduction in both credit card response rates and the productivity of marketing dollars invested in that line of business, both of which may affect us more significantly in 2002. Furthermore, the cost to acquire new accounts varies across product lines and is expected to rise as we continue to move beyond the domestic card lending activities. With competition affecting the profitability of traditional card products, we have been allocating, and expect to continue to allocate, a greater portion of our marketing expense to other customized credit card products and other financial products. We intend to continue a flexible approach in our allocation of marketing expenses. The actual amount of marketing investment is subject to a variety of external and internal factors, such as competition in the consumer credit industry, general economic conditions affecting consumer credit performance, the asset quality of our portfolio and the identification of market opportunities across product lines that exceed our targeted rates of return on investment.

The amount of marketing expense allocated to various products or businesses will influence the characteristics of our portfolio as various products or businesses are characterized by different account growth, loan growth and asset quality characteristics. Due in part to an increase in our marketing efforts across the entire credit spectrum, we currently expect continued strong loan growth in 2002, but expect account growth, while remaining strong, to moderate compared to recent quarters. Actual growth, however, may vary significantly depending on our actual product mix and the level of attrition in our managed portfolio, which is primarily affected by competitive pressures. Also primarily as a result of our continued growth in superprime lending, our increased offerings of introductory rate products, and an increase in the Company's liquidity portfolio during the fourth quarter, our net interest margin decreased during 2001. We anticipate that net interest margin may continue to fluctuate during 2002, based on continued movement in the underlying components and due in part to the scheduled repricing of certain introductory rate credit card products as well as continuing shifts in our asset mix.

Impact of Delinquencies, Charge-Offs and Attrition

Our earnings are particularly sensitive to delinquencies and charge-offs on our portfolio, and to the level of attrition resulting from competition in the credit card industry. As delinquency levels fluctuate, the resulting amount of past due and overlimit fees, which are significant sources of our revenue, will also fluctuate. Further, the timing of revenues from increasing or decreasing delinquencies precedes the related impact of higher or lower charge-offs that ultimately result from varying levels of delinquencies. Delinquencies and net charge-offs are impacted by general economic trends in consumer credit performance, including bankruptcies, the degree of seasoning of our portfolio and our product mix.

As of December 31, 2001, we had the lowest managed net charge-off rate among the top ten credit card issuers in the United States. However, we expect delinquencies and charge-offs to increase in 2002, primarily due to the continued seasoning of certain accounts, as well as general economic factors. We caution that delinquency and charge-off levels are not always predictable and may vary from projections and from period to period. During an economic downturn or recession, delinquencies and charge-offs are likely to increase more quickly. This impact could be exacerbated by a decline in the loan growth rate. In addition, competition in the credit card industry, as measured by the volume of mail solicitations, remains very high. Competition can affect our earnings by increasing attrition of our outstanding loans (thereby reducing interest and fee income) and by making it more difficult to retain and attract profitable customers.

Cautionary Factors

The strategies and objectives outlined above, and the other forward-looking statements contained in this section, involve a number of risks and uncertainties. Capital One cautions readers that any forward-looking information is not a guarantee of future performance and that actual results could differ materially. In addition to the factors discussed above, among the other factors that could cause actual results to differ materially are the following: continued intense competition from numerous providers of products and services that compete with our businesses; with respect to financial and other products, changes in our aggregate accounts or consumer loan balances and the growth rate thereof, including changes resulting from factors such as shifting product mix, amount of our actual marketing expenses and attrition of accounts and loan balances; any significant disruption of, or loss of public confidence in, the U.S. mail system affecting response rates or customer payments; an increase in credit losses (including increases due to a worsening of general economic conditions); our ability to continue to securitize our credit cards and consumer loans and to otherwise access the capital markets at attractive rates and terms to fund our operations and future growth; difficulties or delays in the development, production, testing and marketing of new products or services; losses associated with new products or services or expansion internationally; financial, legal, regulatory or other difficulties that may affect investment in, or the overall performance of, a product or business, including changes in existing laws to regulate further the credit card and consumer loan industry and the financial services industry, in general, including the flexibility of financial services companies to obtain, use and share consumer data; the amount of, and rate of growth in, our expenses (including salaries and associate benefits and marketing expenses) as our business develops or changes or as we expand into new market areas; the availability of capital necessary to fund our new businesses; our ability to build the operational and organizational infrastructure necessary to engage in new businesses or to expand internationally; our ability to recruit experienced personnel to assist in the management and operations of new products and services; and other factors listed from time to time in the our SEC reports, including, but not limited to, the Annual Report on Form 10-K for the year ended December 31, 2001 (Part I, Item 1, Risk Factors).

Selected Quarterly Financial Data

	2001				2000			
	Fourth Quarter	Third Quarter	Second Quarter	First Quarter	Fourth Quarter	Third Quarter	Second Quarter	First Quarter
(Unaudited) (In Thousands)								
Summary of operations:								
Interest income	\$ 804,618	\$ 722,690	\$ 657,216	\$ 649,873	\$ 706,235	\$ 631,713	\$ 536,507	\$ 515,447
Interest expense	314,838	294,869	287,146	274,154	247,675	218,843	172,549	161,950
Net interest income	489,780	427,821	370,070	375,719	458,560	412,870	363,958	353,497
Provision for loan losses	305,889	230,433	202,900	250,614	247,226	193,409	151,010	126,525
Net interest income after provision for loan losses	183,891	197,388	167,170	125,105	211,334	219,461	212,948	226,972
Non-interest income	1,177,251	1,144,190	1,073,676	1,024,776	872,080	796,469	710,807	655,060
Non-interest expense	1,074,567	1,074,897	990,316	918,247	876,516	818,957	742,264	709,920
Income before income taxes	286,575	266,681	250,530	231,634	206,898	196,973	181,491	172,112
Income taxes	108,894	101,337	95,203	88,021	78,621	74,850	68,966	65,403
Net income	\$ 177,681	\$ 165,344	\$ 155,327	\$ 143,613	\$ 128,277	\$ 122,123	\$ 112,525	\$ 106,709
Per Common Share:								
Basic earnings	\$.83	\$.78	\$.74	\$.70	\$.65	\$.62	\$.57	\$.54
Diluted earnings	.80	.75	.70	.66	.61	.58	.54	.51
Dividends	.03	.03	.03	.03	.03	.03	.03	.03
Market prices								
High	55.60	67.25	72.58	70.44	73.22	71.75	53.75	48.81
Low	41.00	36.41	51.61	46.90	45.88	44.60	39.38	32.06
Average common shares (000s)	214,718	210,763	209,076	204,792	196,996	196,255	196,012	196,645
Average common and common equivalent shares (000s)	223,350	219,897	221,183	217,755	210,395	210,055	208,633	208,710
(In Millions)								
Average Balance Sheet Data:								
Consumer loans	\$ 19,402	\$ 17,515	\$ 16,666	\$ 15,509	\$ 14,089	\$ 12,094	\$ 10,029	\$ 9,705
Allowance for loan losses	(747)	(660)	(605)	(539)	(469)	(415)	(378)	(347)
Securities	3,943	2,977	2,741	2,478	1,810	1,729	1,666	1,856
Other assets	4,382	4,059	3,277	2,907	2,530	2,699	2,380	1,825
Total assets	\$ 26,980	\$ 23,891	\$ 22,079	\$ 20,355	\$ 17,960	\$ 16,107	\$ 13,697	\$ 13,039
Interest-bearing deposits	\$ 12,237	\$ 10,537	\$ 9,686	\$ 8,996	\$ 7,156	\$ 5,788	\$ 4,495	\$ 3,894
Other borrowings	3,496	3,103	2,915	2,442	3,290	3,084	2,688	2,505
Senior and deposit notes	5,389	5,281	4,899	4,679	4,085	4,140	3,660	4,019
Other liabilities	2,635	2,035	1,971	1,891	1,564	1,352	1,228	1,054
Stockholders' equity	3,223	2,935	2,608	2,347	1,865	1,743	1,626	1,567
Total liabilities and equity	\$ 26,980	\$ 23,891	\$ 22,079	\$ 20,355	\$ 17,960	\$ 16,107	\$ 13,697	\$ 13,039

The above schedule is a tabulation of the Company's unaudited quarterly results for the years ended December 31, 2001 and 2000. The Company's common shares are traded on the New York Stock Exchange under the symbol COF. In addition, shares may be traded in the over-the-counter stock market. There were 10,065 and 10,019 common stockholders of record as of December 31, 2001 and 2000, respectively.

MANAGEMENT'S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Management of Capital One Financial Corporation is responsible for the preparation, integrity and fair presentation of the financial statements and footnotes contained in this Annual Report. The Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States and are free of material misstatement. The Company also prepared other information included in this Annual Report and is responsible for its accuracy and consistency with the financial statements. In situations where financial information must be based upon estimates and judgments, they represent the best estimates and judgments of Management.

The Consolidated Financial Statements have been audited by the Company's independent auditors, Ernst & Young LLP, whose independent professional opinion appears separately. Their audit provides an objective assessment of the degree to which the Company's Management meets its responsibility for financial reporting. Their opinion on the financial statements is based on auditing procedures, which include reviewing accounting systems and internal controls and performing selected tests of transactions and records as they deem appropriate. These auditing procedures are designed to provide reasonable assurance that the financial statements are free of material misstatement.

Management depends on its accounting systems and internal controls in meeting its responsibilities for reliable financial statements. In Management's opinion, these systems and controls provide reasonable assurance that assets are safeguarded and that transactions are properly recorded and executed in accordance with Management's authorizations. As an integral part of these systems and controls, the Company maintains a professional staff of internal auditors that conducts operational and special audits and coordinates audit coverage with the independent auditors.

The Audit Committee of the Board of Directors, composed solely of outside directors, meets periodically with the internal auditors, the independent auditors and Management to review the work of each and ensure that each is properly discharging its responsibilities. The independent auditors have free access to the Committee to discuss the results of their audit work and their evaluations of the adequacy of accounting systems and internal controls and the quality of financial reporting.

There are inherent limitations in the effectiveness of internal controls, including the possibility of human error or the circumvention or overriding of controls. Accordingly, even effective internal controls can provide only reasonable assurance with respect to reliability of financial statements and safeguarding of assets. Furthermore, because of changes in conditions, internal control effectiveness may vary over time.

The Company assessed its internal controls over financial reporting as of December 31, 2001, in relation to the criteria described in the "Internal Control-Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, the Company believes that as of December 31, 2001, in all material respects, the Company maintained effective internal controls over financial reporting.

By: /s/ RICHARD D. FAIRBANK

Richard D. Fairbank
Chairman and Chief Executive Officer

By: /s/ NIGEL W. MORRIS

Nigel W. Morris
President and Chief Operating Officer

By: /s/ DAVID M. WILLEY

David M. Willey
Executive Vice President and Chief Financial Officer

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders Capital One Financial Corporation

We have audited the accompanying consolidated balance sheets of Capital One Financial Corporation as of December 31, 2001 and 2000, and the related consolidated statements of income, changes in stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2001. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Capital One Financial Corporation at December 31, 2001 and 2000, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2001, in conformity with accounting principles generally accepted in the United States.

/s/ ERNST & YOUNG LLP

McLean, Virginia
January 15, 2002, except for Note E
as to which the date is February 6, 2002

CONSOLIDATED BALANCE SHEETS

	December 31	
	2001	2000
	(Dollars in Thousands Except Per Share Data)	
<u>ASSETS:</u>		
Cash and due from banks	\$ 355,680	\$ 74,493
Federal funds sold and resale agreements	19,802	60,600
Interest-bearing deposits at other banks	331,756	101,614
	707,238	236,707
Cash and cash equivalents	3,115,891	1,696,815
Securities available for sale	20,921,014	15,112,712
Consumer loans	(840,000)	(527,000)
Less Allowance for loan losses:	20,081,014	14,585,712
Net loans	2,452,548	1,143,902
Accounts receivable from securitizations	759,683	664,461
Premises and equipment, net	105,459	82,675
Interest receivable	962,214	479,069
Other	\$ 28,184,047	\$ 18,889,341
Total assets	\$ 28,184,047	\$ 18,889,341
<u>LIABILITIES:</u>		
Interest-bearing deposits	\$ 12,838,968	\$ 8,379,025
Senior notes	5,335,229	4,050,597
	3,995,528	2,925,938
Other borrowings	188,160	122,658
Interest payable	2,502,684	1,448,609
Other	24,860,569	16,926,827
Total liabilities	24,860,569	16,926,827
Commitments and Contingencies		
Stockholders' Equity:		
Preferred stock, par value \$.01 per share; authorized 50,000,000 shares, none issued or outstanding		
Common stock, par value \$.01 per share; authorized 1,000,000,000 shares, 217,656,985 and 199,670,421 issued as of December 31, 2001 and 2000, respectively	2,177	1,997
Paid-in capital, net	1,350,108	575,179
Retained earnings	2,090,761	1,471,106
Cumulative other comprehensive income (loss)	(84,598)	2,918
Less: Treasury stock, at cost; 878,720 and 2,301,476 shares as of December 31, 2001 and 2000, respectively	(34,970)	(88,686)
Total stockholders' equity	3,323,478	1,962,514
Total liabilities and stockholders' equity	\$ 28,184,047	\$ 18,889,341

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF INCOME

	Year Ended December 31		
	2001	2000	1999
	(In Thousands, Except Per Share Data)		
Interest Income:			
Consumer loans, including fees	\$ 2,642,767	\$ 2,286,774	\$ 1,482,371
Securities available for sale	138,188	96,554	105,438
Other	53,442	6,574	5,675
Total interest income	2,834,397	2,389,902	1,593,484
Interest Expense:			
Deposits	640,470	324,008	137,792
Senior notes	357,495	274,975	302,698
Other borrowings	173,042	202,034	100,392
Total interest expense	1,171,007	801,017	540,882
Net interest income	1,663,390	1,588,885	1,052,602
Provision for loan losses	989,836	718,170	382,948
Net interest income after provision for loan losses	673,554	870,715	669,654
Non-Interest Income:			
Servicing and securitizations	2,441,144	1,152,375	1,187,098
Service charges and other customer-related fees	1,598,952	1,644,264	1,040,944
Interchange	379,797	237,777	144,317
Total non-interest income	4,419,893	3,034,416	2,372,359
Non-Interest Expense:			
Salaries and associate benefits	1,392,072	1,023,367	780,160
Marketing	1,082,979	906,147	731,898
Communications and data processing	327,743	296,255	264,897
Supplies and equipment	310,310	252,937	181,663
Occupancy	136,974	112,667	72,275
Other	807,949	556,284	434,103
Total non-interest expense	4,058,027	3,147,657	2,464,996
Income before income taxes	1,035,420	757,474	577,017
Income taxes	393,455	287,840	213,926
Net income	\$ 641,965	\$ 469,634	\$ 363,091
Basic earnings per share	\$ 3.06	\$ 2.39	\$ 1.84
Diluted earnings per share	\$ 2.91	\$ 2.24	\$ 1.72
Dividends paid per share	\$ 0.11	\$ 0.11	\$ 0.11

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

	Common Stock		Paid-In Capital, Net	Retained Earnings	Cumulative Other Comprehensive Income (Loss)	Treasury Stock	Total Stockholders' Equity
	Shares	Amount					
	(Dollars in Thousands, Except Per Share Data)						
Balance, December 31, 1998	199,670,376	\$ 1,997	\$ 598,167	\$ 679,838	\$ 60,655	\$ (70,251)	\$ 1,270,406
Comprehensive income:							
Net income				363,091			363,091
Other comprehensive income, net of income tax:							
Unrealized losses on securities, net of income tax benefits of \$58,759					(95,868)		(95,868)
Foreign currency translation adjustments					3,951		3,951
Other comprehensive loss					(91,917)		(91,917)
Comprehensive income							271,174
Cash dividends—\$0.11 per share				(20,653)			(20,653)
Purchases of treasury stock						(107,104)	(107,104)
Issuances of common stock			(1,628)			9,833	8,205
Exercise of stock options			(38,422)			76,508	38,086
Common stock issuable under incentive plan			49,236				49,236
Other items, net	45		6,237	20			6,257
Balance, December 31, 1999	199,670,421	1,997	613,590	1,022,296	(31,262)	(91,014)	1,515,607
Comprehensive income:							
Net income				469,634			469,634
Other comprehensive income, net of income tax:							
Unrealized gains on securities, net of income taxes of \$19,510					31,831		31,831
Foreign currency translation adjustments					2,349		2,349
Other comprehensive income					34,180		34,180
Comprehensive income							503,814
Cash dividends—\$0.11 per share				(20,824)			(20,824)
Purchases of treasury stock						(134,619)	(134,619)
Issuances of common stock			1,441			17,436	18,877
Exercise of stock options			(61,261)			119,511	58,250
Common stock issuable under incentive plan			17,976				17,976
Other items, net			3,433				3,433
Balance, December 31, 2000	199,670,421	1,997	575,179	1,471,106	2,918	(88,686)	1,962,514
Comprehensive income:							
Net income				641,965			641,965
Other comprehensive income, net of income tax:							
Unrealized gains on securities, net of income taxes of \$5,927					9,671		9,671
Foreign currency translation adjustments					(23,161)		(23,161)
Cumulative effect of change in accounting principle, net of income tax benefit of \$16,685					(27,222)		(27,222)
Unrealized losses on cash flow hedging instruments, net of income tax benefit of \$28,686					(46,804)		(46,804)
Other comprehensive loss					(87,516)		(87,516)
Comprehensive income							554,449
Cash dividends—\$0.11 per share				(22,310)			(22,310)
Issuances of common stock	12,453,961	125	642,356			18,647	661,128
Exercise of stock options	5,532,603	55	141,178			35,069	176,302
Amortization of deferred compensation			984				984
Common stock issuable under incentive plan			(11,134)				(11,134)
Other items, net			1,545				1,545
Balance, December 31, 2001	217,656,985	\$ 2,177	\$1,350,108	\$2,090,761	\$ (84,598)	\$ (34,970)	\$ 3,323,478

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31		
	2001	2000	1999
	(In Thousands)		
Operating Activities:			
Net income	\$ 641,965	\$ 469,634	\$ 363,091
Adjustments to reconcile net income to cash provided by operating activities:			
Provision for loan losses	989,836	718,170	382,948
Depreciation and amortization, net	337,562	244,823	172,623
Stock compensation plans	(11,134)	17,976	49,236
Increase in interest receivable	(20,087)	(18,038)	(11,720)
(Increase) decrease in accounts receivable from securitizations	(1,266,268)	(468,205)	65,208
Increase in other assets	(323,758)	(16,513)	(156,639)
Increase in interest payable	55,060	6,253	24,768
Increase in other liabilities	864,573	489,001	383,820
Net cash provided by operating activities	<u>1,267,749</u>	<u>1,443,101</u>	<u>1,273,335</u>
Investing Activities:			
Purchases of securities available for sale	(4,268,527)	(407,572)	(871,355)
Proceeds from maturities of securities available for sale	1,481,390	172,889	42,995
Proceeds from sales of securities available for sale	1,356,971	432,203	719,161
Proceeds from securitizations of consumer loans	11,915,990	6,142,709	2,586,517
Net increase in consumer loans	(18,057,529)	(12,145,055)	(6,763,580)
Recoveries of loans previously charged off	326,714	239,781	124,673
Additions of premises and equipment, net	(326,594)	(374,018)	(350,987)
Net cash used in investing activities	<u>(7,571,585)</u>	<u>(5,939,063)</u>	<u>(4,512,576)</u>
Financing Activities:			
Net increase in interest-bearing deposits	4,459,943	4,595,216	1,783,830
Net increase in other borrowings	515,121	145,214	1,038,010
Issuances of senior notes	1,987,833	994,176	1,453,059
Maturities of senior notes	(706,916)	(1,125,292)	(1,012,639)
Dividends paid	(22,310)	(20,824)	(20,653)
Purchases of treasury stock		(134,619)	(107,104)
Net proceeds from issuances of common stock	477,892	21,076	14,028
Proceeds from exercise of stock options	62,804	11,225	37,040
Net cash provided by financing activities	<u>6,774,367</u>	<u>4,486,172</u>	<u>3,185,571</u>
Increase (decrease) in cash and cash equivalents	<u>470,531</u>	<u>(9,790)</u>	<u>(53,670)</u>
Cash and cash equivalents at beginning of year	<u>236,707</u>	<u>246,497</u>	<u>300,167</u>
Cash and cash equivalents at end of year	<u>\$ 707,238</u>	<u>\$ 236,707</u>	<u>\$ 246,497</u>

See Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Currencies in Thousands, Except Per Share Data)

Note A **Significant Accounting Policies**

Organization and Basis of Presentation

The Consolidated Financial Statements include the accounts of Capital One Financial Corporation (the "Corporation") and its subsidiaries. The Corporation is a holding company whose subsidiaries market a variety of financial products and services to consumers. The principal subsidiaries are Capital One Bank (the "Bank"), which offers credit card products, and Capital One, F.S.B. (the "Savings Bank"), which offers consumer lending (including credit cards) and deposit products. The Corporation and its subsidiaries are collectively referred to as the "Company."

The accompanying Consolidated Financial Statements have been prepared in accordance with generally accepted accounting principles ("GAAP") that require management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates. All significant intercompany balances and transactions have been eliminated. Certain prior years' amounts have been reclassified to conform to the 2001 presentation.

The following is a summary of the significant accounting policies used in preparation of the accompanying Consolidated Financial Statements.

Cash and Cash Equivalents

Cash and cash equivalents includes cash and due from banks, federal funds sold and resale agreements and interest-bearing deposits at other banks. Cash paid for interest for the years ended December 31, 2001, 2000 and 1999, was \$1,105,505, \$794,764 and \$516,114, respectively. Cash paid for income taxes for the years ended December 31, 2001, 2000 and 1999, was \$70,754, \$237,217 and \$216,438, respectively.

Securities Available for Sale

Debt securities for which the Company does not have the positive intent and ability to hold to maturity are classified as securities available for sale. These securities are stated at fair value, with the unrealized gains and losses, net of tax, reported as a component of cumulative other comprehensive income. The amortized cost of debt securities is adjusted for amortization of premiums and accretion of discounts to maturity. Such amortization or accretion is included in interest income. Realized gains and losses on sales of securities are determined using the specific identification method.

Consumer Loans

The Company recognizes finance charges and fee income on loans according to the contractual provisions of the credit agreements. When, based on historic performance of the portfolio, payment in full of finance charge and fee income is not expected, the estimated uncollectible portion of previously accrued amounts are reversed against current period income. Annual membership fees and direct loan origination costs are deferred and amortized over one year on a straight-line basis. Deferred fees (net of deferred costs) were \$291,647 and \$237,513 as of December 31, 2001 and 2000, respectively. The entire balance of an account is contractually delinquent if the minimum payment is not received by the payment due date. The Company charges off credit card loans (net of any collateral) at 180 days past the due date, and generally charges off other consumer loans at 120 days past the due date. Bankrupt consumers' accounts are generally charged off within 30 days of receipt of the bankruptcy petition. All amounts collected on previously charged-off accounts are included in recoveries for the determination of net charge-offs. Costs to recover previously charged-off accounts are recorded as collections expense in non-interest expenses.

Securitizations

On April 1, 2001, the Company adopted the requirements of Statement of Financial Accounting Standards ("SFAS") No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities," ("SFAS 140"), a replacement of SFAS 125, which applies prospectively to all securitization transactions occurring after March 31, 2001. Adoption of SFAS 140 did not have a material impact on the operations or financial position of the Company.

Periodically, the Company transfers pools of consumer loan receivables to one or more third-party trusts or qualified special purpose entities (the "trusts") for use in securitization transactions. Transfers of receivables that meet the requirements set forth in SFAS 140 for sales treatment are accounted for as off-balance sheet securitizations in accordance with SFAS 140. Certain undivided interests in the pool of consumer loan receivables are sold to investors as asset-backed securities in public underwritten offerings or private placement transactions. The remaining undivided interests retained by the Company ("seller's interest") is recorded in consumer loans.

The proceeds from off-balance sheet securitizations are distributed by the trusts to the Company as consideration for the consumer loan receivables transferred. Each new securitization results in the removal of the sold assets from the balance sheet and the recognition of the gain on the sale of the receivables. This gain on sale is based on the estimated fair value of assets sold and retained and liabilities incurred, and is recorded at the time of sale in servicing and securitizations income. The related receivable is the interest-only strip, which is concurrently recorded at fair value in accounts receivable from securitizations on the balance sheet. The Company estimates the fair value of the interest-only strip based on the present value of the

estimated excess finance charges and past-due fees over the sum of the return paid to security holders, estimated contractual servicing fees and credit losses. The Company periodically reviews the key assumptions and estimates used in determining the interest-only strip. Decreases in fair values below the carrying amount as a result of changes in the key assumptions are recognized in servicing and securitizations income, while increases in fair values as a result of changes in key assumptions are recorded as unrealized gains. Unrealized gains are included as a component of cumulative other comprehensive income, on a net-of-tax basis, in accordance with the provisions of SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities." In accordance with EITF 99-20, "Recognition of Interest Income and Impairment of Purchased and Retained Beneficial Interests in Securitized Financial Assets," the interest component of cash flows attributable to retained interests in securitizations is recorded in other interest income. See further discussion of off-balance sheet securitizations in Note N to the Consolidated Financial Statements.

Transfers of receivables that do not meet the requirements of SFAS 140 for sales treatment are treated as secured borrowings, with the transferred receivables remaining in consumer loans and the related liability recorded in other borrowings. See discussion of secured borrowings in Note E to the Consolidated Financial Statements.

Allowance for Loan Losses

The allowance for loan losses is maintained at the amount estimated to be sufficient to absorb probable losses, net of recoveries (including recovery of collateral), inherent in the existing reported loan portfolio. The provision for loan losses is the periodic cost of maintaining an adequate allowance. The amount of allowance necessary is determined primarily based on a migration analysis of delinquent and current accounts. In evaluating the sufficiency of the allowance for loan losses, management also takes into consideration the following factors: recent trends in delinquencies and charge-offs including bankrupt, deceased and recovered amounts; historical trends in loan volume; forecasting uncertainties and size of credit risks; the degree of risk inherent in the composition of the loan portfolio; economic conditions; credit evaluations and underwriting policies.

Premises and Equipment

Premises and equipment are stated at cost less accumulated depreciation and amortization. The Company capitalizes direct costs (including external costs for purchased software, contractors, consultants and internal staff costs) for internally developed software projects that have been identified as being in the application development stage. Depreciation and amortization expenses are computed generally by the straight-line method over the estimated useful lives of the assets. Useful lives for premises and equipment are as follows: buildings and improvement—5-39 years; furniture and equipment—3-10 years; computers and software—3 years.

Marketing

The Company expenses marketing costs as incurred. Television advertising costs are expensed during the period in which the advertisements are aired.

Credit Card Fraud Losses

The Company experiences fraud losses from the unauthorized use of credit cards. Transactions suspected of being fraudulent are charged to non-interest expense after a 60-day investigation period.

Income Taxes

Deferred tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities, and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse.

Segment Reporting

The Company maintains three distinct operating segments: consumer lending, auto finance and international. The consumer lending segment is comprised primarily of credit card lending activities in the United States. The auto finance segment consists of automobile lending activities. The international segment is comprised primarily of credit card lending activities in the United Kingdom and Canada. Consumer lending is the Company's only reportable business segment, based on the quantitative thresholds applied to the managed loan portfolio for reportable segments provided in SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information."

The accounting policies of these segments are the same as those described above. Management measures the performance of its business segments on a managed basis and makes resource allocation decisions based upon several factors, including income before taxes, less indirect expenses. Substantially all of the Company's managed assets, revenue and income are derived from the consumer lending segment in all periods presented. All revenue considered for the quantitative thresholds are generated from external customers.

Derivative Instruments and Hedging Activities

The Company adopted SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended by SFAS No. 137, "Accounting for Derivative Instruments and Hedging Activities—Deferral of Effective Date of FASB Statement No. 133," and SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities," (collectively, "SFAS 133") on January 1, 2001. SFAS 133 required the Company to recognize all of its derivative instruments as either assets or liabilities in the balance sheet at fair

value. The accounting for changes in the fair value (i.e., gains and losses) of a derivative instrument depends on whether it has been designated and qualifies as part of a hedging relationship and, further, on the type of hedging relationship. For those derivative instruments that are designated and qualify as hedging instruments, a company must designate the hedging instrument, based upon the exposure being hedged, as a fair value hedge, a cash flow hedge or a hedge of a net investment in a foreign operation. The adoption of SFAS 133 resulted in a cumulative-effect adjustment decreasing other comprehensive income by \$27,222, net of an income tax benefit of \$16,685.

For derivative instruments that are designated and qualify as fair value hedges (i.e., hedging the exposure to changes in the fair value of an asset or a liability or an identified portion thereof that is attributable to a particular risk), the gain or loss on the derivative instrument as well as the offsetting loss or gain on the hedged item attributable to the hedged risk is recognized in current earnings during the period of the change in fair values. For derivative instruments that are designated and qualify as cash flow hedges (i.e., hedging the exposure to variability in expected future cash flows that is attributable to a particular risk), the effective portion of the gain or loss on the derivative instrument is reported as a component of other comprehensive income and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. The remaining gain or loss on the derivative instrument in excess of the cumulative change in the present value of future cash flows of the hedged item, if any, is recognized in current earnings during the period of change. For derivative instruments that are designated and qualify as hedges of a net investment in a foreign operation, the gain or loss is reported in other comprehensive income as part of the cumulative translation adjustment to the extent that it is effective. For derivative instruments not designated as hedging instruments, the gain or loss is recognized in current earnings during the period of change.

The Company formally documents all hedging relationships, as well as its risk management objective and strategy for undertaking the hedge transaction. At inception and at least quarterly, the Company also formally assesses whether the derivatives that are used in hedging transactions have been highly effective in offsetting changes in the hedged items to which they are designated and whether those derivatives may be expected to remain highly effective in future periods. The Company will discontinue hedge accounting prospectively when it is determined that a derivative has ceased to be highly effective as a hedge.

Prior to January 1, 2001, the Company also used interest rate swap contracts and foreign exchange contracts for hedging purposes. Amounts paid or received on interest rate and currency swaps were recorded on an accrual basis as an adjustment to the related income or expense of the item to which the agreements were designated. At December 31, 2000, the related amounts payable to counterparties was \$26,727. Changes in the fair value of interest rate swaps were not reflected in the financial statements. Changes in the fair value of foreign currency contracts and currency swaps were recorded in the period in which they occurred as foreign currency gains or losses in other non-interest income, effectively offsetting the related gains or losses on the items to which they were designated. Realized gains and losses at the time of termination, sale or repayment of a derivative financial instrument are recorded in a manner consistent with its original designation. Amounts were deferred and amortized as an adjustment to the related income or expense over the original period of exposure, provided the designated asset or liability continued to exist, or in the case of anticipated transactions, was probable of occurring. Realized and unrealized changes in the fair value of swaps or foreign exchange contracts, designated with items that no longer exist or are no longer probable of occurring, were recorded as a component of the gain or loss arising from the disposition of the designated item. At December 31, 2000, the gross unrealized gains in the portfolio were \$23,890. Under the terms of certain swaps, each party may be required to pledge collateral if the market value of the swaps exceeds an amount set forth in the agreement or in the event of a change in its credit rating. At December 31, 2000, the Company had pledged \$55,364 of such collateral.

Recent Accounting Pronouncements

In August 2001, the Financial Accounting Standards Board ("FASB") issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." SFAS No. 144 supersedes SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of," but retains the requirements of SFAS No. 121 to test long-lived assets for impairment and removes goodwill from its scope. In addition, the changes presented in SFAS No. 144 require that one accounting model be used for long-lived assets to be disposed of by sale and broadens the presentation of discontinued operations to include more disposal transactions. Under SFAS No. 144, discontinued operations are no longer measured on a net realizable value basis, and future operating losses are no longer recognized before they occur. The provisions of this Statement are effective for financial statements issued for fiscal years beginning after December 15, 2001. The implementation of SFAS No. 144 is not expected to have a material impact on the earnings or financial position of the Company.

In June 2001, the FASB issued SFAS No. 141, "Business Combinations," effective for business combinations initiated after June 30, 2001, and SFAS No. 142, "Goodwill and Other Intangible Assets," effective for fiscal years beginning after December 15, 2001. Under SFAS No. 141, the pooling of interests method of accounting for business

combinations is eliminated. Under SFAS No. 142, goodwill and intangible assets deemed to have indefinite lives will no longer be amortized but will be subject to annual impairment tests in accordance with the pronouncement. Other intangible assets will continue to be amortized over their useful lives. During 2002, the Company will perform the first of the required impairment tests of goodwill and indefinite-lived intangible assets. The adoption of SFAS No. 142 in 2002 is not expected to have a material impact on the earnings or financial position of the Company.

Note B
Securities Available for Sale

Securities available for sale as of December 31, 2001, 2000 and 1999 were as follows:

	Maturity Schedule				Market Value Totals	Amortized Cost Totals
	1 Year or Less	1-5 Years	5-10 Years	Over 10 Years		
December 31, 2001						
U.S. Treasury and other U.S. government agency obligations	\$ 256,548	\$ 748,224	\$ 800,184		\$ 1,804,956	\$ 1,796,033
Collateralized mortgage obligations			19,814	\$ 616,863	636,677	628,897
Mortgage-backed securities			8,536	640,171	648,707	662,098
Other	1,092	424	244	23,791	25,551	25,678
Total	\$ 257,640	\$ 748,648	\$ 828,778	\$ 1,280,825	\$ 3,115,891	\$ 3,112,706
December 31, 2000						
U.S. Treasury and other U.S. government agency obligations	\$ 283,607	\$ 893,745	\$ 10,702		\$ 1,188,054	\$ 1,178,386
Collateralized mortgage obligations			20,867	\$ 391,240	412,107	414,770
Mortgage-backed securities	3,752		11,420	61,648	76,820	74,695
Other	16,260	1,380	343	1,851	19,834	19,986
Total	\$ 303,619	\$ 895,125	\$ 43,332	\$ 454,739	\$ 1,696,815	\$ 1,687,837
December 31, 1999						
Commercial paper	\$ 24,927				\$ 24,927	\$ 24,927
U.S. Treasury and other U.S. government agency obligations	437,697	\$ 1,014,335			1,452,032	1,471,783
Collateralized mortgage obligations			\$ 37,421	\$ 299,846	337,267	345,619
Mortgage-backed securities		5,293	13,828		19,121	19,426
Other	19,443	1,361	441	1,829	23,074	23,254
Total	\$ 482,067	\$ 1,020,989	\$ 51,690	\$ 301,675	\$ 1,856,421	\$ 1,885,009

	Weighted Average Yields			
	1 Year or Less	1-5 Years	5-10 Years	Over 10 Years
December 31, 2001				
U.S. Treasury and other U.S. government agency obligations	5.90%	5.17%	5.78%	
Collateralized mortgage obligations			7.10	6.20%
Mortgage-backed securities			6.67	6.00
Other	3.26	6.36	6.49	6.07
Total	5.89%	5.17%	5.82%	6.09%

Weighted average yields were determined based on amortized cost. Gross realized gains and losses on the sales of securities were \$19,097 and \$5,602, respectively, for the year ended December 31, 2001. Substantially no gains or losses on sales of securities were realized for the years ended December 31, 2000 and 1999.

Note C**Allowance for Loan Losses**

The following is a summary of changes in the allowance for loan losses:

	Year Ended December 31		
	2001	2000	1999
Balance at beginning of year	\$ 527,000	\$ 342,000	\$ 231,000
Provision for loan losses	989,836	718,170	382,948
Acquisitions/other	14,800	(549)	3,522
Charge-offs	(1,018,350)	(772,402)	(400,143)
Recoveries	326,714	239,781	124,673
Net charge-offs	(691,636)	(532,621)	(275,470)
Balance at end of year	\$ 840,000	\$ 527,000	\$ 342,000

Note D**Premises and Equipment**

Premises and equipment were as follows:

	December 31	
	2001	2000
Land	\$ 90,377	\$ 10,917
Buildings and improvements	305,312	279,979
Furniture and equipment	680,942	621,404
Computer software	216,361	140,712
In process	144,527	104,911
	1,437,519	1,157,923
Less: Accumulated depreciation and amortization	(677,836)	(493,462)
Total premises and equipment, net	\$ 759,683	\$ 664,461

Depreciation and amortization expense was \$235,997, \$180,289 and \$122,778, for the years ended December 31, 2001, 2000 and 1999, respectively.

Note E**Borrowings**

Borrowings as of December 31, 2001 and 2000 were as follows:

	2001		2000	
	Outstanding	Weighted Average Rate	Outstanding	Weighted Average Rate
Interest-Bearing Deposits	\$ 12,838,968	5.34%	\$ 8,379,025	6.67%
Senior Notes				
Bank—fixed rate	\$ 4,454,041	6.96%	\$ 3,154,555	6.98%
Bank—variable rate	332,000	3.45	347,000	7.41
Corporation	549,188	7.20	549,042	7.20
Total	\$ 5,335,229		\$ 4,050,597	
Other Borrowings				
Secured borrowings	\$ 3,013,418	4.62%	\$ 1,773,450	6.76%
Junior subordinated capital income securities	98,693	3.78	98,436	8.31
Federal funds purchased and resale agreements	434,024	1.91	1,010,693	6.58
Other short-term borrowings	449,393	2.29	43,359	6.17
Total	\$ 3,995,528		\$ 2,925,938	

Interest-Bearing Deposits

As of December 31, 2001, the aggregate amount of interest-bearing deposits with accounts equal to or exceeding \$100 was \$4,622,996.

Bank Notes

In June 2000, the Bank entered into a Global Bank Note Program, from which it may issue and sell up to a maximum of U.S. \$5,000,000 aggregate principal amount (or the equivalent thereof in other currencies) of senior global bank notes and subordinated global bank notes with maturities from 30 days to 30 years. This Global Bank Note Program must be renewed annually. During 2001, the Bank issued a \$1,250,000 five-year fixed rate bank note and a \$750,000 three-year fixed rate senior note under the Global Bank Note Program. As of December 31, 2001 and 2000, the Bank had \$2,958,067 and \$994,794, respectively, outstanding with original maturities of three and five years. The Company has historically issued senior unsecured debt of the Bank through its \$8,000,000 Domestic Bank Note Program (of which, up to \$200,000 may be subordinated bank notes). Under the Domestic Bank Note Program, the Bank from time to time could issue senior bank notes at fixed or variable rates tied to London InterBank Offering Rates ("LIBOR") with maturities from 30 days to 30 years. The Company did not renew such program and it is no longer available for issuances. As of December 31, 2001 and 2000, there were

\$1,827,974 and \$2,501,761, respectively, outstanding under the Domestic Bank Note Program, with no subordinated bank notes issued or outstanding.

The Corporation has three shelf registration statements under which the Corporation from time to time may offer and sell (i) senior or subordinated debt securities, consisting of debentures, notes and/or other unsecured evidences, (ii) preferred stock, which may be issued in the form of depository shares evidenced by depository receipts and (iii) common stock. The amount of securities registered is limited to a \$1,550,000 aggregate public offering price or its equivalent (based on the applicable exchange rate at the time of sale) in one or more foreign currencies, currency units or composite currencies as shall be designated by the Corporation. At December 31, 2001, the Corporation had existing unsecured senior debt outstanding under the shelf registrations of \$550,000, including \$125,000 maturing in 2003, \$225,000 maturing in 2006, and \$200,000 maturing in 2008. During 2001, the Corporation issued 6,750,390 shares of common stock in a public offering under the shelf registration statement that resulted in proceeds of \$412,800. At December 31, 2001, remaining availability under the shelf registration statements was \$587,200. On January 30, 2002, the Company issued \$300,000 aggregate principal amount of senior notes due 2007, which reduced the availability under the shelf registration statements to \$287,200. The Company has also filed a new shelf registration statement that will enable the Company to sell senior or subordinated debt securities, preferred stock, common stock, common equity units, stock purchase contracts and, through one or more subsidiary trusts, other preferred securities, in an aggregate amount not to exceed \$1,500,000.

Secured Borrowings

Capital One Auto Finance, Inc., a subsidiary of the Company, currently maintains five agreements to transfer pools of consumer loans accounted for as secured borrowings. The agreements were entered into in December 2001, July 2001, December 2000, May 2000 and May 1999, relating to the transfer of pools of consumer loans totaling \$1,300,000, \$910,000, \$425,000, \$325,000 and \$350,000, respectively. Principal payments on the borrowings are based on principal collections, net of losses, on the transferred consumer loans. The secured borrowings accrue interest predominantly at fixed rates and mature between June 2006 and September 2008, or earlier depending upon the repayment of the underlying consumer loans. At December 31, 2001 and 2000, \$2,536,168 and \$870,185, respectively, of the secured borrowings were outstanding.

PeopleFirst Inc. ("PeopleFirst"), a subsidiary of Capital One Auto Finance, Inc., currently maintains four agreements to transfer pools of consumer loans accounted for as secured borrowings. The agreements were entered into between 1998 and 2000 relating to the transfer of pools of consumer loans totaling approximately \$910,000. Principal payments on the borrowings are based on principal collections, net of losses, on the transferred consumer loans. The secured borrowings accrue interest at fixed rates and mature between September 2003 and September 2007, or earlier depending upon the repayment of the underlying consumer loans. At December 31, 2001, \$477,250 of the secured borrowings was outstanding.

In 1999, the Bank entered into a (pounds)750,000 revolving credit facility collateralized by a security interest in certain consumer loan assets of the Company. Interest on the facility is based on commercial paper rates or LIBOR. The facility matured in August 2001. At December 31, 2000, (pounds)600,000 (\$895,800 equivalent) was outstanding under the facility.

Junior Subordinated Capital Income Securities

In January 1997, Capital One Capital I, a subsidiary of the Bank created as a Delaware statutory business trust, issued \$100,000 aggregate amount of Floating Rate Junior Subordinated Capital Income Securities that mature on February 1, 2027. The securities represent a preferred beneficial interest in the assets of the trust.

Other Short-Term Borrowings

In October 2001, PeopleFirst entered into a \$500,000 revolving credit facility collateralized by a security interest in certain consumer loan assets. Interest on the facility is based on LIBOR. The facility matures in March 2002. At December 31, 2001, \$443,110 was outstanding under the facility.

During 2000, the Bank entered into a multicurrency revolving credit facility (the "Multicurrency Facility"). The Multicurrency Facility is intended to finance the Company's business in the United Kingdom and was initially comprised of two Tranches, each in the amount of Euro 300,000 (\$270,800 equivalent based on the exchange rate at closing). The Tranche A facility was intended for general corporate purposes and terminated on August 9, 2001. The Tranche B facility is intended to replace and extend the Corporation's prior credit facility for U.K. pounds sterling and Canadian dollars, which matured on August 29, 2000. The Tranche B facility terminates August 9, 2004. The Corporation serves as guarantor of all borrowings under the Multicurrency Facility. In October 2000, the Bank's subsidiary, Capital One Bank Europe plc, replaced the Bank as a borrower under the Bank's guarantee. As of December 31, 2001 and 2000, the Company had no outstandings under the Multicurrency Facility.

During 2000, the Company entered into four bilateral revolving credit facilities with different lenders (the "Bilateral Facilities"). The Bilateral Facilities were used to finance the Company's business in Canada and for general corporate purposes. Two of the Bilateral Facilities each for Capital One Inc., guaranteed by the Corporation, in the amount of C\$100,000 (\$67,400 equivalent based on exchange rate at closing),

were terminated in February 2001. The other two Bilateral Facilities were for the Corporation in the amount of \$70,000 and \$30,000 and were terminated in March 2001.

During 1999, the Company entered into a four-year, \$1,200,000 unsecured revolving credit arrangement (the "Credit Facility"). The Credit Facility is comprised of two tranches: a \$810,000 Tranche A facility available to the Bank and the Savings Bank, including an option for up to \$250,000 in multicurrency availability; and a \$390,000 Tranche B facility available to the Corporation, the Bank and the Savings Bank, including an option for up to \$150,000 in multicurrency availability. Each tranche under the facility is structured as a four-year commitment and is available for general corporate purposes. All borrowings under the Credit Facility are based on varying terms of LIBOR. The Bank has irrevocably undertaken to honor any demand by the lenders to repay any borrowings that are due and payable by the Savings Bank but which have not been paid. Any borrowings under the Credit Facility will mature on May 24, 2003; however, the final maturity of each tranche may be extended for an additional one-year period with the lenders' consent. As of December 31, 2001 and 2000, the Company had no outstandings under the Credit Facility.

Interest-bearing deposits, senior notes and other borrowings as of December 31, 2001, mature as follows:

	Interest-Bearing Deposits	Senior Notes	Other Borrowings	Total
2002	\$ 3,723,143	\$ 518,635	\$ 1,691,436	\$ 5,933,214
2003	2,611,507	1,105,861	326,287	4,043,655
2004	2,182,684	1,042,184	1,043,941	4,268,809
2005	1,701,675	812,462	415,000	2,929,137
2006	2,327,061	1,456,800	71,000	3,854,861
Thereafter	292,898	399,287	447,864	1,140,049
Total	\$ 12,838,968	\$ 5,335,229	\$ 3,995,528	\$ 22,169,725

Note F

Associate Benefit and Stock Plans

The Company sponsors a contributory Associate Savings Plan in which substantially all full-time and certain part-time associates are eligible to participate. The Company makes contributions to each eligible employee's account, matches a portion of associate contributions and makes discretionary contributions based upon the Company meeting a certain earnings per share target. The Company's contributions to this plan, all of which were in cash, amounted to \$64,299, \$44,486 and \$27,157 for the years ended December 31, 2001, 2000 and 1999, respectively.

The Company has five stock-based compensation plans. The Company applies Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25") and related Interpretations in accounting for its stock-based compensation plans. In accordance with APB 25, no compensation cost has been recognized for the Company's fixed stock options, since the exercise price of all such options equals or exceeds the market price of the underlying stock on the date of grant, nor for the Associate Stock Purchase Plan (the "Purchase Plan"), which is considered to be noncompensatory. For the performance-based option grants discussed below, compensation cost is measured as the difference between the exercise price and the target stock price required for vesting and is recognized over the estimated vesting period. The Company recognized \$1,768, \$10,994 and \$44,542 of compensation cost relating to its associate stock plans for the years ended December 31, 2001, 2000 and 1999, respectively. Additionally, the Company recognized \$113,498, \$47,025 and \$1,046 of tax benefits from the exercise of stock options by its associates during 2001, 2000 and 1999, respectively.

SFAS No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123") requires, for companies electing to continue to follow the recognition provisions of APB 25, pro forma information regarding net income and earnings per share, as if the recognition provisions of SFAS 123 were adopted for stock options granted subsequent to December 31, 1994. For purposes of pro forma disclosure, the fair value of the options was estimated at the date of grant using a Black-Scholes option-pricing model with the weighted average assumptions described below and is amortized to expense over the options' vesting period.

	Year Ended December 31		
	2001	2000	1999
Assumptions			
Dividend yield	.19%	.21%	.24%
Volatility factors of expected market price of stock	50%	49%	45%
Risk-free interest rate	4.15%	6.09%	5.29%
Expected option lives (in years)	8.5	4.5	5.4
Pro Forma Information			
Net income	\$ 597,313	\$ 412,987	\$ 325,701
Basic earnings per share	\$ 2.85	\$ 2.10	\$ 1.65
Diluted earnings per share	\$ 2.71	\$ 1.97	\$ 1.55

In January 2002, the Company established the 2002 Non-Executive Officer Stock Incentive Plan. Under the plan, the Company has reserved 8,500,000 common shares for issuance in the form of nonstatutory stock options, stock appreciation rights, restricted stock awards, and incentive stock awards. The exercise price of each stock option will equal or exceed the market price of the Company's stock on the date of grant, the maximum term will be ten years, and vesting will be determined at the time of grant. All of the shares remain available for future grants and all employees are eligible for awards except for executive officers.

Under the 1994 Stock Incentive Plan, the Company has reserved 67,112,640 common shares as of December 31, 2001, for issuance in the form of incentive stock options, nonstatutory stock options, stock appreciation rights, restricted stock and incentive stock. The exercise price of each stock option issued to date equals or exceeds the market price of the Company's stock on the date of grant. Each option's maximum term is ten years. The number of shares available for future grants was 2,770,459, 1,221,281, and 2,191,884 as of December 31, 2001, 2000 and 1999, respectively. Other than the performance-based options discussed below, options generally vest annually or on a fixed date over three years and expire beginning November 2004. During 2001, 934,102 shares of restricted stock were issued under the plan.

In April 1999, the Company established the 1999 Stock Incentive Plan. Under the plan, the Company has reserved 600,000 common shares for issuance in the form of nonstatutory stock options. The exercise price of each stock option equals or exceeds the market price of the Company's stock on the date of grant. The maximum term of each option is ten years. As of December 31, 2001, 2000 and 1999 the number of shares available for future grant was 305,350, 294,800 and 283,800, respectively. All options granted under the plan to date were granted on April 29, 1999 and expire on April 29, 2009. These options vested immediately upon the optionee's execution of an intellectual property protection agreement with the Company.

In October 2001, the Company's Board of Directors approved a stock options grant to senior management (EntrepreneurGrant V). This grant was composed of 6,502,318 options to certain key managers (including 3,535,000 performance-based options to the Company's Chief Executive Officer ("CEO") and Chief Operating Officer ("COO")) at the fair market value on the date of grant. The CEO and COO gave up their salaries, annual cash incentives, annual option grants and Senior Executive Retirement Plan contributions for the years 2002 and 2003 in exchange for their EntrepreneurGrant V options. Other members of senior management had the opportunity to forego up to 50 percent of their expected annual cash incentives for 2002 through 2004 in exchange for performance-based options. All performance-based options under this grant will vest on October 18, 2007. Vesting will be accelerated if the Company's common stock's fair market value is at or above \$83.87 per share, \$100.64 per share, \$120.77 per share or \$144.92 per share in any five trading days during the performance period on or before October 18, 2004, 2005, 2006 or 2007, respectively. In addition, the performance-based options under this grant will also vest upon the achievement of at least \$5.03 cumulative diluted earnings per share in any four consecutive quarters ending in the fourth quarter of 2004, or upon a change of control of the Company. In addition, all executives were granted standard options under a retention grant (including 2,225,000 to the Company's CEO and COO) that will vest annually in equal installments over the next three years.

In May 2000, the Company's Board of Directors approved a stock option grant of 1,690,380 options to all managers, excluding the Company's CEO and COO, at the fair market value on the date of grant. All options under this grant will vest ratably over three years.

In April 1999, the Company's Board of Directors approved a stock option grant to senior management ("EntrepreneurGrant IV"). This grant was composed of 7,636,107 options to certain key managers (including 1,884,435 options to the Company's CEO and COO) with an exercise price equal to the fair market value on the date of grant. The CEO and COO gave up their salaries for the year 2001 and their annual cash incentives, annual option grants and Senior Executive Retirement Plan contributions for the years 2000 and 2001 in exchange for their EntrepreneurGrant IV options. Other members of senior management had the opportunity to give up all potential annual stock option grants for 1999 and 2000 in exchange for this one-time grant. All options under this grant will vest on April 29, 2008, or earlier if the common stock's fair market value is at or above \$100 per share for at least ten trading days in any 30 consecutive calendar day period on or before June 15, 2002, or upon a change of control of the Company. These options will expire on April 29, 2009.

In May 2001, the Company's Board of Directors approved an amendment to EntrepreneurGrant IV that provides additional vesting criteria. As amended, EntrepreneurGrant IV will continue to vest under its original terms, and will also vest if the Company's common stock price reaches a fair market value of at least \$120 per share or \$144 per share for ten trading days within 30 calendar days prior to June 15, 2003 or June 15, 2004, respectively. In addition, 50% of the EntrepreneurGrant IV stock options held by middle management as of the grant date will vest on April 29, 2005, regardless of stock performance.

In June 1998, the Company's Board of Directors approved a grant to executive officers ("EntrepreneurGrant III"). This grant consisted of 2,611,896 performance-based options granted to certain key managers (including 2,000,040 options to the Company's CEO and COO), which were approved by the stockholders in April 1999, at the then market price of \$33.77 per share. The Company's CEO and COO gave up 300,000 and 200,010 vested options (valued at \$8,760 in total), respectively, in exchange for their EntrepreneurGrant III options. Other executive officers gave up future cash compensation for each of the next three years in exchange for the options. These options vested in September 2000 when the market price of the Company's stock remained at or above \$58.33 for at least ten trading days in a 30 consecutive calendar day period.

In April 1998, upon stockholder approval, a 1997 stock option grant to senior management ("EntrepreneurGrant II") became effective at the December 18, 1997 market price of \$16.25 per share. This grant included 3,429,663 performance-based options granted to certain key managers (including 2,057,265 options to the Company's CEO and COO), which vested in April 1998 when the market price of the Company's stock remained at or above \$28.00 for at least ten trading days in a 30 consecutive calendar day period. The grant also included 671,700 options that vested in full on December 18, 2000.

In April 1999 and 1998, the Company granted 1,045,362 and 1,335,252 options, respectively, to all associates not granted options in EntrepreneurGrant II or EntrepreneurGrant IV. Certain associates were granted options in exchange for giving up future compensation. Other associates were granted a set number of options. These options were granted at the then-market price of \$56.46 and \$31.71 per share, respectively, and vest, in full, on April 29, 2002 and April 30, 2001, respectively, or immediately upon a change in control of the Company.

The Company maintains two non-associate directors stock incentive plans: the 1995 Non-Employee Directors Stock Incentive Plan and the 1999 Non-Employee Directors Stock Incentive Plan. The 1995 plan originally authorized 1,500,000 shares of the Company's common stock for the automatic grant of restricted stock and stock options to eligible members of the Company's Board of Directors. However, in April 1999, the Company terminated the ability to make grants from the 1995 plan. Options granted prior to termination vest after one year and their maximum term is ten years. The exercise price of each option equals the market price of the Company's stock on the date of grant. As of December 31, 2001, there was no outstanding restricted stock under this plan.

In April 1999, the Company established the 1999 Non-Employee Directors Stock Incentive Plan. The plan authorizes a maximum of 825,000 shares of the Company's common stock for the grant of nonstatutory stock options to eligible members of the Company's Board of Directors. In April 1999, all non-employee directors of the Company were given the option to receive performance-based options under this plan in lieu of their annual cash retainer and their time-vesting options for each of 1999, 2000 and 2001. As a result, 497,490 performance-based options were granted to certain non-employee directors of the Company. The options vest in full if, on or before June 15, 2002, the market value of the Company's stock equals or exceeds \$100 per share for ten trading days in a 30 consecutive calendar day period. All options vest immediately upon a change of control of the Company on or before June 15, 2002. As of December 31, 2001 and 2000, 22,510 and 27,510 shares, respectively, were available for grant under this plan. All options under this plan have a maximum term of ten years. The exercise price of each option equals or exceeds the market price of the Company's stock on the date of grant.

In October 2001, the Company granted 305,000 options to the non-executive members of the Board of Directors for director compensation for the years 2002, 2003 and 2004. These options were granted at the fair market value on the date of grant and vest on October 18, 2010. Vesting will be accelerated if the stock's fair market value is at or above \$83.87 per share, \$100.64 per share, \$120.77 per share, \$144.92 per share, \$173.91 per share, \$208.70 per share or \$250.43 per share for at least five days during the performance period on or before October 18, 2004, 2005, 2006, 2007, 2008, 2009 or 2010, respectively. In addition, the options under this grant will vest upon the achievement of at least \$5.03 cumulative diluted earnings per share for any four consecutive quarters ending in the fourth quarter 2004, or upon a change in control of the Company.

A summary of the status of the Company's options as of December 31, 2001, 2000 and 1999, and changes for the years then ended is presented below:

	2001		2000		1999	
	Options (000s)	Weighted-Average Exercise Price Per Share	Options (000s)	Weighted-Average Exercise Price Per Share	Options (000s)	Weighted-Average Exercise Price Per Share
Outstanding at beginning of year	36,689	\$ 30.57	37,058	\$ 27.24	29,139	\$ 15.99
Granted	21,114	49.93	4,063	51.14	10,541	55.71
Exercised	(6,950)	12.29	(3,330)	12.20	(2,111)	11.44
Canceled	(707)	55.89	(1,102)	49.79	(511)	38.17
Outstanding at end of year	50,146	\$ 40.84	36,689	\$ 30.57	37,058	\$ 27.24
Exercisable at end of year	18,714	\$ 23.25	22,108	\$ 16.48	19,635	\$ 12.16
Weighted-average fair value of options granted during the year		\$ 29.73		\$ 23.41		\$ 25.92

The following table summarizes information about options outstanding as of December 31, 2001:

Range of Exercise Prices	Options Outstanding			Options Exercisable	
	Number Outstanding (000s)	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price Per Share	Number Exercisable (000s)	Weighted-Average Exercise Price Per Share
\$4.31-\$ 6.46	199	3.10 years	\$ 6.11	199	\$ 6.11
\$6.47-\$ 9.70	261	4.00	8.07	261	8.07
\$9.71-\$ 14.56	8,069	3.90	10.12	8,069	10.12
\$14.57-\$ 21.85	2,573	5.90	16.13	2,573	16.13
\$21.86-\$ 32.79	856	6.30	31.64	856	31.64
\$32.80-\$ 49.20	24,663	7.70	46.00	5,459	37.66
\$49.21-\$ 72.22	13,525	7.90	56.27	1,297	58.50

Under the Company's Associate Stock Purchase Plan, associates of the Company are eligible to purchase common stock through monthly salary deductions of a maximum of 15% and a minimum of 1% of monthly base pay. To date, the amounts deducted are applied to the purchase of unissued common or treasury stock of the Company at 85% of the current market price. Shares may also be acquired on the market. An aggregate of three million common shares has been authorized for issuance under the Associate Stock Purchase Plan, of which 847,582 shares were available for issuance as of December 31, 2001.

On November 16, 1995, the Board of Directors of the Company declared a dividend distribution of one Right for each outstanding share of common stock. As amended, each Right entitles a registered holder to purchase from the Company $\frac{1}{300}$ th of a share of the Company's authorized Cumulative Participating Junior Preferred Stock (the "Junior Preferred Shares") at a price of \$200 per $\frac{1}{300}$ th of a share, subject to adjustment. The Company has reserved one million shares of its authorized preferred stock for the Junior Preferred Shares. Because of the nature of the Junior Preferred Shares' dividend and liquidation rights, the value of the $\frac{1}{300}$ th interest in a Junior Preferred Share purchasable upon exercise of each Right should approximate the value of one share of common stock. Initially, the Rights are not exercisable and trade automatically with the common stock. However, the Rights generally become exercisable and separate certificates representing the Rights will be distributed, if any person or group acquires 15% or more of the Company's outstanding common stock or a tender offer or exchange offer is announced for the Company's common stock. Upon such event, provisions would also be made so that each holder of a Right, other than the acquiring person or group, may exercise the Right and buy common stock with a market value of twice the \$200 exercise price. The Rights expire on November 29, 2005, unless earlier redeemed by the Company at \$0.01 per Right prior to the time any person or group acquires 15% of the outstanding common stock. Until the Rights become exercisable, the Rights have no dilutive effect on earnings per share.

In July 1997, the Company's Board of Directors voted to repurchase up to six million shares of the Company's common stock to mitigate the dilutive impact of shares issuable under its benefit plans, including its Purchase Plan, dividend reinvestment plan and stock incentive plans. In July 1998 and February 2000, the Company's Board of Directors

voted to increase this amount by 4,500,000 and 10,000,000 shares, respectively, of the Company's common stock. For the year ended December 31, 2001, the Company did not repurchase shares, under this program. For the years ended December 31, 2000 and 1999, the Company repurchased 3,028,600 and 2,250,000 shares, respectively, under this program. Certain treasury shares have been reissued in connection with the Company's benefit plans.

In 1997, the Company implemented its dividend reinvestment and stock purchase plan ("DRP"), which allows participating stockholders to purchase additional shares of the Company's common stock through automatic reinvestment of dividends or optional cash investments. In 2001, the Company issued 659,182 shares of new common stock under the DRP.

Note G

Other Non-Interest Expense

	Year Ended December 31		
	2001	2000	1999
Professional services	\$ 230,502	\$ 163,905	\$ 145,398
Collections	253,728	156,592	101,000
Fraud losses	65,707	53,929	22,476
Bankcard association assessments	83,255	51,726	33,301
Other	174,757	130,132	131,928
Total	\$ 807,949	\$ 556,284	\$ 434,103

Note H

Income Taxes

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax assets and liabilities as of December 31, 2001 and 2000 were as follows:

	December 31	
	2001	2000
Deferred tax assets:		
Allowance for loan losses	\$ 107,389	\$ 155,218
Unearned income	260,208	171,516
Stock incentive plan	48,117	56,615
Foreign	4,203	12,366
Net operating losses	23,119	4,198
State taxes, net of federal benefit	39,212	18,560
Other	89,831	75,181
Subtotal	572,079	493,654
Valuation allowance	(41,359)	(35,642)
Total deferred tax assets	530,720	458,012
Deferred tax liabilities:		
Securitizations	75,084	38,307
Deferred revenue	624,254	222,106
Other	44,322	39,591
Total deferred tax liabilities	743,660	300,004
Net deferred tax assets (liabilities) before unrealized (gains) losses	(212,940)	158,008
Cumulative effect of change in accounting principle	16,685	
Unrealized losses on cash flow hedging instruments	28,686	
Unrealized (gains) losses on securities available for sale	(5,453)	478
Net deferred tax assets (liabilities)	\$ (173,022)	\$ 158,486

During 2001, the Company increased its valuation allowance by \$5,717 for certain state and international loss carryforwards generated during the year.

At December 31, 2001, the Company had net operating losses available for federal income tax purposes of \$66,054 that are subject to certain annual limitations under the Internal Revenue Code, and expire at various dates from 2018 to 2020. Also, foreign net operation losses of \$71 (net of related valuation allowances) are without expiration limitations.

Significant components of the provision for income taxes attributable to continuing operations were as follows:

	Year Ended December 31		
	2001	2000	1999
Federal taxes	\$ 138	\$ 284,661	\$ 232,910

State taxes	2,214	578	754
International taxes	555	1,156	
Deferred income taxes	390,548	1,445	(19,738)
Income taxes	\$ 393,455	\$ 287,840	\$ 213,926

The reconciliation of income tax attributable to continuing operations computed at the U.S. federal statutory tax rate to income tax expense was:

	Year Ended December 31		
	2001	2000	1999
Income tax at statutory federal tax rate	35.00%	35.00%	35.00%
Other, primarily state taxes	3.00	3.00	2.07
Income taxes	38.00%	38.00%	37.07%

Note I

Cumulative Other Comprehensive Income and Earnings Per Share

The following table presents the cumulative balances of the components of other comprehensive income, net of tax:

	As of December 31		
	2001	2000	1999
Unrealized gains (losses) on securities	\$ 8,894	\$ (777)	\$ (32,608)
Foreign currency translation adjustments	(19,466)	3,695	1,346
Unrealized losses on cash flow hedging instruments	(74,026)		
Total cumulative other comprehensive income (loss)	\$ (84,598)	\$ 2,918	\$ (31,262)

Unrealized gains (losses) on securities included gross unrealized gains of \$44,568 and \$17,075, and gross unrealized losses of \$30,224 and \$18,332, as of December 31, 2001 and 2000, respectively.

The following table sets forth the computation of basic and diluted earnings per share:

	Year Ended December 31		
	2001	2000	1999
	(Shares in Thousands)		
Numerator:			
Net income	\$ 641,965	\$ 469,634	\$ 363,091
Denominator:			
Denominator for basic earnings per share — Weighted average shares	209,867	196,478	197,594
Effect of dilutive securities:			
Stock options	10,709	12,971	13,089
Dilutive potential common shares	10,709	12,971	13,089
Denominator for diluted earnings per share — Adjusted weighted average shares	220,576	209,449	210,683
Basic earnings per share	\$ 3.06	\$ 2.39	\$ 1.84
Diluted earnings per share	\$ 2.91	\$ 2.24	\$ 1.72

Securities of approximately 5,217,000, 5,496,000 and 5,200,000 during 2001, 2000 and 1999, respectively, were not included in the computation of diluted earnings per share because their inclusion would be antidilutive.

Note J

Purchase of PeopleFirst, Inc. and AmeriFee Corporation

In October 2001, the Company acquired PeopleFirst Inc. ("PeopleFirst"). Based in San Diego, California, PeopleFirst is the largest online provider of direct motor vehicle loans. The acquisition price for PeopleFirst was approximately \$174,000, paid primarily through the issuance of approximately 3,746,000 shares of the Company's common stock. This purchase combination created approximately \$166,000 in goodwill, as approximately \$763,000 of assets was acquired and \$755,000 of liabilities was assumed. The Company will perform impairment tests on the goodwill purchased each year in accordance with SFAS No. 142.

In May 2001, the Company acquired AmeriFee Corporation ("AmeriFee"). AmeriFee is a financial services firm based in Southborough, Massachusetts that provides financing solutions for consumers seeking elective medical and dental procedures. The acquisition was accounted for as a purchase business combination. The initial acquisition price for AmeriFee was \$81,500, paid through approximately \$64,500 of cash and approximately 257,000 shares of the Company's common stock. This purchase combination created approximately \$80,000 in goodwill. The goodwill prior to December 31, 2001 was amortized on a straight-line basis over 20 years. After December 31, 2001, the Company will cease amortization and perform impairment tests on the book value of the remaining goodwill in accordance with SFAS No. 142. The terms of the acquisition agreement provide for additional consideration to be paid annually if AmeriFee's results of operations exceed certain targeted levels over the next three years. The additional consideration, up to a maximum of \$454,500, may be paid either in cash or with shares of the Company's common stock.

Note K

Regulatory Matters

The Bank and the Savings Bank are subject to capital adequacy guidelines adopted by the Federal Reserve Board (the “Federal Reserve”) and the Office of Thrift Supervision (the “OTS”) (collectively, the “regulators”), respectively. The capital adequacy guidelines and the regulatory framework for prompt corrective action require the Bank and the Savings Bank to maintain specific capital levels based upon quantitative measures of their assets, liabilities and off-balance sheet items. The inability to meet and maintain minimum capital adequacy levels could result in the regulators taking actions that

could have a material effect on the Company's consolidated financial statements. Additionally, the regulators have broad discretion in applying higher capital requirements. Regulators consider a range of factors in determining capital adequacy, such as an institution's size, quality and stability of earnings, interest rate risk exposure, risk diversification, management expertise, asset quality, liquidity and internal controls.

The most recent notifications received from the regulators categorized the Bank and the Savings Bank as "well-capitalized." To be categorized as "well-capitalized," the Bank and the Savings Bank must maintain minimum capital ratios as set forth in the following table. As of December 31, 2001, there were no conditions or events since the notifications discussed above that management believes would have changed either the Bank or the Savings Bank's capital category.

	<u>Ratios</u>	<u>Minimum For Capital Adequacy Purposes</u>	<u>To Be "Well- Capitalized" Under Prompt Corrective Action Provisions</u>
December 31, 2001			
Capital One Bank			
Tier 1 Capital	12.95%	4.00%	6.00%
Total Capital	15.12	8.00	10.00
Tier 1 Leverage	12.09	4.00	5.00
Capital One, F.S.B.			
Tier 1 Capital	9.27%	4.00%	6.00%
Total Capital	11.21	8.00	10.00
Tier 1 Leverage	8.86	4.00	5.00
December 31, 2000			
Capital One Bank			
Tier 1 Capital	9.30%	4.00%	6.00%
Total Capital	11.38	8.00	10.00
Tier 1 Leverage	10.02	4.00	5.00
Capital One, F.S.B.			
Tier 1 Capital	8.24%	4.00%	6.00%
Total Capital	10.90	8.00	10.00
Tier 1 Leverage	6.28	4.00	5.00

In November 2001, the four federal banking agencies (the "Agencies") adopted an amendment to the regulatory capital standards regarding the treatment of certain recourse obligations, direct credit substitutes (i.e., guarantees on third-party assets), residual interests in asset securitizations, and other securitized transactions that expose institutions primarily to credit risk. Effective January 1, 2002, this rule amends the Agencies' regulatory capital standards to create greater differentiation in the capital treatment of residual interests. Based on the Company's analysis of the rule adopted by the Agencies, we do not anticipate any material changes to our regulatory capital ratios when the rule becomes effective.

On January 31, 2001, the Agencies issued "Expanded Guidance for Subprime Lending Programs" (the "Guidelines"). The Guidelines, while not constituting a formal regulation, provide guidance to the federal bank examiners regarding the adequacy of capital and loan loss reserves held by insured depository institutions engaged in subprime lending. The Guidelines adopt a broad definition of "subprime" loans which likely covers more than one-third of all consumers in the United States. Because the Company's business strategy is to provide credit card products and other consumer loans to a wide range of consumers, the examiners may view a portion of the Company's loan assets as "subprime." Thus, under the Guidelines, bank examiners could require the Bank or the Savings Bank to hold additional capital (up to one and one-half to three times the minimally required level of capital, as set forth in the Guidelines), or additional loan loss reserves, against such assets. As described above, at December 31, 2001 the Bank and the Savings Bank each met the requirements for a "well-capitalized" institution, and management believes that each institution is holding an appropriate amount of capital or loan loss reserves against higher risk assets. Management also believes we have general risk management practices in place that are appropriate in light of our business strategy. Significantly increased capital or loan loss reserve requirements, if imposed, however, could have a material impact on the Company's consolidated financial statements.

In August 2000, the Bank received regulatory approval and established a subsidiary bank in the United Kingdom. In connection with the approval of its former branch office in the United Kingdom, the Company committed to the Federal Reserve that, for so long as the Bank maintains a branch or subsidiary bank in the United Kingdom, the Company will maintain a minimum Tier 1 Leverage ratio of 3.0%. As of December 31, 2001 and 2000, the Company's Tier 1 Leverage ratio was 11.93% and 11.14%, respectively.

Additionally, certain regulatory restrictions exist that limit the ability of the Bank and the Savings Bank to transfer funds to the Corporation. As of December 31, 2001, retained earnings of the Bank and the Savings Bank of \$864,500 and \$99,800, respectively, were available for payment of dividends to the Corporation without prior approval by the regulators. The Savings Bank, however, is required to give the OTS at least 30 days advance notice of any proposed dividend and the OTS, in its discretion, may object to such dividend.

Note L

Commitments and Contingencies

As of December 31, 2001, the Company had outstanding lines of credit of approximately \$142,600,000 committed to its customers. Of that total commitment, approximately \$97,400,000 was unused. While this amount represented the total available lines of credit to customers, the Company has not experienced, and does not anticipate, that all of its customers will exercise their entire available line at any given point in time. The Company generally has the right to increase, reduce, cancel, alter or amend the terms of these available lines of credit at any time.

Certain premises and equipment are leased under agreements that expire at various dates through 2011, without taking into consideration available renewal options. Many of these leases provide for payment by the lessee of property taxes, insurance premiums, cost of maintenance and other costs. In some cases, rentals are subject to increase in relation to a cost of living index. Total expenses amounted to \$64,745, \$66,108, and \$37,685 for the years ended December 31, 2001, 2000 and 1999, respectively.

Future minimum rental commitments as of December 31, 2001, for all non-cancelable operating leases with initial or remaining terms of one year or more are as follows:

2002	\$	57,619
2003		51,667
2004		36,082
2005		30,366
2006		21,583
Thereafter		56,254
Total	\$	253,571

The Company has entered into synthetic lease transactions to finance several facilities. A synthetic lease structure typically involves establishing a special purpose vehicle ("SPV") that owns the properties to be leased. The SPV is funded and its equity is held by outside investors, and as a result, neither the debt of nor the properties owned by the SPV are included in the Consolidated Financial Statements. These transactions, as described below, are accounted for as operating leases in accordance with SFAS No. 13, "Accounting for Leases."

In December 2000, the Company entered into a 10-year agreement for the lease of a headquarters building being constructed in McLean, Virginia. Monthly rent commences upon completion, which is expected in December 2002, and is based on LIBOR rates applied to the cost of the buildings funded. If, at the end of the lease term, the Company does not purchase the property, the Company guarantees a residual value of up to approximately 72% of the estimated \$159,500 cost of the buildings in the lease agreement. Upon a sale of the property at the end of the lease term, the Company's obligation is limited to any amount by which the guaranteed residual value exceeds the selling price.

In 1999, the Company entered into two three-year agreements for the construction and subsequent lease of four facilities located in Tampa, Florida and Federal Way, Washington. At December 31, 2001, the construction of all four of the facilities had been completed. The total cost of the buildings was approximately \$98,800. Monthly rent commenced upon completion of each of the buildings and is based on LIBOR rates applied to the cost of the facilities funded. The Company has a one-year renewal option under the terms of the leases. If, at the end of the lease term, the Company does not purchase all of the properties, the Company guarantees a residual value to the lessor of up to approximately 85% of the cost of the buildings in the lease agreement. Upon a sale of the property at the end of the lease term, the Company's obligation is limited to any amount by which the guaranteed residual value exceeds the selling price.

In 1998, the Company entered into a five-year lease of five facilities in Tampa, Florida and Richmond, Virginia. Monthly rent on the facilities is based on a fixed interest rate of 6.87% per annum applied to the cost of the buildings included in the lease of \$86,800. The Company has two one-year renewal options under the terms of the lease. If, at the end of the lease term, the Company does not purchase all of the properties, the Company guarantees a residual value to the lessor of up to approximately 84% of the costs of the buildings. Upon a sale of the property at the end of the lease term, the Company's obligation is limited to any amount by which the guaranteed residual value exceeds the selling price.

The Company is commonly subject to various pending and threatened legal actions arising from the conduct of its normal business activities. In the opinion of management, the ultimate aggregate liability, if any, arising out of any pending or threatened action will not have a material adverse effect on the consolidated financial condition of the Company. At the present time, however, management is not in a position to determine whether the resolution of pending or threatened litigation will have a material effect on the Company's results of operations in any future reporting period.

Note M

Related Party Transactions

In the ordinary course of business, executive officers and directors of the Company may have consumer loans issued by the Company. Pursuant to the Company's policy, such loans are issued on the same terms as those prevailing at the time for comparable loans to unrelated persons and do not involve more than the normal risk of collectibility.

Note N

Off-Balance Sheet Securitizations

Off-balance sheet securitizations involve the transfer of pools of consumer loan receivables by the Company to one or more third-party trusts or qualified special purpose entities that are accounted for as sales in accordance with SFAS 140. Certain undivided interests in the pool of consumer loan receivables are sold to investors as asset-backed securities in public underwritten offerings or private placement transactions. The remaining undivided interests retained by the Company ("seller's interest") are recorded in consumer loans. The amounts of the remaining undivided interests fluctuate as the accountholders make principal payments and incur new charges on the selected accounts. The amount of seller's interest was \$5,675,078 and \$3,270,839 as of December 31, 2001 and 2000, respectively.

The key assumptions used in determining the fair value of the interest-only strip resulting from securitizations of consumer loan receivables completed during the period included the weighted average ranges for charge-off rates, principal repayment rates, lives of receivables and discount rates included in the following table.

Securitization Key Assumptions

	Year Ended December 31	
	2001	2000
Weighted average life for receivables (months)	6 to 9	7 to 8
Principal repayment rate (weighted average rate)	13% to 15%	13% to 16%
Charge-off rate (weighted average rate)	4% to 6%	4% to 6%
Discount rate (weighted average rate)	9% to 11%	11% to 13%

If these assumptions are not met or change, the interest-only strip and related servicing and securitizations income would be affected. The following adverse changes to the key assumptions and estimates, presented in accordance with SFAS 140, are hypothetical and should be used with caution. As the figures indicate, any change in fair value based on a 10% or 20% variation in assumptions cannot be extrapolated because the relationship of change in assumption to the change in fair value may not be linear. Also, the effect of a variation in a particular assumption on the fair value of the interest-only strip is calculated independently from any change in another assumption. However, changes in one factor may result in changes in other factors, which might magnify or counteract the sensitivities.

Securitization Key Assumptions and Sensitivities

	As of December 31	
	2001	2000
Interest-only strip	\$ 269,527	\$ 119,412
Weighted average life for receivables (months)	9	7
Principal repayment rate (weighted average rate)	13%	16%
Impact on fair value of 10% adverse change	\$ 12,496	\$ 5,912
Impact on fair value of 20% adverse change	23,652	10,626
Charge-off rate (weighted average rate)	6%	4%
Impact on fair value of 10% adverse change	\$ 50,844	\$ 16,733
Impact on fair value of 20% adverse change	100,854	33,467
Discount rate (weighted average rate)	9%	12%
Impact on fair value of 10% adverse change	\$ 1,889	\$ 245
Impact on fair value of 20% adverse change	3,706	488

Static pool credit losses are calculated by summing the actual and projected future credit losses and dividing them by the original balance of each pool of asset. Due to the short-term revolving nature of consumer loan receivables, the weighted average percentage of static pool credit losses is not considered to be materially different from the assumed charge-off rates used to determine the fair value of retained interests.

In addition to the interest-only strip, the Company maintains other residual interests to enhance the credit quality of the pool of receivables. The other residual interests may be in various forms, including subordinated interests in the transferred receivables, cash collateral accounts and accrued but unbilled interest on the transferred receivables. These other residual interests are carried at cost, which approximates fair value. The credit risk exposure on residual interests exceeds the pro rata share of the Company's interest in the pool of receivables. Residual interests are recorded in accounts receivable from securitizations and totaled \$934,305 and \$479,123 at December 31, 2001 and 2000, respectively.

Supplemental Loan Information

	Year Ended December 31			
	2001		2000	
	Loans Outstanding	Loans Delinquent	Loans Outstanding	Loans Delinquent
Managed Loans	\$ 45,263,963	\$ 2,241,647	\$ 29,524,026	\$ 1,544,654
Off-balance sheet loans	24,342,949	1,229,090	14,411,314	447,343
Consumer Loans	\$ 20,921,014	\$ 1,012,557	\$ 15,112,712	\$ 1,097,311
	Average Loans	Net Charge-Offs	Average Loans	Net Charge-Offs
Managed Loans	\$ 35,612,317	\$ 1,438,370	\$ 22,634,862	\$ 883,667
Off-balance sheet loans	18,328,011	746,734	11,147,086	351,046
Consumer Loans	\$ 17,284,306	\$ 691,636	\$ 11,487,776	\$ 532,621

The Company acts as a servicing agent and receives contractual servicing fees of approximately 2% of the investor principal outstanding. The servicing revenues associated with transferred receivables adequately compensate the Company for servicing the accounts. Accordingly, no servicing asset or liability has been recorded. The Company's residual interests are generally restricted or subordinated to investors' interests and their value is subject to substantial credit, repayment and interest rate risks on the transferred financial assets. The investors and the trusts have no recourse to the Company's assets if the securitized loans are not paid when due.

Securitization Cash Flows

	Year Ended December 31	
	2001	2000
Proceeds from new securitizations	\$ 11,915,990	\$ 6,142,709
Collections reinvested in revolving-period securitizations	30,218,660	18,566,784
Repurchases of accounts from the trust	1,579,455	
Servicing fees received	330,350	171,245
Cash flows received on retained interests	84,817	48,211

For the year ended December 31, 2001 and 2000, the Company recognized \$68,135 and \$30,466, respectively, in gains related to the new transfer of receivables accounted for as sales, net of transaction costs. These gains are recorded in servicing and securitizations income.

Note O

Derivative Instruments and Hedging Activities

The Company maintains a risk management strategy that incorporates the use of derivative instruments to minimize significant unplanned fluctuations in earnings caused by interest rate and foreign exchange rate volatility. The Company's goal is to manage sensitivity to changes in rates by modifying the repricing or maturity characteristics of certain balance sheet assets and liabilities, thereby limiting the impact on earnings. By using derivative instruments, the Company is exposed to credit and market risk. If the counterparty fails to perform, credit risk is equal to the extent of the fair value gain in a derivative. When the fair value of a derivative contract is positive, this generally indicates that the counterparty owes the Company, and, therefore, creates a repayment risk for the Company. When the fair value of a derivative contract is negative, the Company owes the counterparty, and therefore, has no repayment risk. The Company minimizes the credit (or repayment) risk in derivative instruments by entering into transactions with high-quality counterparties that are reviewed periodically by the Company's credit committee. The Company also maintains a policy of requiring that all derivative contracts be governed by an International Swaps and Derivatives Association Master Agreement; depending on the nature of the derivative transaction, bilateral collateral agreements may be required as well.

Market risk is the adverse effect that a change in interest rates, currency, or implied volatility rates has on the value of a financial instrument. The Company manages the market risk associated with interest rate and foreign exchange contracts by establishing and monitoring limits as to the types and degree of risk that may be undertaken.

The Company periodically uses interest rate swaps as part of its interest rate risk management strategy. Interest rate swaps generally involve the exchange of fixed and variable rate interest payments between two parties, based on a common notional principal amount and maturity date. As a result of interest rate fluctuations, hedged assets and liabilities will appreciate or depreciate in market value. To the extent that there is a high degree of correlation between the hedged asset or liability and the derivative instrument, the income or loss generated will generally offset the effect of this unrealized appreciation or depreciation.

The Company's foreign currency denominated assets and liabilities expose it to foreign currency exchange risk. The Company enters into various foreign exchange derivative contracts for managing foreign currency exchange risk. Changes in the fair value of the derivative instrument effectively offset the related foreign exchange gains or losses on the items to which they are designated.

The Company has non-trading derivatives that do not qualify as hedges. These derivatives are carried at fair value and changes in value are included in current earnings.

The asset/liability management committee, as part of that committee's oversight of the Company's asset/liability and treasury functions, monitors the Company's derivative activities. The Company's asset/liability management committee is responsible for approving hedging strategies. The resulting strategies are then incorporated into the Company's overall interest rate risk management strategies.

Fair Value Hedges

The Company has entered into forward exchange contracts to hedge foreign currency denominated investments against fluctuations in exchange rates. The purpose of the Company's foreign currency hedging activities is to protect the Company from the risk of adverse affects from movements in exchange rates.

During the year ended December 31, 2001, the Company recognized substantially no net gains or losses related to the ineffective portions of its fair value hedging instruments.

Cash Flow Hedges

The Company has entered into interest rate swap agreements for the management of its interest rate risk exposure. The interest rate swap agreements utilized by the Company effectively modify the Company's exposure to interest rate risk by converting floating rate debt to a fixed rate over the next five years. The agreements involve the receipt of fixed rate amounts in exchange for floating rate interest payments over the life of the agreement without an exchange of underlying principal amounts. The Company has also entered into interest rate swaps and amortizing notional interest rate swaps to effectively reduce the interest rate sensitivity of anticipated net cash flows of its interest-only strip from securitization transactions over the next four years.

The Company has also entered into currency swaps that effectively convert fixed rate foreign currency denominated interest receipts to fixed dollar interest receipts on foreign currency denominated assets. The purpose of these hedges is to protect against adverse movements in exchange rates.

The Company has entered into forward exchange contracts to reduce the Company's sensitivity to foreign currency exchange rate changes on its foreign currency denominated loans. The forward rate agreements allow the Company to "lock-in" functional currency equivalent cash flows associated with the foreign currency denominated loans.

During the year ended December 31, 2001, the Company recognized no net gains or losses related to the ineffective portions of its cash flow hedging instruments. The Company recognized net losses of \$5,138 during the year ended December 31, 2001, for cash flow hedges that have been discontinued which have been included in interest income in the income statement.

At December 31, 2001, the Company expects to reclassify \$58,946 of net losses after tax on derivative instruments from cumulative other comprehensive income to earnings during the next 12 months as interest payments and receipts on the related derivative instruments occur.

Hedge of Net Investment in Foreign Operations

The Company uses cross-currency swaps to protect the value of its investment in its foreign subsidiaries. Realized and unrealized gains and losses from these hedges are not included in the income statement, but are shown in the cumulative translation adjustment account included in other comprehensive income. The purpose of these hedges is to protect against adverse movements in exchange rates.

For the year ended December 31, 2001, net losses of \$605 related to these derivatives was included in the cumulative translation adjustment.

Non-Trading Derivatives

The Company uses interest rate swaps to manage interest rate sensitivity related to loan securitizations. The Company enters into interest rate swaps with its securitization trust and essentially offsets the derivative with separate interest rate swaps with third parties. These derivatives do not qualify as hedges and are recorded on the balance sheet at fair value with changes in value included in current earnings. During the year ended December 31, 2001, the Company recognized substantially no net gains or losses related to these derivatives.

Derivative Instruments and Hedging Activities—Pre-SFAS 133

The Company has entered into interest rate swaps to effectively convert certain interest rates on bank notes from variable to fixed. The pay-fixed, receive-variable swaps, which had a notional amount totaling \$157,000 as of December 31, 2000, will mature from 2001 to 2007 to coincide with maturities of the variable bank notes to which they are designated. The Company has also entered into interest rate swaps and amortizing notional interest rate swaps to effectively reduce the interest rate sensitivity of loan securitizations. These pay-fixed, receive-variable interest rate swaps had notional amounts totaling \$2,050,000 as of December 31, 2000. The interest rate swaps will mature from 2002 to 2005, and the amortizing notional interest rate swaps will fully amortize between 2004 and 2006 to coincide with the estimated paydown of the securitizations to which they are designated. The Company also had a pay-fixed, receive-variable interest rate swap with an amortizing notional amount of \$545,000, which will amortize through 2003 to coincide with the estimated attrition of the fixed rate Canadian dollar consumer loans to which it is designated.

The Company has also entered into currency swaps that effectively convert fixed rate pound sterling interest receipts to fixed rate U.S. dollar interest receipts on pound sterling denominated assets. These currency swaps had notional amounts totaling \$261,000 as of December 31, 2000, and mature from 2001 to 2005, coinciding with the repayment of the assets to which they are designated.

The Company has entered into foreign exchange contracts to reduce the Company's sensitivity to foreign currency exchange rate changes on its foreign currency denominated assets and liabilities. As of December 31, 2000, the Company had foreign exchange contracts with notional amounts totaling \$665,284 that mature in 2001 to coincide with the repayment of the assets to which they are designated.

Note P

Significant Concentration of Credit Risk

The Company is active in originating consumer loans, primarily in the United States. The Company reviews each potential customer's credit application and evaluates the applicant's financial history and ability and willingness to repay. Loans are made primarily on an unsecured basis; however, certain loans require collateral in the form of cash deposits. International consumer loans are originated primarily in Canada and the United Kingdom. The geographic distribution of the Company's consumer loans was as follows:

Geographic Region:	December 31			
	2001		2000	
	Loans	Percentage of Total	Loans	Percentage of Total
South	\$ 15,400,081	34.02%	\$ 9,869,290	33.43%
West	9,354,934	20.67	5,962,360	20.19
Midwest	8,855,719	19.56	5,694,318	19.29
Northeast	7,678,378	16.97	5,016,719	16.99
International	3,974,851	8.78	2,981,339	10.10
	45,263,963	100.00%	29,524,026	100.00%
Less securitized Balances	(24,342,949)		(14,411,314)	
Total	\$ 20,921,014		\$ 15,112,712	

Note Q

Disclosures About Fair Value of Financial Instruments

The following discloses the fair value of financial instruments whether or not recognized in the balance sheets as of December 31, 2001 and 2000. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. In that regard, the derived fair value estimates cannot be substantiated by comparison to independent markets and, in many cases, could not be realized in immediate settlement of the instrument. As required under GAAP, these disclosures exclude certain financial

instruments and all non-financial instruments. Accordingly, the aggregate fair value amounts presented do not represent the underlying value of the Company.

The Company, in estimating the fair value of its financial instruments as of December 31, 2001 and 2000, used the following methods and assumptions:

Financial Assets

Cash and cash equivalents

The carrying amounts of cash and due from banks, federal funds sold and resale agreements and interest-bearing deposits at other banks approximated fair value.

Securities available for sale

The fair value of securities available for sale was determined using current market prices. See Note B for fair values by type of security.

Consumer loans

The net carrying amount of consumer loans approximated fair value due to the relatively short average life and variable interest rates on a substantial number of these loans. This amount excluded any value related to account relationships.

Interest receivable

The carrying amount approximated the fair value of this asset due to its relatively short-term nature.

Accounts receivable from securitizations

The carrying amount approximated fair value.

Derivatives

The carrying amount of derivatives approximated fair value and was represented by the estimated unrealized gains as determined by quoted market prices. This value generally reflects the estimated amounts that the Corporation would have received to terminate the interest rate swaps, currency swaps and forward foreign currency exchange ("f/x") contracts at the respective dates, taking into account the forward yield curve on the swaps and the forward rates on the currency swaps and f/x contracts. These derivatives are included in other assets on the balance sheet.

Financial Liabilities

Interest-bearing deposits

The fair value of interest-bearing deposits was calculated by discounting the future cash flows using estimates of market rates for corresponding contractual terms.

Other borrowings

The carrying amount of federal funds purchased and resale agreements and other short-term borrowings approximated fair value. The fair value of secured borrowings was calculated by discounting the future cash flows using estimates of market rates for corresponding contractual terms and assumed maturities when no stated final maturity was available. The fair value of the junior subordinated capital income securities was determined based on quoted market prices.

Senior notes

The fair value of senior notes was determined based on quoted market prices.

Interest payable

The carrying amount approximated the fair value of this asset due to its relatively short-term nature.

Derivatives

The carrying amount of derivatives approximated fair value and was represented by the estimated unrealized losses as determined by quoted market prices. This value generally reflects the estimated amounts that the Corporation would have paid to terminate the interest rate swaps, currency swaps and f/x contracts at the respective dates, taking into account the forward yield curve on the swaps and the forward rates on the currency swaps and f/x contracts. These derivatives are included in other liabilities on the balance sheet.

	2001		2000	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Financial Assets				
Cash & cash equivalents	\$ 707,238	\$ 707,238	\$ 236,707	\$ 236,707
Securities available for sale	3,115,891	3,115,891	1,696,815	1,696,815
Net loans	20,081,014	20,081,014	14,585,712	14,585,712
Accounts receivable from securitizations	2,452,548	2,452,548	1,143,902	1,143,902
Interest receivable	105,459	105,459	82,675	82,675
Derivatives	91,474	91,474		23,834
Financial Liabilities				
Interest-bearing deposits	\$ 12,838,968	\$ 13,223,954	\$ 8,379,025	\$ 8,493,763
Senior notes	5,335,229	5,237,220	4,050,597	3,987,116
Other borrowings	3,995,528	4,047,865	2,925,938	2,924,113
Interest payable	188,160	188,160	122,658	122,658
Derivatives	199,976	199,976		62,965

Note R

International Activities

The Company's international activities are primarily performed through Capital One Bank (Europe) plc, a subsidiary bank of the Bank that provides consumer lending and other financial products in the United Kingdom and France, and Capital One Bank—Canada Branch, a foreign branch office of the Bank that provides consumer lending products in Canada. The total assets, revenue, income before income taxes and net income of the international operations are summarized below.

	2001	2000	1999
Domestic			
Total assets	\$ 25,254,438	\$ 15,719,760	\$ 10,202,219
Revenue(1)	5,609,616	4,336,911	3,246,868
Income before income taxes	1,064,240	906,732	661,759
Net income	660,809	562,174	415,631
International			
Total assets	2,929,609	3,169,581	3,134,224
Revenue(1)	473,667	286,390	178,093
Income before income taxes	(29,000)	(149,258)	(84,742)
Net loss	(18,844)	(92,540)	(52,540)
Total Company			
Total assets	\$ 28,184,047	\$ 18,889,341	\$ 13,336,443
Revenue(1)	6,083,283	4,623,301	3,424,961
Income before income taxes	1,035,420	757,474	577,017
Net income	641,965	469,634	363,091

(1) Revenue equals net interest income plus non-interest income.

Because certain international operations are integrated with many of the Company's domestic operations, estimates and assumptions have been made to assign certain expense items between domestic and foreign operations. Amounts are allocated for income taxes and other items incurred.

Note S

Capital One Financial Corporation (Parent Company Only) Condensed Financial Information

	Balance Sheets as of December 31	
	2001	2000
Assets:		
Cash and cash equivalents	\$ 9,847	\$ 9,284
Investment in subsidiaries	3,327,778	1,832,387
Loans to subsidiaries(1)	950,231	808,974
Other	164,923	98,034
Total assets	\$ 4,452,779	\$ 2,748,679
Liabilities:		
Senior notes	\$ 549,187	\$ 549,042
Borrowings from subsidiaries	569,476	204,367
Other	10,638	32,756
Total liabilities	1,129,301	786,165
Stockholders' equity	3,323,478	1,962,514
Total liabilities and stockholders' equity	\$ 4,452,779	\$ 2,748,679

(1) As of December 31, 2001 and 2000, includes \$122,063 and \$63,220, respectively of cash invested at the Bank instead of the open market.

	Statements of Income for The Year Ended December 31		
	2001	2000	1999
Interest from temporary investments	\$ 48,595	\$ 41,321	\$ 32,191
Interest expense	(53,536)	(46,486)	(41,011)
Dividends, principally from bank subsidiaries	125,000	250,000	220,001
Non-interest income	4,847	61	39
Non-interest expense	(45,223)	(8,184)	(6,274)
Income before income taxes and equity in undistributed earnings of subsidiaries	79,683	236,712	204,946

Income tax benefit	17,221	5,049	5,721
Equity in undistributed earnings of subsidiaries	545,061	227,873	152,424
	<u> </u>	<u> </u>	<u> </u>
Net income	\$ 641,965	\$ 469,634	\$ 363,091
	<u> </u>	<u> </u>	<u> </u>

Statements of Cash Flows for
the Year Ended December 31

	2001	2000	1999
Operating Activities:			
Net income	\$ 641,965	\$ 469,634	\$ 363,091
Adjustments to reconcile net income to net cash provided by operating activities:			
Equity in undistributed earnings of subsidiaries	(545,061)	(227,873)	(152,424)
(Increase) decrease in other assets	(47,701)	9,625	5,282
(Decrease) increase in other liabilities	(22,118)	19,117	2,604
Net cash provided by operating activities	27,085	270,503	218,553
Investing Activities:			
Purchases of securities available for sale			(26,836)
Proceeds from sales of securities available for sale		8,455	
Proceeds from maturities of securities available for sale		6,832	11,658
Increase in investment in subsidiaries	(768,760)	(117,123)	(115,233)
Increase in loans to subsidiaries	(141,257)	(199,798)	(233,780)
Net cash used for investing activities	(910,017)	(301,634)	(364,191)
Financing Activities:			
Increase (decrease) in borrowings from subsidiaries	365,109	157,711	(7,398)
Issuance of senior notes			224,684
Dividends paid	(22,310)	(20,824)	(20,653)
Purchases of treasury stock		(134,619)	(107,104)
Net proceeds from issuances of common stock	477,892	21,076	14,028
Proceeds from exercise of stock options	62,804	11,225	37,040
Net cash provided by financing activities	883,495	34,569	140,597
Increase (decrease) in cash and cash equivalents	563	3,438	(5,041)
Cash and cash equivalents at beginning of year	9,284	5,846	10,887
Cash and cash equivalents at end of year	\$ 9,847	\$ 9,284	\$ 5,846

Directors and Officers

Capital One Financial Corporation Board of Directors

Richard D. Fairbank
Chairman and Chief Executive Officer
Capital One Financial Corporation

Nigel W. Morris
President and Chief Operating Officer
Capital One Financial Corporation

W. Ronald Dietz*
Managing Partner
Customer Contact Solutions, LLC

James A. Flick, Jr.*

Patrick W. Gross*
Founder and Chairman, Executive Committee
American Management Systems, Inc.

James V. Kimsey**
Founding CEO and Chairman Emeritus
America Online, Inc.

Stanley I. Westreich**
President and Owner
Westfield Realty, Inc.

*Audit Committee

**Compensation Committee

Capital One Financial Corporation Executive Officers

Richard D. Fairbank
Chairman and Chief Executive Officer

Nigel W. Morris
President and Chief Operating Officer

Gregor Bailar
Executive Vice President
and Chief Information Officer

Marjorie M. Connelly
Executive Vice President,
Enterprise Services Group

John G. Finneran, Jr.
Executive Vice President, General Counsel
and Corporate Secretary

Larry Klane
Executive Vice President,
Corporate Development

Dennis H. Liberson
Executive Vice President,
Human Resources

William J. McDonald
Executive Vice President,
Brand Management

Peter A. Schnall
Executive Vice President,
Marketing and Analysis

Catherine G. West
Executive Vice President,
U.S. Consumer Operations

David M. Willey
Executive Vice President
and Chief Financial Officer

Corporate Information

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www.capitalone.com

Annual Meeting
Thursday, April 25, 2002, 10:00 a.m. Eastern Time
Fairview Park Marriott Hotel
3111 Fairview Park Drive
Falls Church, VA 22042

Principal Financial Contact
Paul Paquin
Vice President, Investor Relations
Capital One Financial Corporation
2980 Fairview Park Drive, Suite 1300
Falls Church, VA 22042-4525
(703) 205-1039

Copies of Form 10-K filed with the Securities
and Exchange Commission are available without
charge, upon written request to Paul Paquin
at the above address.

Common Stock
Listed on New York Stock Exchange
Stock Symbol COF
Member of S&P 500

Corporate Registrar/Transfer Agent
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Independent Auditors
Ernst & Young LLP

Designed and produced by
the Direct Marketing Center
of Capital One

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Patty O'Toole	Copywriter
Katie Roussel	Art Director

Significant Subsidiaries

Capital One Bank
Capital One, F.S.B.
Capital One Auto Finance, Inc.

Consent of Independent Auditors

We consent to the incorporation by reference in this Annual Report (Form 10-K) of Capital One Financial Corporation of our report dated January 15, 2002, except for Note E as to which the date is February 6, 2002, included in the 2001 Annual Report to Stockholders of Capital One Financial Corporation.

We consent to the incorporation by reference in the Registration Statements of Capital One Financial Corporation of our report dated January 15, 2002, except for Note E as to which the date is February 6, 2002, with respect to the consolidated financial statements of Capital One Financial Corporation incorporated by reference in the Annual Report (Form 10-K) for the year ended December 31, 2001:

Registration Statement Number	Form	Description
33-80263	Form S-8	Marketing and Management Services Agreement
33-86874	Form S-8	Employee Stock Purchase Plan
33-86876	Form S-8	Employee Savings Plan
33-86986	Form S-8	1994 Stock Incentive Plan
33-91790	Form S-8	1995 Non-Employee Directors Stock Incentive Plan
33-97032	Form S-8	Amendment to 1994 Stock Incentive Plan
33-99748	Form S-3	Dividend Reinvestment and Stock Purchase Plan
333-42853	Form S-8	1994 Stock Incentive Plan
333-45453	Form S-8	Associate Savings Plan
333-51639	Form S-8	1994 Stock Incentive Plan, Tier 5 Special Option Program
333-51637	Form S-8	1994 Stock Incentive Plan
333-57317	Form S-8	1994 Stock Incentive Plan, 1998 Special Option Program
333-60831	Form S-3	Acquisition of Summit Acceptance Corporation
333-70305	Form S-8	1994 Stock Incentive Plan, Supplemental Special Option Program
333-78067	Form S-8	1994 Stock Incentive Plan
333-78383	Form S-8	1994 Stock Incentive Plan, 1999 Performance-Based Option Program and Supplemental Special Option Program
333-78609	Form S-8	1999 Stock Incentive Plan
333-78635	Form S-8	1999 Non-Employee Directors Stock Incentive Plan
333-84693	Form S-8	1994 Stock Incentive Plan, Supplemental Special Option Program
333-85227	Form S-3	Debt Securities, Preferred Stock and Common Stock in the amount of \$1 billion
333-91327	Form S-8	1994 Stock Incentive Plan
333-92345	Form S-8	1994 Stock Incentive Plan
333-43288	Form S-8	1994 Stock Incentive Plan
333-58628	Form S-8	1994 Stock Incentive Plan
333-61574	Form S-3	Registration of Securities for Resale
333-72788	Form S-8	1994 Stock Incentive Plan, 2001 Performance Based Options Program
333-72832	Form S-8	1994 Stock Incentive Plan
333-72820	Form S-8	1999 Non-Employee Stock Incentive Plan
333-72832	Form S-3	Registration of Securities for Resale by Selling Stockholders in PeopleFirst Acquisition
333-76726	Form S-8	1994 Stock Incentive Plan
333-72820	Form S-8	1999 Non-Employee Directors Stock Incentive
333-82228	Form S-3	Common Stock, Debt Securities, Preferred Stock, Stock Purchase Contracts, and Equity Units in the amount of \$1,787,000,000

/s/ Ernst & Young LLP
McLean, Virginia
March 22, 2001