SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)
[X] Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.
For the fiscal year ended December 31, 1996.
[ ] 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	54-1719854
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
2980 Fairview Park Drive, Suite 1300 Falls Church, Virginia	22042-4525
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (703) 205-1000

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, $.01 Par Value	New York Stock Exchange
Preferred Stock Purchase Rights*	New York Stock Exchange

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* 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 X 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, 1997:

Common Stock, $.01 Par Value -- $2,515,356,548*

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* 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, 1997:

Common Stock, $.01 Par Value - 66,348,820

DOCUMENTS INCORPORATED BY REFERENCE

1. Portions of the Annual Report to stockholders for the year ended December 31, 1996 are incorporated by reference into Parts I, II and IV.

2. Portions of the Proxy Statement for the annual meeting of stockholders to be held on April 24, 1997 are incorporated by reference into Part III.

PART I

ITEM 1. BUSINESS.

GENERAL

Capital One Financial Corporation (the "Corporation") is a holding company, incorporated in Delaware on July 21, 1994, whose subsidiaries provide a variety of products and services to consumers. The Corporation's principal subsidiary, Capital One Bank (the "Bank"), a limited purpose Virginia state chartered credit card bank, offers credit card products. Capital One, F.S.B. (the "Savings Bank"), a federally chartered savings bank, provides certain consumer lending and deposit services. 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 term "Company" refers to the Corporation and its consolidated subsidiaries and for periods prior to the Separation (as defined herein), Signet Bank's credit card division. The Company's common stock is listed on the New York Stock Exchange under the symbol COF. The Company's principal executive office is located at 2980 Fairview Park Drive, Suite 1300, Falls Church, Virginia 22042-4525 (telephone number (703) 205-1000).

The Company is one of the oldest continually operating bank card issuers in the U.S. having commenced operations in 1953, the same year as the formation of what is now MasterCard International. The Company is among the ten largest issuers of Visa and MasterCard credit cards in the United States based on managed credit card loans outstanding as of December 31, 1996. The growth in the Company's managed credit card loans and accounts was due largely to credit card industry dynamics and the success of the Company's proprietary information-based strategy ("IBS") initiated in 1988.

The Bank offers two brands of credit cards, Visa and MasterCard, and within each brand, premium ("gold") cards and unsecured and secured standard credit card products. Prior to November 22, 1994, the Bank conducted its operations as a division of Signet Bank, a wholly-owned subsidiary of Signet Banking Corporation ("Signet"). Pursuant to the terms of an agreement among Signet, Signet Bank and the Corporation (the "Separation Agreement"), Signet Bank contributed designated assets and liabilities of its credit card division into the Bank, initially established as a subsidiary of Signet Bank (the "Separation"). Signet Bank immediately distributed the capital stock of the Bank to Signet, which then contributed such stock to the Corporation. Concurrently with the Separation, the Corporation issued 7,125,000 shares of the Corporation's common stock, par value $.01 ("Common Stock") in an initial public offering. On February 28, 1995, Signet distributed all of the remaining shares of the Common Stock held by it to Signet shareholders of record as of February 10, 1995 (the "Distribution").

In June 1996, the Company established the Savings Bank to expand the Company's product offerings and its relationship with its cardmembers. The Savings Bank currently offers Visa and MasterCard credit cards and installment loans, in each case, both unsecured and secured. The Savings Bank expects to offer multiple financial products to existing cardmembers and other households using the Company's IBS and existing information technology systems.

Information-Based Strategy

The Company's IBS is designed to allow the Company 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 using sophisticated statistical modeling techniques, the Company is able to segment its potential customer lists based upon the integrated use of credit scores, demographics, customer behavioral characteristics and other criteria. By actively testing a wide variety of product and service features, marketing channels and other aspects of its offerings, the Company can design and target customized solicitations at various customer segments, thereby enhancing customer response levels and maximizing returns on investment within given underwriting parameters. Continued integrated testing and model development builds on information gained from earlier phases and is intended to improve the quality, performance and profitability of the Company's solicitation and account management initiatives. The Company applies IBS to all areas of its business, including solicitations, account

management, credit line management, pricing strategies, usage stimulation, collections, recoveries and account and balance retention.

Products

The Company offers an array of Visa and MasterCard credit card products to customers throughout the United States and in the United Kingdom. Products consist of varying annual percentage rates ("APRs"), finance charges and fee combinations (annual membership fees, past-due, overlimit, returned check, cash advance and other fees), credit limits and other special features or services, depending on the risk profile and other characteristics of the targeted customer segment. The Company offers gold cards, which generally have higher lines of credit and additional ancillary benefits, and unsecured and secured standard card products. The Company uses information derived from proprietary statistical models and targets customers with carefully matched combinations of pricing, credit analysis and packaging. The Company's pricing philosophy reflects a risk-based approach where customers with better credit qualifications generally merit more favorable pricing. The Company continually tests new product offerings and pricing combinations targeted to different customer segments.

The Company's credit card offerings include products referred to by the Company as "First Generation Products" and "Second Generation Products." The Company initially targeted its offerings to experienced users of general purpose credit card products offering low introductory rate products with accounts repricing to higher rates after six to 16 months from the date of origination, "First Generation Products". Accounts also may be repriced upwards or downwards based on individual customer performance. These First Generation Products permit cardholders to use Company issued credit line checks for cash or purchases or, under balance transfer programs, to pay down other card balances. The Company manages the repricing of these First Generation Products to maximize return on investment at the customer level, taking into consideration the risk and expected performance of these products.

Faced with increased competition for these First Generation Products, the Company began to test a number of other markets and product offerings, resulting in the development of so-called "Second Generation Products". The Company's Second Generation Products consist of secured card products and other customized credit card products including joint, affinity and co-branded, college student and other accounts. Many of the Company's Second Generation Products are offered to moderate income consumers or consumers with a blemished, little or no credit history, consumers which historically have not been solicited by lenders to the same extent as more experienced, affluent credit users. The Company provides credit to these underserved markets by utilizing its IBS to better evaluate the credit risk of these consumers and to apply a risk-based pricing strategy to optimize profitability within the context of acceptable risks. As a result, Second Generation Products are generally designed to have lower credit lines and higher APRs and fees, including annual membership fees. Second Generation Products also tend to have balances that build over time, less attrition, higher operational costs, and, in most cases, higher delinquencies and credit losses than First Generation Products. Although the target market for Second Generation Products is composed of individuals with relatively high risk profiles, the Company's management believes that, utilizing its IBS, the Company can effectively evaluate, price and monitor these risks. See "Cautionary Factors" herein.

The significant growth to date of the Company's consumer accounts and managed loan balances initially was due largely to credit card industry dynamics and the success of the Company's IBS in generating the First Generation Products. Second Generation Products contribute to the growth in number of the Company's consumer accounts but do not have an immediate impact on managed loan balances, as these products have lower balances that build over time. The Company's product mix at any time may vary as the Company intends to remain flexible in allocation of marketing investment spent on specific products to take advantage of market opportunities as they arise.

The Company has also been applying its IBS to develop other financial and non-financial products and services. The Company has established the Savings Bank and several non-bank operating subsidiaries to explore these new product and service opportunities. The Company is in various stages of developing and test marketing a number of new products and services, including, but not limited to, selected non-card consumer lending products and the reselling of telecommunications services. To date, only a relatively small dollar volume of assets and a relatively small number of accounts have been generated as a result of such marketing efforts.

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. The Company's consumer loan portfolio is geographically diverse. See Note M to the Consolidated Financial Statements on page 53 of the Company's Annual Report to its stockholders for the year ended December 31, 1996, which is incorporated herein by reference.

Origination and Risk Management

The Company's primary method of account acquisition is direct mail solicitation. Since the introduction of IBS in 1988, the Company has steadily increased its solicitation efforts and has developed a sophisticated screening process to target potential customers. The Company tracks and periodically reviews the results of each solicitation. Management information systems and processes enable management to monitor the effectiveness of prescreening and underwriting criteria, and such criteria are modified based on the results obtained from this process.

The Company employs a comprehensive risk management process that integrates all aspects of an account's life cycle, from origination to closure. Marketing and credit policy decisions are made by a credit policy group consisting of senior management representatives from the credit operations, risk management and marketing and analysis units. This group originates credit policy from the viewpoints of both profitability and credit risk, based on prescreening criteria, proprietary model development and usage, as well as reviews of test programs and test results. Significant test results are reviewed before the widespread introduction of a tested policy or product.

The Company uses various credit risk scores, generated by both third party providers of scoring models and by proprietary models. These scores are used, together with other criteria, in multiple screening reviews at both the prescreening stage and the credit application stage. Score usage continues after the account has been established and throughout its life cycle to adjust credit lines, pricing and collection policies.

Account Management

Management has found that active account management is necessary in order to respond to the changing economic environment and cardholder risk, usage and payment patterns. The Company applies new credit scores to each account several times a year and new behavioral scores for open accounts each month. This information is used in account management strategies relating to credit lines, pricing, usage stimulation, retention and collection. For creditworthy and profitable accounts, such periodic review may result in more favorable pricing, higher credit lines or other enhancements which, based on testing, are likely 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 has allowed the Company to develop customized collections and pricing strategies based on cardholder behavior. Similarly, IBS has been used in developing the Company's retention strategies. The Company has 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. Certain of the Company's products, including the introductory rate program and balance transfer program, have a repricing feature after an initial period. The Company has developed methodologies for retaining these accounts and the balances in these accounts after the expiration of the initial period.

Credit Operations

The Company's credit extension process is actively managed by senior management and is designed to bring consistency in credit practices and operating efficiencies. The Company's scoring technology and verification procedures are highly automated with limited judgmental review. The credit evaluation process is based on proprietary models using, among other things, scores developed by nationally recognized scoring firms and tailored to individual programs. These scores are validated, monitored and maintained by the Company as part of IBS. The scores provide a statistically measurable way to make decisions about applications, to evaluate risk and to modify credit extension policies.

For pre-approved account solicitations, which constitutes one of the primary methods of solicitation, the Company's current process generally begins with a prescreening review which identifies consumers who are likely to be approved for a credit card account. In the prescreening process, the Company provides a set of credit history and other criteria to credit reporting agencies, which generate lists with desired attributes. The Company further refines this list by applying additional sets of underwriting criteria resulting in a new list which represents the consumers who receive direct mail solicitations. The Company also employs additional underwriting criteria that are based upon proprietary models designed to predict the relative credit risk of potential account holders. Those persons who receive solicitation packages generally must fill out acceptance certificates which are used to initiate a back-end verification process in which an applicant's credit information is reviewed a second time, updated and verified against criteria established by lending guidelines. Once the acceptance certificates are returned and sorted and current credit reporting agency reports are obtained, the acceptance certificates are processed through the Company's underwriting criteria. Each approved applicant is offered a line of credit commensurate with the results of the back-end credit verification.

The Company manually reviews applications that are rejected by the Company's credit scoring system because of inconsistencies in application information, inquiry from a rejected applicant or for other reasons. Credit analysts then have the ability to override decisions made by the system upon the receipt of additional information from an applicant or otherwise.

For non-pre-approved solicitations, the Company acquires names of prospective customers from a variety of sources and then edits the list utilizing internal and external sources. The prospective customers on the final list are mailed solicitations. Prospective customers who respond to a solicitation are approved or declined based on both the characteristics drawn from the application submitted and a credit reporting agency.

Collection Procedures

The Company generally considers an account delinquent if a minimum payment due thereunder is not received by the Company by the cardholder's payment date. Delinquent accounts are first directed to the pre-collection system, where appropriate early collection actions are taken. Early contact with delinquent cardholders may include payment reminders by telephone, by billing statement and by mail. In most cases, an account is restricted and privileges are suspended depending on the riskiness of the account between four and 105 days after the account enters the Company's collections department. The Company may also, at its discretion, enter into arrangements with delinquent account holders to extend or otherwise change payment schedules. Efforts to collect delinquent credit card accounts are generally made by the Company's regular collections group, but may also be made by third-party collection agents.

The focus of the Company's response to an early stage delinquency is rehabilitation and identification of the causes for delinquency. The Company's policies and procedures are designed to encourage cardholders 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. An account can be re-aged once in a 12-month period.

The current policy of the Company is to charge-off as uncollectible an account (net of collateral) in the next billing cycle after becoming 180 days past-due. In connection with a secured card account, except as set forth below, funds deposited as collateral will generally be applied to payment on the account shortly before the account is charged-off as uncollectible. If the Company receives notice that a cardholder has filed for bankruptcy, or has had a bankruptcy petition filed against the cardholder, the Company charges off such account as soon as practicable but generally no later than 30 days after the Company receives such notice and, with respect to secured credit card accounts, funds deposited as collateral will be applied in satisfaction of the account only after the bankruptcy automatic stay is lifted. The Company charges off accounts of deceased accountholders 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 or no other responsible party is available. The Company's credit evaluation, servicing and charge-off policies and collection practices may change over time in accordance with the business judgment of the Company, applicable law and guidelines established by applicable regulatory authorities.

Technology/Systems

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

The Company has developed proprietary integrated systems which allow employees to manage the large volumes of data collected through the IBS process and to utilize such data in the Company's account solicitations, application processing, account management and retention strategies. These systems allow the Company's customer service representatives to access account specific information when responding to customer inquiries.

Funding

The Company's primary methods of funding include loan securitizations, issuing certificates of deposit in amounts of $100,000 or greater, senior notes, deposit notes and other borrowings and fed funds purchased from financial institutions. For a discussion of the Company's funding program, see pages 19-21 and pages 30-32 of the Company's Annual Report to its stockholders for the year ended December 31, 1996 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 products, the Company faces intense and increasing competition in all aspects of its business from numerous bank and non-bank providers of financial services. Many of these companies are substantially larger and have more resources than the Company. The Company competes with 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 or debit cards, represent additional competition in the general purpose credit card market. Although the Company believes that it is generally competitive, there can be no assurance that its ability to market its services successfully or to obtain adequate yield on its loans will not be impacted by the nature of the competition that now exists or may develop.

In addition, the Company faces competition in seeking public 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 the Company. Accordingly, there can be no assurance that competition from these other borrowers will not increase the Company's cost of funds.

EMPLOYEES

As of December 31, 1996, the Company employed 5,552 full-time and 355 part-time employees. A central part of the Company's philosophy is to attract and maintain a highly capable staff. The Company views current employee relations to be satisfactory. None of the Company's employees are covered under collective bargaining agreements.

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 (the "BIF") of the Federal Deposit Insurance Corporation (the "FDIC"). 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 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 deposit 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, any non-credit card operations which may be conducted by the Company must be conducted in other operating subsidiaries of the Company.

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 ("SAIF") of the FDIC; however, by virtue of an initial deposit assumption transaction engaged in by the Savings Bank in June 1996 when it was established, virtually all of its deposits will be assessed at rates applicable to BIF members. Pursuant to recent legislation recapitalizing the SAIF, insurance premiums currently paid by SAIF-insured institutions are equivalent to the rates paid by BIF-insured institutions. 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 the Corporation's 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, the Bank's 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 or as a result of the failure of the Savings Bank to meet the QTL Test, 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.

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

Dividends and Transfers of Funds

The principal source of funds for the Corporation to pay dividends on stock, make payments on debt securities and meet other obligations is dividends from its direct and indirect subsidiaries. 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 Board, 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 Board and the OTS, respectively. In the case of the Bank these include a minimum ratio of Tier 1 capital to risk-weighted assets of 4.00%, a minimum ratio of Tier 1 capital plus Tier 2 capital to risk-weighted assets of 8.00% and a minimum "leverage ratio" of Tier 1 capital to average total tangible assets of 3.00%. Bank regulators, however, have broad discretion in applying higher capital requirements. Bank regulators consider a range of factors when determining capital adequacy, such as the organization's size, quality and stability of earnings, interest rate risk exposure, risk diversification, management expertise, asset quality, liquidity and internal controls. As of December 31, 1996, the Bank's risk-based Tier 1 capital ratio was 11.61%, its risk-based total capital ratio was 12.87% and its Tier 1 leverage ratio was 9.04%.

The Savings Bank is currently subject to capital adequacy guidelines adopted by the OTS, including a minimum ratio of "leverage or core" capital to adjusted total assets of 3.00 , a minimum ratio of "tangible" capital (core capital less certain intangible assets) to adjusted total assets of 1.50% and a minimum ratio of "total" capital to risk-weighted assets of 8.00%. In addition, the Savings Bank is subject for the first three years of its operations to additional capital requirements, including the requirement to maintain a minimum core capital ratio of 8.00% and a risk-based capital ratio of at least 12.00%. As described above, the OTS has broad discretion to apply higher capital requirements. As of December 31, 1996, the Savings Bank's tangible capital ratio was 9.18%, its total capital ratio was 16.29% and its core capital ratio was 9.18%.

Failure to meet applicable capital guidelines could subject the Bank and the Savings Bank to a variety of enforcement remedies available to federal regulatory authorities.

In addition, in connection with the Bank's establishment of a branch office in the United Kingdom, the Company committed to the Federal Reserve Board that, for so long as the Bank maintains such branch in the United Kingdom, the Company will maintain a minimum Tier 1 leverage ratio of 3.00%. As of December 31 1996, the Company's Tier 1 leverage ratio was 11.13%.

FDICIA

Among other things, the Federal Deposit Insurance Corporation Improvement Act of 1991 ("FDICIA") requires federal bank regulatory authorities to take "prompt corrective action" 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. Under applicable regulations, an insured depository institution is considered to be well capitalized if it maintains a Tier 1 risk-based capital ratio (or core capital to risk-adjusted assets in the case of the Savings Bank) of at least 6.00%, a total risk-based capital ratio of at least 10.00% and a Tier 1 leverage capital ratio (or core capital ratio in the case of the Savings Bank) of at least 5.00%, and is not otherwise in a "troubled condition" as specified by its appropriate federal regulatory agency. An insured depository institution is considered to be adequately capitalized if it maintains a Tier 1 risk-based capital ratio (or core capital to risk-adjusted assets in the case of the Savings Bank) of at least 4.00%, total risk-based capital ratio of at least 8.00%, and a Tier 1 leverage capital ratio (or core capital ratio in the case of the Savings Bank) of at least 4.00% (3.00% for certain highly rated institutions), and does not otherwise meet the well capitalized definition. The three undercapitalized categories are based upon the amount by which the insured depository institution falls below the ratios applicable to adequately capitalized institutions. The capital categories are determined solely for the purposes of applying FDICIA's prompt corrective action ("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, 1996, 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 or liquidity.

"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 requires the federal banking agencies to review the risk-based capital standards to ensure that they adequately address interest-rate risk, concentration of credit risk and risks from non-traditional activities. The OTS amended its risk-based capital rules to incorporate interest-rate risk requirements under which a savings bank must hold additional capital if it projects an excessive decline in "net portfolio value" in the event interest rates increase or decrease by two percentage points. These standards are not yet in effect.

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 35.00% 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 65.00% "portfolio assets" (total assets less (i) specified liquid assets up to 20.00% 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 and to certain other penalties, and could subject the Company to the provisions of the BHCA, including the activity restrictions that apply generally to bank

holding companies and their affiliates. The Savings Bank has been granted a two-year exception from the QTL Test, but must be in full compliance with the test by June 30, 1998. As of December 31, 1996, approximately 80.00% of the Savings Bank's portfolio assets were held in qualified thrift investments and, as a result, the Savings Bank was in compliance with the QTL Test.

Lending Activities

The activities of the Bank and the Savings Bank as consumer lenders are also 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 to various state laws. Regulators are authorized to impose penalties for violations of these statutes and, in certain cases, to order the Bank and the Savings Bank to pay restitution to injured borrowers. Borrowers may also bring actions for certain violations. Federal bankruptcy 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 who seek relief under these statutes.

Legislation

From time to time legislation has been proposed in Congress to limit interest rates and fees that could be charged on credit card accounts. Various bills have also been introduced that eliminate a separate savings bank charter possibly requiring that existing savings banks become banks and repeal in some respects the provisions of the Glass-Steagall Act prohibiting certain banking organizations from engaging in certain securities activities and the provisions of the BHCA prohibiting affiliations between banking organizations and nonbanking organizations. 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 Company would be. Congress may in the future consider other legislation that would affect the banking or credit card industries.

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 Company 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 Board or the OTS, as applicable. Control is conclusively presumed if, among other things, a person or company acquires more than 25.00% of any class of voting stock of the Corporation. A rebuttable presumption of control arises if a person or company acquires more than 10.00% 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 the prior approval of the Bureau of Financial Institutions.

Interstate Banking and Branching

On September 29, 1994, the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 (the "Riegle Act") became law. Under the Riegle Act, the Federal Reserve Board may approve bank holding company acquisitions of banks in other states, subject to certain aging and deposit concentration limits. Commencing June 1, 1997 (or earlier if a particular state chooses), banks in one state may merge with banks in another state, unless the other state has chosen not to implement this section of the Riegle Act. These mergers are also subject to similar aging and deposit concentration limits.

Virginia has "opted-in" early to the provisions of the Riegle Act. Since July 1, 1995, an out-of-state bank that does not already maintain a branch in Virginia may establish and maintain a de novo branch in Virginia, or through the acquisition of a branch, if the laws of the home state of the out-of-state bank permit Virginia banks to engage in the same activities in that state under substantially the same terms as permitted by Virginia. Also, Virginia banks may merge with out-of-state banks, and an out-of-state bank resulting from such an interstate merger transaction may maintain and operate the branches in Virginia of a merged Virginia bank, if the laws of the home state of the out-of-state bank involved in the interstate merger transaction permit interstate merger. An out-of-state bank desiring to engage in such activities must file an application with the State Corporation Commission. It is unclear at this time whether other states will enact the requisite legislation to permit such activities in Virginia and, if adopted, how the legislation would impact the Bank or the Company.

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 its business in these states and the nature of the legislation passed to date, the Company currently believes that this development will not materially affect the financial condition of the Bank, the Savings Bank or the Company.

CAUTIONARY STATEMENTS

Information or statements provided by the Company from time to time may contain certain "forward-looking information" including information relating to growth in earnings per share, returns on equity, growth in managed loans outstanding and consumer accounts, net interest margins, funding costs, operations costs and employment growth, marketing expense, delinquencies and charge-offs. Such forward-looking statements may be identified by the use of terminology such as "may," "will," "expect," "anticipate," "goal," "target," "forecast," "project," "continue" or comparable terminology and may involve certain risks or uncertainties and are qualified in their entirety by the cautionary statements provided below. The cautionary statements are being made pursuant to the provisions of the Private Securities Litigation Reform Act of 1995 (the "Act") and with the intention of obtaining the benefits of the "safe harbor" provisions of the Act for any such forward-looking information. Many of the following important factors discussed below as well as other factors have also been discussed in the Company's prior public filings.

The Company cautions readers that any forward-looking information provided by the Company is not a guarantee of future performance and that actual results could differ materially from those in the forward-looking information as a result of various factors, including but not limited to the following:

Competition

The Company faces intense and increasing competition from numerous providers of credit cards and other financial products and services who may employ various competitive strategies. The Company faces competition from national, regional and local issuers of bank cards in each of its markets. Additionally, the Company competes with other general purpose credit card providers and to a certain extent smart cards or debit card providers. Many of these companies are substantially larger and have more capital and other resources than the Company. Additionally, many of the Company's competitors are pricing credit card products at attractive interest rates at or below those currently charged by the Company.

In addition, the Company faces competition in seeking public 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 the Company. Accordingly, there can be no assurance that competition from these other borrowers will not increase the Company's cost of funds.

Accounts and Loan Balances

The Company's aggregate accounts or loan balances and the growth rate thereof are affected by a number of internal and external factors. Because the Company's product mix significantly influences account and loan balance growth, the allocation of Company marketing investment among different products will cause fluctuations

in the aggregate number of accounts and in outstanding loan balances. Moreover, as IBS is designed to take advantage of market opportunities, difficulties exist in forecasting the allocation of marketing investment and projections of account and loan balance growth and accompanying Company results will vary from time to time. In addition, external factors such as attrition of accounts and loan balances to competing card issuers and general economic conditions and other factors beyond the control of the Company could vary results. Customers are attracted to credit card issuers largely on the basis of price, credit limit and other product features and, once an account is originated, customer loyalty may be limited.

New Products and Services

Management of the Company believes that, through continued application of its IBS, the Company can develop new product and service offerings necessary to sustain growth. However, as the Company attempts to diversify and expand its offerings beyond credit cards, and more particularly beyond financial services, there can be no assurance that historical application of IBS to credit cards will necessarily be reflective of its application to other products and services.

The Company's development of new products and services will be affected by the ability of the Company to build the operational and organizational infrastructure necessary to engage in new businesses and to recruit experienced personnel to assist in the management and operations of these businesses and the availability of capital necessary to fund these new businesses. Additionally, difficulties or delays in the development, production, testing and marketing of products or services, including, but not limited to, a failure to implement new product or service programs when anticipated, the failure of customers to accept these products or services when planned, losses associated with the testing of new products or services or financial, legal or other difficulties as may arise in the course of such implementation, will affect the success of any new product or business. In addition, the Company is likely to face competition with respect to any new products or services, which may affect the success of such products or services.

Availability of Financing and Funding Costs

The amount, type and cost of financing available to the Company to fund its operations, and any changes to that financing, including changes resulting from within the Company's organization or in its compensation and benefit plans or the activities of parties with which the Company has agreements or understandings, including any activities affecting any investment, impacts Company results. The Company's primary source of funding is the securitization of consumer loans and any difficulties or delays in the securitization of the Company's receivables impacts the cost and availability of funding. Such difficulties and delays may result from adverse changes in the availability of credit enhancement for securitizations or in the performance of the securitized assets and changes in the current legal, regulatory, accounting and tax environment governing securitizations.

Delinquencies and Credit Losses

The costs of an increase in delinquencies and credit losses could materially and adversely effect the Company's financial performance and the performance of the Company's securitized loan trusts. Delinquencies and credit losses are influenced by a number of external and internal factors. First, a national or regional economic slowdown or recession increases the risk of defaults and credit losses. Costs associated with an increase in the number of customers seeking protection under the bankruptcy laws, resulting in accounts being charged-off as uncollectible, and the effects of fraud by third parties or customers are additional factors. "Seasoning" of accounts (the average age of a credit card issuer's portfolio) affects the Company's level of delinquencies and losses which may require higher loan loss provisions (and reserves). A decrease in account originations or balances and the attrition of such accounts or balances could significantly impact the seasoning of the overall portfolio, resulting in increases in the overall percentage of delinquencies and losses.

In addition, the Company markets its Second Generation Products to consumers with blemished, little or no credit histories. As a result, in addition to the higher delinquency and credit loss rates associated with this market, there is little historical experience with respect to credit risk and performance of these underserved markets. Accordingly, although the Company believes that by utilizing its IBS it can effectively price these products in relation to their relative risk, there can be no assurance that the Company's risk-based pricing system will offset the negative impact of the expected higher delinquency and loss rates.

Interest Rate Risks

Interest rate fluctuations affect the Company's net interest margin and the value of its assets and liabilities. The continued legal or commercial availability of techniques (including interest rate swaps and similar financial instruments, loan repricing, hedging and other techniques) used by the Company to manage the risk of such fluctuations and the continuing operational viability of those techniques will influence Company results.

The impact of repricing accounts and the overall product mix of accounts, including the actual amount of accounts (and related loan balances) repriced and the level and type of account originations at that time and the ability of the Company to use account management techniques to retain repriced accounts and the related loan balances, affects the Company's net interest margin.

Regulation and Legislation

The effects of, and changes in, monetary and fiscal policies, laws and regulations (financial, consumer regulatory or otherwise), other activities of governments, agencies and similar organizations and social and economic conditions, such as inflation and changes in taxation of the Company's earnings influence Company goals and projections.

Expenses and Other Costs

The amount and rate of growth in the Company's expenses (including employee and marketing expenses) as the Company's business develops or changes and expands into new market areas; the acquisition of assets (variable, fixed or other); and the impact of unusual items resulting from the Company's ongoing evaluation of its business strategies, asset valuations and organizational structures will all impact Company results. Additionally, other factors include the costs and other effects of legal and administrative cases and proceedings, settlements and investigations, claims and changes in those items, developments or assertions by or against the Company; adoptions of new, or changes in existing, accounting policies and practices and the application of such policies and practices.

Technology

System delays, malfunctions and errors in the proprietary and third party systems and networks used by the Company for payment processing, collections and other services and operations, which may lead to delays, additional costs to the Company, and, if not corrected in a timely fashion, customer dissatisfaction which could ultimately affect the Company's customer base and the level of service it is able to provide to its customers.

STATISTICAL INFORMATION

The statistical information required by Item 1 is in the Company's Annual Report to its stockholders for the year ended December 31, 1996, and is incorporated herein by reference, as follows:

	Guide 3 Disclosure	Page in the Company's Annual Report to its Stockholders for the Year Ended December 31, 1996
I.	Distribution of Assets, Liabilities and Stockholders' Equity; Interest Rates and Interest Differential	
	A. Average Balance Sheet	24
	B. Net Interest Earnings Analysis	24
	C. Rate/Volume Analysis	25
II.	Investment Portfolio	
	A. Book Value of Investment Securities	46
	B. Maturities of Investment Securities	46
	C. Investment Securities Concentrations	46
III.	Loan Portfolio	
	A. Types of Loans	19-21
	B. Maturities and Sensitivities of Loans to Changes in Interest Rates	32-33
	C. Risk Elements	
	1. Nonaccrual, Past-Due and Restructured Loans	26-29
	2. Potential Problem Loans	Not Applicable
	3. Foreign Outstandings	Not Applicable
	4. Loan Concentrations	53
	D. Other Interest Bearing Assets	Not Applicable
IV.	Summary of Loan Loss Experience	
	A. Analysis of Allowance for Loan Losses	29
	B. Allocation of the Allowance for Loan Losses	Not Applicable
V.	Deposits	
	A. Average Balances	24
	B. Maturities of Large Denomination Certificates	30
	C. Foreign Deposit Liability Disclosure	Not Applicable
VI.	Return on Equity and Assets	
	A. Return on Assets	17
	B. Return on Equity	17
	C. Dividend Payout Ratio	17
	D. Equity to Assets Ratio	17
VII.	Short-Term Borrowings	30

ITEM 2. PROPERTIES.

The Company leases its principal executive office at 2980 Fairview Park Drive, Suite 1300, Falls Church, Virginia, consisting of approximately 43,400 square feet. The lease commenced January 1, 1995 and expires February 29, 2000. The Company has the right to extend the lease until February 28, 2005.

The Company owns administrative offices and credit card facilities in Richmond, Virginia, consisting of approximately 450,000 square feet from which it conducts its credit, collections, customer service and other

operations. The Company also leases additional facilities consisting of an aggregate of approximately 1,222,500 square feet (excluding the principal executive office) from which credit, collections, customer service and other operations are conducted in Virginia, Florida and Texas.

ITEM 3. LEGAL PROCEEDINGS.

During 1995, the Company and the Bank became involved in three purported class action suits relating to certain collection practices engaged in by Signet Bank and, subsequently, by the Bank. The complaints in these three cases allege that Signet Bank, the Company and/or the Bank violated a variety of federal and state statutes and constitutional and common law duties by filing collection lawsuits, obtaining judgements and pursuing garnishment proceedings in the Virginia state courts against defaulted credit card customers who were not residents of Virginia. These cases have been filed in the Superior Court of California in the County of Alameda, Southern Division, on behalf of a class of California residents, in the United States District Court for the District of Connecticut on behalf of a nationwide class, and in the United States District Court for the Middle District of Florida on behalf of a nationwide class (except for California). The complaints in these three cases seek unspecified statutory damages, compensatory damages, punitive damages, restitution, attorneys' fees and costs, a permanent injunction and other equitable relief.

On July 31, 1996, the Florida case was dismissed without prejudice, which permits further proceedings. The plaintiff has since noticed her appeal to the United States Court of Appeals for the Eleventh Circuit and refiled certain claims arising out of state law in Florida state court.

On September 30, 1996, the Connecticut court entered judgement in favor of the Bank on plaintiff's federal claims and dismissed without prejudice plaintiff's state law claims. The plaintiff has refiled, on behalf of a class of Connecticut residents, her claims arising out of state law in a Connecticut state court.

Subsequent to year-end 1996, the California court entered judgment in favor of the Bank on all of the plaintiff's claims. The time period in which plaintiffs may file an appeal of the court's decision has not yet expired.

In connection with the transfer of substantially all of Signet Bank's credit card business to the Bank in November 1994, the Company and the Bank agreed to indemnify Signet Bank for certain liabilities incurred in litigation arising from that business, which may include liabilities, if any, incurred in the three purported class action cases described above. Because no specific measure of damages is demanded in any of the complaints and each of these cases is in early stages of litigation, an informed assessment of the ultimate outcome of these cases cannot be made at this time. Management believes, however, that there are meritorious defenses to these lawsuits and intends to defend them vigorously.

The Company is commonly subject to various other pending and threatened legal actions arising from the conduct of its normal business activities. In the opinion of management of the Company, 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 any pending or threatened litigation will have a material adverse effect on the Company's results of operations in any future reporting period.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

During the fourth quarter of the Company's fiscal year ending December 31, 1996, no matters were submitted to a vote of the stockholders of the Company.

PART II

ITEM 5. MARKET FOR COMPANY'S COMMON STOCK AND RELATED STOCKHOLDER MATTERS.

The information required by Item 5 is included under "Regulation -- Dividends and Transfer of Funds" herein and in the Company's Annual Report to its stockholders for the year ended December 31, 1996 on pages 31-

32 under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations - Funding," page 37 under the heading "Selected Quarterly Financial Data" and on pages 50-51 in Note H to the 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 Company's Annual Report to its stockholders for the year ended December 31, 1996 on page 17 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 Company's Annual Report to its stockholders for the year ended December 31, 1996 on pages 18-37 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 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

The information required by Item 8 is included in the Company's Annual Report to its stockholders for the year ended December 31, 1996 on pages 39-54 under the headings "Report of Independent Auditors" and "Consolidated Financial Statements" and on page 37 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 as to the directors of the Company is included in the Company's 1997 Proxy Statement on pages 4-7 under the heading "Directors and Executive Officers", and is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION.

The information required by Item 11 is included in the Company's 1997 Proxy Statement on pages 6-7 under the subheading "Directors and Executive Officers -- Compensation of the Board" and on pages 8-17 under the heading "Compensation of Executive Officers", 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 Company's 1997 Proxy Statement on pages 2-3 under the heading "Security Ownership of Certain Beneficial Owners and Management", and is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

The information required by Item 13 is included in the Company's 1997 Proxy Statement on pages 7-8 under the subheading "Directors and Executive Officers--Certain Relationships and Related Transactions", 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 Company's Annual Report to its stockholders for the year ended December 31, 1996, are incorporated herein by reference in Item 8:

Report of Independent Auditors, Ernst & Young LLP
Consolidated Balance Sheets - December 31, 1996 and 1995
Consolidated Statements of Income - Years ended December 31, 1996, 1995 and 1994
Consolidated Statements of Changes in Stockholders' Equity - Years ended December 31, 1996, 1995 and 1994
Consolidated Statements of Cash Flows - Years ended December 31, 1996, 1995 and 1994
Notes to Consolidated Financial Statements

(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:

The following exhibits are incorporated by reference or filed herewith. References to the "1994 Form 10-K" are to the Company's Annual Report on Form 10-K for the year ended December 31, 1994. References to the "1995 Form 10-K" are to the Company's Annual Report on Form 10-K for the year ended December 31, 1995.

EXHIBIT NUMBER	DESCRIPTION
3.1	Restated Certificate of Incorporation of Capital One Financial Corporation (incorporated by reference to Exhibit 3.1 of the 1994 Form 10-K).
3.2	Restated Bylaws of Capital One Financial Corporation (as amended January 24, 1995) (incorporated by reference to Exhibit 3.2 of the 1994 Form 10-K).
4.1	Specimen certificate representing the Common Stock (incorporated by reference to Exhibit 4 of the 1994 Form 10-K).
4.2	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 Company's Report on Form 8-K, filed November 16, 1995).

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 Company's quarterly report on Form 10-Q for the period ending June 30, 1996).
4.4	Issuing and Paying Agency Agreement dated as of April 30, 1996 between Capital One Bank and Chemical Bank (including exhibits A-1 and A-2 thereto) (incorporated by reference to Exhibit 4.2 of the Company's quarterly report on Form 10-Q for the period ending June 30, 1996).
4.5.1	Senior Indenture and Form T-1 dated as of November 1, 1996 among the Company and Harris Trust and Savings Bank (incorporated by reference to Exhibit 4.1 of the Company's Report on Form 8-K, filed November 13, 1996).
4.5.2	Copy of 7.25% Notes Due 2003.
4.6.1	Declaration of Trust, dated as of January 28, 1997, between the Bank and The First National Bank of Chicago, as trustee (including the Certificate of Trust executed by First Chicago Delaware Inc., as Delaware trustee).
4.6.2	Copies of Certificates Evidencing Capital Securities.
4.6.3	Amended and Restated Declaration of Trust, dated as of January 31, 1997, by and among the Bank, The First National Bank of Chicago and First Chicago Delaware Inc.
4.7	Indenture, dated as of January 31, 1997, between the Bank and The First National Bank of Chicago.
10.1	Amended and Restated Distribution Agreement dated April 30, 1996 among Capital One Bank and the agents named therein (incorporated by reference to Exhibit 10.1 of the Company's quarterly report on Form 10-Q for period ending June 30, 1996).
10.2	Distribution Agreement dated April 30, 1996, among Capital One Bank and the Agents named therein (incorporated by reference to Exhibit 10.2 of the Company's quarterly report on Form 10-Q for period ending June 30, 1996).
10.3.1	Employment Agreement dated as of November 1, 1994 between Capital One Financial Corporation and Richard D. Fairbank (incorporated by reference to Exhibit 10.10 of the 1994 Form 10-K).
10.3.2	Amendment to the Employment Agreement between Capital One Financial Corporation and Richard D. Fairbank dated as of September 15, 1995 (incorporated by reference to Exhibit 10.10.1 of the 1995 Form 10-K).
10.4.1	Employment Agreement dated as of November 1, 1994 between Capital One Financial Corporation and Nigel W.

	Morris (incorporated by reference to Exhibit 10.11 of the 1994 Form 10-K).
10.4.2	Amendment to the Employment Agreement between Capital One Financial Corporation and Nigel W. Morris dated as of September 15, 1995 (incorporated by reference to Exhibit 10.11.1 of the 1995 Form 10-K).
10.5.1	Change of Control Employment Agreement dated as of November 1, 1994 between Capital One Financial Corporation and Richard D. Fairbank (incorporated by reference to Exhibit 10.12 of the 1994 Form 10-K).
10.5.2	Amendment to the Change of Control Agreement between Capital One Financial Corporation and Richard D. Fairbank dated as of September 15, 1995 (incorporated by reference to Exhibit 10.12.1 of the 1995 Form 10-K).
10.6.1	Change of Control Employment Agreement dated as of November 1, 1994 between Capital One Financial Corporation and Nigel W. Morris (incorporated by reference to Exhibit 10.13 of the 1994 Form 10-K).
10.6.2	Amendment to the Change of Control Agreement between Capital One Financial Corporation and Nigel W. Morris dated as of September 15, 1995 (incorporated by reference to Exhibit 10.13.1 of the 1995 Form 10-K).
10.7	Change of Control Employment Agreement dated as of November 1, 1994 between Capital One Financial Corporation and James M. Zinn (incorporated by reference to Exhibit 10.14 of the 1994 Form 10-K).
10.8	Change of Control Employment Agreement dated as of November 1, 1994, between Capital One Financial Corporation and John G. Finneran, Jr. (incorporated by reference to Exhibit 10.15 of the 1994 Form 10-K).
10.9	Capital One Financial Corporation 1994 Stock Incentive Plan, as amended.
10.10	Capital One Financial Corporation Senior Executive Short-Term Cash Incentive Plan (terminated effective November 16, 1995) (incorporated by reference to Exhibit 10.17 of the 1994 Form 10-K).
10.11	Capital One Financial Corporation Senior Executive Long-Term Cash Incentive Plan (terminated effective November 16, 1995) (incorporated by reference to Exhibit 10.18 of the 1994 Form 10-K).
10.12	Capital One Financial Corporation Executive Employee Supplemental Retirement Plan (terminated effective November 16, 1995) (incorporated by reference to Exhibit 10.19 of the 1994 Form 10-K).

10.13	Capital One Financial Corporation Excess Savings Plan, as amended (incorporated by reference to Exhibit 10.20 of the 1995 Form 10-K).
10.14	Capital One Financial Corporation Excess Benefit Cash Balance Plan, as amended (incorporated by reference to Exhibit 10.21 of the 1995 Form 10-K).
10.15	Capital One Financial Corporation 1994 Deferred Compensation Plan, as amended (incorporated by reference to Exhibit 10.22 of the 1995 Form 10-K).
10.16	1995 Non-Employee Directors Stock Incentive Plan, (incorporated by reference to Registrant's Registration Statement on Form S-8 Commission File No. 33-91790, filed May 1995).
10.17	Capital One Financial Corporation Severance Pay Plan (incorporated by reference to Exhibit 10.26 of the 1994 Form 10-K).
10.18	Credit Agreement, dated as of November 17, 1995, among Capital One Financial Corporation and Capital One Bank, as borrowers, The Chase Manhattan Bank, as administrative agent, and the lenders named therein (terminated effective November 25, 1996) (incorporated by reference to Exhibit 10.32 of the 1995 Form 10-K).
10.19	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).
10.20.1	Participation Agreement dated as of January 5, 1996, among Capital One Bank, as construction agent and as lessee, First Security Bank of Utah, N.A., as owner/trustee for the COB Real Estate Trust 1995-1, NationsBank of Texas, N.A., as administrative agent and the holders and lenders named therein (incorporated by reference to Exhibit 10.34.1 of the 1995 Form 10-K).
10.20.2	First Amendment to Operative Documents dated as of June 5, 1996, among Capital One Bank, as construction agent and as lessee, First Security Bank of Utah, N.A., as owner/trustee for the COB Real Estate Trust 1995-1, NationsBank of Texas, N.A., as administrative agent, initial lender and initial holder named therein (incorporated by reference to Exhibit 10.3 of the Company's quarterly report on Form 10-Q for period ending June 30, 1996).
10.20.3	Second Amendment to Operative Agreements dated as of October 11, 1996, among Capital One Bank, as construction agent and as lessee, First Security Bank of Utah, N.A., as owner/trustee for the COB Real Estate Trust 1995-1, NationsBank of Texas, N.A., as administrative agent, initial lender and initial holder named therein.

10.20.4 Assignment, Consent and Third Amendment to Operative Agreement dated November 8, 1996, by and among Capital One Bank, Capital One Realty, Inc., First Security Bank of Utah, N.A., as owner/trustee for the COB Real Estate Trust 1995-1, and NationsBank of Texas, N.A., as administrative agent.

10.20.5 Lease Agreement dated as of January 5, 1996, between First Security Bank of Utah, N.A., as owner/trustee for the COB Real Estate Trust 1995-1, as lessor and Capital One Bank, as lessee (incorporated by reference to Exhibit 10.34.2 of the 1995 Form 10-K).

10.20.6 Credit Agreement dated as of January 5, 1996, among First Security Bank of Utah, N.A., as owner/trustee for the COB Real Estate Trust 1995-1, as borrower, the lenders named therein and NationsBank of Texas, N.A., as administrative agent (incorporated by reference to Exhibit 10.34.3 of the 1995 Form 10-K).

10.21 Amended and Restated Credit Agreement, dated as of November 25, 1996, among Capital One Financial Corporation, Capital One Bank, Capital One F.S.B. and The Chase Manhattan Bank, as Administrative Agent.

11 Computation of Per Share Earnings.

13 The portions of the Company's 1996 Annual Report to Stockholders which are incorporated by reference herein.

21 Subsidiaries of the Registrant.

23 Consent of Ernst & Young LLP.

(b) Reports on Form 8-K

The Company filed a Current Report on Form 8-K dated November 13, 1996, Commission File No. 1-13300, to incorporate a Senior Indenture and Form T-1 dated as of November 1, 1996, Statement of Eligibility to the Capital One Financial Corporation Registration Statement No. 333-3850.

The Company filed a Current Report on Form 8-K dated December 4, 1996, Commission File No. 1-13300, to incorporate a replacement page into Exhibit 13 to Amendment No. 1 to the Capital One Financial Corporation Registration Statement 333-3850.

The Company filed a Current Report on Form 8-K dated January 27, 1997, Commission File No. 1-13300, enclosing its Press Release dated January 22, 1997.

The Company filed a Current Report on Form 8-K dated February 14, 1997 announcing the issuance by Capital One Capital I, a subsidiary of the Bank, of Capital Securities.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

CAPITAL ONE FINANCIAL CORPORATION

Date: March 26, 1997

By /s/ James M. Zinn
James M. Zinn
Senior Vice President and
Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities indicated on the 26th day of March, 1997.

SIGNATURES	TITLE
/s/ Richard D. Fairbank Richard D. Fairbank	Director, Chairman and Chief Executive Officer (Principal Executive Officer)
/s/ Nigel W. Morris Nigel W. Morris	Director, President and Chief Operating Officer
/s/ James M. Zinn James M. Zinn	Senior Vice President and Chief Financial Officer (Principal Accounting and Financial Officer)
/s/ W. Ronald Dietz W. Ronald Dietz	Director
/s/ James A. Flick, Jr. James A. Flick, Jr.	Director
/s/ Patrick W. Gross Patrick W. Gross	Director

/s/ James V. Kimsey	Director
James V. Kimsey	

/s/ Stanley I. Westreich	Director
Stanley I. Westreich	

EXHIBITS TO CAPITAL ONE FINANCIAL CORPORATION

ANNUAL REPORT ON FORM 10-K

DATED DECEMBER 31, 1996

COMMISSION FILE NO. 1-13300

EXHIBIT INDEX

EXHIBIT NUMBER	DESCRIPTION	SEQUENTIAL PAGE NUMBER
3.1	Restated Certificate of Incorporation of Capital One Financial Corporation (incorporated by reference to Exhibit 3.1 of the 1994 Form 10-K).	
3.2	Restated Bylaws of Capital One Financial Corporation (as amended January 24, 1995) (incorporated by reference to Exhibit 3.2 of the 1994 Form 10-K).	
4.1	Specimen certificate representing the Common Stock (incorporated by reference to Exhibit 4 of the 1994 Form 10-K).	
4.2	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 Company's Report on Form 8-K, filed November 16, 1995).	
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 Company's quarterly report on Form 10-Q for the period ending June 30, 1996).	
4.4	Issuing and Paying Agency Agreement dated as of April 30, 1996 between Capital One Bank and Chemical Bank (including exhibits A-1 and A-2 thereto) (incorporated by reference to Exhibit 4.2 of the Company's quarterly report on Form 10-Q for the period ending June 30, 1996).	
4.5.1	Senior Indenture and Form T-1 dated as of November 1, 1996 among the Company and Harris Trust and Savings Bank (incorporated by reference to Exhibit 4.1 of the Company's Report on Form 8-K, filed November 13, 1996).	
4.5.2	Copy of 7.25% Notes Due 2003.	
4.6.1	Declaration of Trust, dated as of January 28, 1997, between the Bank and The First National Bank of Chicago, as trustee (including the Certificate of Trust executed by First Chicago Delaware Inc., as Delaware trustee).	
4.6.2	Copies of Certificates Evidencing Capital Securities.	
4.6.3	Amended and Restated Declaration of Trust, dated as of January 31, 1997, by and among the Bank, The First National Bank of Chicago and First Chicago Delaware Inc.	

EXHIBIT NUMBER	DESCRIPTION	SEQUENTIAL PAGE NUMBER
4.7	Indenture, dated as of January 31, 1997, between the Bank and The First National Bank of Chicago.	
10.1	Amended and Restated Distribution Agreement dated April 30, 1996 among Capital One Bank and the agents named therein (incorporated by reference to Exhibit 10.1 of the Company's quarterly report on Form 10-Q for period ending June 30, 1996).	
10.2	Distribution Agreement dated April 30, 1996, among Capital One Bank and the Agents named therein (incorporated by reference to Exhibit 10.2 of the Company's quarterly report on Form 10-Q for period ending June 30, 1996).	
10.3.1	Employment Agreement dated as of November 1, 1994 between Capital One Financial Corporation and Richard D. Fairbank (incorporated by reference to Exhibit 10.10 of the 1994 Form 10-K).	
10.3.2	Amendment to the Employment Agreement between Capital One Financial Corporation and Richard D. Fairbank dated as of September 15, 1995 (incorporated by reference to Exhibit 10.10.1 of the 1995 Form 10-K).	
10.4.1	Employment Agreement dated as of November 1, 1994 between Capital One Financial Corporation and Nigel W. Morris (incorporated by reference to Exhibit 10.11 of the 1994 Form 10-K).	
10.4.2	Amendment to the Employment Agreement between Capital One Financial Corporation and Nigel W. Morris dated as of September 15, 1995 (incorporated by reference to Exhibit 10.11.1 of the 1995 Form 10-K).	
10.5.1	Change of Control Employment Agreement dated as of November 1, 1994 between Capital One Financial Corporation and Richard D. Fairbank (incorporated by reference to Exhibit 10.12 of the 1994 Form 10-K).	
10.5.2	Amendment to the Change of Control Agreement between Capital One Financial Corporation and Richard D. Fairbank dated as of September 15, 1995 (incorporated by reference to Exhibit 10.12.1 of the 1995 Form 10-K).	
10.6.1	Change of Control Employment Agreement dated as of November 1, 1994 between Capital One Financial Corporation and Nigel W. Morris (incorporated by reference to Exhibit 10.13 of the 1994 Form 10-K).	
10.6.2	Amendment to the Change of Control Agreement between Capital One Financial Corporation and Nigel W. Morris dated as of September 15, 1995 (incorporated by reference to Exhibit 10.13.1 of the 1995 Form 10-K).	

EXHIBIT NUMBER	DESCRIPTION	SEQUENTIAL PAGE NUMBER
10.7	Change of Control Employment Agreement dated as of November 1, 1994 between Capital One Financial Corporation and James M. Zinn (incorporated by reference to Exhibit 10.14 of the 1994 Form 10-K).	
10.8	Change of Control Employment Agreement dated as of November 1, 1994, between Capital One Financial Corporation and John G. Finneran, Jr. (incorporated by reference to Exhibit 10.15 of the 1994 Form 10-K).	
10.9	Capital One Financial Corporation 1994 Stock Incentive Plan, as amended.	
10.10	Capital One Financial Corporation Senior Executive Short-Term Cash Incentive Plan (terminated effective November 16, 1995) (incorporated by reference to Exhibit 10.17 of the 1994 Form 10-K).	
10.11	Capital One Financial Corporation Senior Executive Long-Term Cash Incentive Plan (terminated effective November 16, 1995) (incorporated by reference to Exhibit 10.18 of the 1994 Form 10-K).	
10.12	Capital One Financial Corporation Executive Employee Supplemental Retirement Plan (terminated effective November 16, 1995) (incorporated by reference to Exhibit 10.19 of the 1994 Form 10-K).	
10.13	Capital One Financial Corporation Excess Savings Plan, as amended (incorporated by reference to Exhibit 10.20 of the 1995 Form 10-K).	
10.14	Capital One Financial Corporation Excess Benefit Cash Balance Plan, as amended (incorporated by reference to Exhibit 10.21 of the 1995 Form 10-K).	
10.15	Capital One Financial Corporation 1994 Deferred Compensation Plan, as amended (incorporated by reference to Exhibit 10.22 of the 1995 Form 10-K).	
10.16	1995 Non-Employee Directors Stock Incentive Plan, (incorporated by reference to Registrant's Registration Statement on Form S-8 Commission File No. 33-91790, filed May 1995).	
10.17	Capital One Financial Corporation Severance Pay Plan (incorporated by reference to Exhibit 10.26 of the 1994 Form 10-K).	
10.18	Credit Agreement, dated as of November 17, 1995, among Capital One Financial Corporation and Capital One Bank, as borrowers, The Chase Manhattan Bank, as administrative agent, and the lenders named therein (terminated effective November 25, 1996) (incorporated by reference to Exhibit 10.32 of the 1995 Form 10-K).	

EXHIBIT NUMBER	DESCRIPTION	SEQUENTIAL PAGE NUMBER
10.19	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).	
10.20.1	Participation Agreement dated as of January 5, 1996, among Capital One Bank, as construction agent and as lessee, First Security Bank of Utah, N.A., as owner/trustee for the COB Real Estate Trust 1995-1, NationsBank of Texas, N.A., as administrative agent and the holders and lenders named therein (incorporated by reference to Exhibit 10.34.1 of the 1995 Form 10-K).	
10.20.2	First Amendment to Operative Documents dated as of June 5, 1996, among Capital One Bank, as construction agent and as lessee, First Security Bank of Utah, N.A., as owner/trustee for the COB Real Estate Trust 1995-1, NationsBank of Texas, N.A., as administrative agent, initial lender and initial holder named therein (incorporated by reference to Exhibit 10.3 of the Company's quarterly report on Form 10-Q for period ending June 30, 1996).	
10.20.3	Second Amendment to Operative Agreements dated as of October 11, 1996, among Capital One Bank, as construction agent and as lessee, First Security Bank of Utah, N.A., as owner/trustee for the COB Real Estate Trust 1995-1, NationsBank of Texas, N.A., as administrative agent, initial lender and initial holder named therein.	
10.20.4	Assignment, Consent and Third Amendment to Operative Agreement dated November 8, 1996, by and among Capital One Bank, Capital One Realty, Inc., First Security Bank of Utah, N.A., as owner/trustee for the COB Real Estate Trust 1995-1, and NationsBank of Texas, N.A., as administrative agent.	
10.20.5	Lease Agreement dated as of January 5, 1996, between First Security Bank of Utah, N.A., as owner/trustee for the COB Real Estate Trust 1995-1, as lessor and Capital One Bank, as lessee (incorporated by reference to Exhibit 10.34.2 of the 1995 Form 10-K).	
10.20.6	Credit Agreement dated as of January 5, 1996, among First Security Bank of Utah, N.A., as owner/trustee for the COB Real Estate Trust 1995-1, as borrower, the lenders named therein and NationsBank of Texas, N.A., as administrative agent (incorporated by reference to Exhibit 10.34.3 of the 1995 Form 10-K).	
10.21	Amended and Restated Credit Agreement, dated as of November 25, 1996, among Capital One Financial Corporation, Capital One Bank, Capital One F.S.B. and The Chase Manhattan Bank, as Administrative Agent.	

EXHIBIT NUMBER	DESCRIPTION	SEQUENTIAL PAGE NUMBER
11	Computation of Per Share Earnings.	
13	The portions of the Company's 1996 Annual Report to Stockholders which are incorporated by reference herein.	
21	Subsidiaries of the Registrant.	
23	Consent of Ernst & Young LLP.	

EXHIBIT 4.5.2

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. 14040HAA3 $125,000,000
No. R-001

CAPITAL ONE FINANCIAL CORPORATION

7.25% NOTES DUE 2003

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 ONE HUNDRED TWENTY-FIVE 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 December 1, 2003 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 June 1 and December 1 of each year (each an "interest payment date"), commencing June 1, 1997, on said principal sum in like coin or currency at the rate per annum set forth above at said office or agency from December 10, 1996 or from the most recent June 1 or December 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 May 15 or November 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. 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: , 1996

CAPITAL ONE FINANCIAL CORPORATION

By:

Name:
Title:

[CORPORATE SEAL]

Attest By:

Name:
Title:

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

Dated: , 1996

HARRIS TRUST AND SAVINGS BANK

By:

Authorized Officer

Capital One Financial Corporation

7.25% Notes Due 2003

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 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 "7.25% Notes due 2003" of the Company (hereinafter called the "Notes"), issued under the Senior Indenture and limited in aggregate principal amount to $125,000,000.

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 will be direct, unsecured obligations of the Company and will mature on December 1, 2003. The Notes rank on parity with all other unsecured, unsubordinated indebtedness of the Company.

The Notes are not redeemable prior to maturity and are not entitled to any sinking fund.

The Notes will bear interest at the rate of 7.25% per annum (the "Initial Rate"), subject to a possible increase to 7.45% per annum depending upon the Initial Rating. "Initial Rating" means the rating initially assigned to the Notes by the National Association of Insurance Commissioners (the "NAIC"). The Initial Rate will be increased (the "Interest Adjustment") to 7.45% per annum (the "Adjusted Rate") if either (a) the Initial Rating is below NAIC-2 or (b) no Initial Rating has been assigned to the Notes as of June 1, 1997. The effective date of the Interest Adjustment, if any, will be (i) in the event described in clause (a) above, the earlier of the date the Initial Rating is publicly announced or notice thereof is received by the Company, provided that if such public announcement or notice occurs between a record date and an interest payment date, such effective date shall be such interest payment date, or (ii) in the event described in clause (b) above, June 1, 1997 (each of the dates described in clauses (i) and (ii) an "Interest Adjustment Date"). If the Initial Rating is NAIC-2 or better, there will not be any Interest Adjustment, whether as a result of a change in the NAIC rating assigned to the Notes subsequent to the determination of the Initial Rating or of any other event. There will not be more than one Interest Adjustment under any circumstances.

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Commencing on and after the Interest Adjustment Date, if any, the Notes will bear interest at the Adjusted Rate. If the Interest Adjustment occurs during the first interest payment period, the Notes will bear interest for such interest payment period at a rate per annum equal to the weighted average of the Initial Rate and the Adjusted Rate, calculated by multiplying the Initial Rate or the Adjusted Rate, as applicable, by the number of days such interest rate is in effect during each month of such interest payment period, determining the sum of such products, and dividing such sum by the number of days in such interest payment period. All calculations pursuant to the preceeding sentence and of interest on the Notes will be made on the basis of 360-day year consisting of twelve 30-day months.

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 Security 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 Security 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 is 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 this Note (whether or not this Note shall be overdue and made by anyone other than the Company or the Trustee or any authorized agent of the Company or the Trustee), 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, WITHOUT REFERENCE TO PRINCIPLES OF CONFLICTS OF LAW.

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.

EXHIBIT 4.6.1

DECLARATION OF TRUST
OF
CAPITAL ONE CAPITAL I

THIS DECLARATION OF TRUST is made as of January 28, 1997, (this "Declaration"), by and among Capital One Bank, a limited purpose Virginia state chartered credit card bank, as sponsor (the "Sponsor"), The First National Bank of Chicago, a national banking association, as property trustee (the "Property Trustee") and First Chicago Delaware Inc., a Delaware corporation, as Delaware trustee (the "Delaware Trustee") (the Property Trustee and the Delaware Trustee, collectively, the "Trustees"). The Sponsor and the Trustees hereby agree as follows:

1. The trust created hereby shall be known as "Capital One Capital I" (the "Trust"), in which name the Trustees or the Sponsor, to the extent provided herein, may conduct the business of the Trust, make and execute contracts, and sue and be sued.

2. The Sponsor hereby assigns, transfers, conveys and sets over to the Trust the sum of $10. Such amount shall constitute the initial trust estate. It is the intention of the parties hereto that the Trust created hereby constitute a business trust under Chapter 38 of Title 12 of the Delaware Code, 12 Del. C. Section 3801, et seq. (The "Business Trust Act"), and that this document constitute the governing instrument of the Trust. The Trustees are hereby authorized and directed to execute and file a certificate of trust with the Delaware Secretary of State in such form as the Trustees may approve.

3. The Sponsor and the Trustees will enter into an amended and restated Trust Agreement or Declaration satisfactory to each such party to provide for the contemplated operation of the Trust created hereby and the issuance of the Capital Securities and Common Securities referred to therein. Prior to the execution and delivery of such amended and restated Trust Agreement or Declaration, the Trustees shall not have any duty or obligation hereunder or with respect of the trust estate, except as otherwise required by applicable law or as may be necessary to obtain prior to such execution and delivery any licenses, consents or approvals required by applicable law or otherwise. Notwithstanding the foregoing, the Trustees may take all actions deemed proper as are necessary to effect the transactions contemplated herein.

4. The Sponsor and the Trustees also hereby authorize the Sponsor, as sponsor of the Trust, in its discretion, (I) to prepare one or more offering memoranda in preliminary and final form relating to the offering and sale of Capital Securities of the Trust in a transaction exempt from the registration requirements of the Securities Act of 1933, as amended (the "1933 Act"), and such other forms or filings as may be required by the 1933 Act, the Securities Exchange Act of 1934, as amended, or the Trust Indenture Act of 1939, as amended, in each case relating to the Capital Securities of the Trust; (ii) to file and execute on behalf of the Trust, such applications, reports, surety bonds, irrevocable consents, appointments of attorney for service of process and other papers and documents that shall be necessary or desirable to register or establish the exemption from registration of the Capital Securities of the Trust under the securities or "Blue Sky" laws of such jurisdictions as the Sponsor, on behalf of the Trust, may deem necessary or desirable; (iii) to execute and file an application, and all other applications, statements, certificates, agreements and other instruments that shall be necessary or desirable, to the Private Offerings, Resales and Trading through Automated Linkages ("PORTAL") Market and, if and at such time as determined by the Sponsor, to the New York Stock Exchange or any

other national stock exchange or the Nasdaq National Market for listing or quotation of the Capital Securities of the Trust; (iv) to execute and deliver letters or documents to, or instruments for filing with, a depository relating to the Capital Securities of the Trust; and (v) to execute, deliver and perform on behalf of the Trust one or more purchase agreements, registrations rights agreements, dealer manager agreements, escrow agreements and other related agreements providing for or relating to the sale of the Capital Securities of the Trust.

In the event that any filing referred to in this Section 4 is required by the rules and regulations of the Securities and Exchange Commission (the "Commission"), PORTAL or state securities or Blue Sky laws to be executed on behalf of the Trust by the Trustees, the Trustees, in their capacity as Trustees of the Trust, are hereby authorized and directed to join in any such filing and to execute on behalf of the Trust any and all of the foregoing, it being understood that the Trustees, in their capacity as Trustees of the Trust, shall not be required to join in any such filing or execute on behalf of the Trust any such document unless required by the rules and regulations of the Commission, PORTAL or state securities or Blue Sky laws.

5. This Declaration may be executed in one or more counterparts.

6. The number of trustees of the Trust initially shall be two and thereafter the number of trustees of the Trust shall be such number as shall be fixed from time to time by a written instrument signed by the Sponsor which may increase or decrease the number of trustees of the Trust; provided, however, that to the extent required by the Business Trust Act, one trustee of the Trust shall be either a natural person who is a resident of the State of Delaware or, if not a natural person, an entity which has its principal place of business in the State of Delaware and other wise meets the requirements of applicable Delaware law. Subject to the foregoing, the Sponsor is entitled to appoint or remove without cause any trustee of the Trust at any time. Any trustee of the Trust may resign upon thirty days prior notice to the Sponsor.

7. First Chicago Delaware Inc., in its capacity as Delaware Trustee of the Trust shall not have any of the powers or duties of the Trustees set forth herein and shall be a trustee of the Trust for the sole purpose of satisfying the requirements of Section 3807 of the Business Trust Act.

8. This Declaration shall be governed by, and construed in accordance with, the laws of the State of Delaware (with regard to conflict of laws principles).

IN WITNESS WHEREOF, the parties hereto have caused this Declaration to be duly executed as of the day and year first above written.

CAPITAL ONE BANK,
as Sponsor

By: /s/ Susanna Tisa
Name: Susanna Tisa
Title: Director of Capital Markets

THE FIRST NATIONAL BANK OF CHICAGO
not in its individual capacity but solely as Property Trustee of the Trust

By: /s/ John R. Prendiville
Name: John R. Prendiville
Title: Vice President

FIRST CHICAGO DELAWARE, INC., not in its individual capacity but solely as Delaware Trustee of the Trust

By: /s/ John R. Prendiville
Name: John R. Prendiville
Title: Vice President

CERTIFICATE OF TRUST

OF

CAPITAL ONE CAPITAL I

THIS Certificate of Trust of Capital One Capital I (the "Trust"), dated as of January 28, 1997, is being duly executed and filed by the undersigned, as trustees, to form a business trust under the Delaware Business Trust act (12 Del. C. Section 3801, et seq.).

1. Name. The name of the business trust formed hereby is Capital One Capital I.

2. Delaware Trustee. The name and business of the trustee of the Trust with a principal place of business in the State of Delaware is First Chicago Delaware, Inc., 300 King Street, Wilmington Delaware 19801.

3. Effective Date. This Certificate of Trust shall be effective upon filing.

IN WITNESS WHEREOF, the undersigned, being the trustees of the Trust, have executed this Certificate of Trust as of the date first-above written.

THE FIRST NATIONAL BANK OF CHICAGO, not in its individual capacity but solely as Property Trustee of the Trust.

By:

Name: John R. Prendiville
Title: Vice President

FIRST CHICAGO DELAWARE, INC., not in its individual capacity but solely as Delaware Trustee of the Trust.

By:

Name: John R. Prendiville
Title: Vice President

THIS CAPITAL SECURITY (OR ITS PREDECESSOR) HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE SECURITIES LAWS AND NEITHER THIS CAPITAL SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE OFFERED, SOLD OR OTHERWISE TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN APPLICABLE EXEMPTION THEREFROM. EACH PURCHASER OF THIS CAPITAL SECURITY IS HEREBY NOTIFIED THAT THE SELLER MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A, REGULATION S OR ANOTHER EXEMPTION THEREUNDER. THE HOLDER OF THIS CAPITAL SECURITY, BY ITS ACCEPTANCE HEREOF, REPRESENTS, ACKNOWLEDGES AND AGREES FOR THE BENEFIT OF THE TRUST THAT: (I) IT HAS ACQUIRED A "RESTRICTED" SECURITY WHICH HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT; (II) IT WILL NOT OFFER, SELL OR OTHERWISE TRANSFER THIS CAPITAL SECURITY PRIOR TO THE LATER OF THE DATE WHICH IS THREE YEARS AFTER THE DATE OF ORIGINAL ISSUANCE HEREOF AND THE LAST DATE ON WHICH THE TRUST OR ANY AFFILIATE OF THE TRUST WAS THE OWNER OF SUCH RESTRICTED SECURITIES (OR ANY PREDECESSOR) EXCEPT (A) TO THE TRUST, (B) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, (C) FOR SO LONG AS THIS CAPITAL SECURITY IS ELIGIBLE FOR RESALE PURSUANT TO RULE 144A, TO A PERSON WHO THE SELLER REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (D) OUTSIDE THE UNITED STATES IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 904 UNDER THE SECURITIES ACT, (E) TO AN INSTITUTIONAL "ACCREDITED INVESTOR," WITHIN THE MEANING OF SUBPARAGRAPH (A)(1), (2), (3) OR (7) OF RULE 501 UNDER THE SECURITIES ACT THAT IS ACQUIRING THE SECURITIES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF SUCH AN INSTITUTIONAL "ACCREDITED INVESTOR," FOR INVESTMENT PURPOSES AND NOT WITH A VIEW TO, OR FOR OFFER OR SALE IN CONNECTION WITH, ANY DISTRIBUTION IN VIOLATION OF THE SECURITIES ACT, OR (F) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, AND, IN EACH CASE, IN ACCORDANCE WITH THE APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY APPLICABLE JURISDICTION; AND (III) IT WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER FROM IT OF THIS CAPITAL SECURITY OF THE RESALE RESTRICTIONS SET FORTH IN (II) ABOVE. ANY OFFER, SALE OR OTHER DISPOSITION PURSUANT TO THE FOREGOING CLAUSES (II)(D), (E) AND (F) IS SUBJECT TO THE RIGHT OF THE ISSUER OF THIS CAPITAL SECURITY AND THE PROPERTY TRUSTEE FOR SUCH CAPITAL SECURITIES TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATIONS OR OTHER INFORMATION ACCEPTABLE TO THEM IN FORM AND SUBSTANCE.

This Capital Security is a Global Certificate within the meaning of the Declaration hereinafter referred to and is registered in the name of The Depository Trust Company, a New York corporation (the "Depository"), or a nominee of the Depository. This Capital Security is exchangeable for Capital Securities registered in the name of a person other than the Depository or its nominee only in the limited circumstances described in the Declaration and no transfer of this Capital Security (other than a transfer of this Capital Security as a whole by the Depository to a nominee of the Depository or by a nominee of the Depository to the Depository or another nominee of the Depository) may be registered except in limited circumstances.

Unless this Capital Security Certificate is presented by an authorized representative of the Depository to Capital One Capital I or its agent for registration of transfer, exchange or payment, and any Capital Security Certificate issued is registered in the name of Cede & Co. or such other name as registered by an authorized representative of the Depository (and any payment hereon is made to Cede & Co. or to such other entity as is requested by an authorized representative of the Depository), 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.

CERTIFICATE NO. R-2 CUSIP NO. 140 41C AA3

AGGREGATE LIQUIDATION AMOUNT OF CAPITAL SECURITIES: $87,000,000

CERTIFICATE EVIDENCING CAPITAL SECURITIES
OF
CAPITAL ONE CAPITAL I

FLOATING RATE SUBORDINATED CAPITAL INCOME SECURITIES
(LIQUIDATION AMOUNT $1,000 PER CAPITAL SECURITY)

CAPITAL ONE CAPITAL I, a statutory business trust formed under the laws of the State of Delaware (the "Trust"), hereby certifies that Cede & Co. (the "Holder") is the registered owner of capital securities in the aggregate liquidation amount of $87,000,000 of the Trust representing undivided beneficial interests in the assets of the Trust designated the Floating Rate Subordinated Capital Income Securities (liquidation amount $1,000 per Capital Security) (the "Capital Securities"). The Capital Securities are transferable on the books and records of the Trust, in person or by a duly authorized attorney, upon surrender of this certificate duly endorsed and in proper form for transfer as provided in the Declaration (as defined below). The designation, rights, privileges, restrictions, preferences and other terms and provisions of the Capital Securities represented hereby are issued and shall in all respects be subject to the provisions of the Amended and Restated Declaration of Trust of the Trust, dated as of January 31, 1997 (as the same may be amended from time to time (the "Declaration"), among Capital One Bank, as Sponsor (the "Sponsor"), The First National Bank of Chicago, as Property Trustee, and First Chicago Delaware Inc., as Delaware Trustee. Capitalized terms used herein but not defined shall have the meaning given them in the Declaration. The Holder is entitled to the benefits of the Guarantee to the extent described therein. The Sponsor will provide a copy of the Declaration, the Guarantee and the Indenture

to a Holder without charge upon written request to the Sponsor at its principal place of business.

Upon receipt of this certificate, the Holder is bound by the Declaration and is entitled to the benefits thereunder.

By acceptance, the Holder agrees to treat, for United States federal income tax purposes, the Debentures as indebtedness and the Capital Securities as evidence of undivided indirect beneficial interests in the Debentures.

This Capital Security shall be governed by and interpreted in accordance with the laws of the State of Delaware.

IN WITNESS WHEREOF, the Trust has executed this certificate this ____ day of January, 1997.

CAPITAL ONE CAPITAL I

By:

Name:
Title:

CERTIFICATE OF AUTHENTICATION

This is one of the Securities referred to in the within-mentioned Declaration.

THE FIRST NATIONAL BANK OF CHICAGO

By:

Authorized Officer

In connection with any transfer of this Security occurring prior to the date which is the earlier of (i) the date of the declaration by the Commission of the effectiveness of a registration statement under the Securities Act covering resales of this Security (which effectiveness shall not have been suspended or terminated at the date of the transfer) and (ii) three years after the later of the date of original issue and the last date on which the Sponsor or any affiliate of the Sponsor was the owner of such Capital Securities (or any predecessor thereto) (the "Resale Restriction Termination Date"), the undersigned confirms that it has not utilized any general solicitation or general advertising in connection with the transfer:

[CHECK ONE]

(1) ___ to the Sponsor or a subsidiary thereof; or

(2) ___ pursuant to and in compliance with Rule 144A under the Securities Act of 1933, as amended; or

(3) ___ to an institutional "accredited investor" (as defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act of 1933, as amended) that has furnished to the Trustee a signed letter containing certain representations and agreements (the form of which letter can be obtained from the Trustee); or

(4) ___ outside the United States to a "foreign person" in compliance with Rule 904 of Regulation S under the Securities Act of 1933, as amended; or

(5) ___ pursuant to the exemption from registration provided by Rule 144 under the Securities Act of 1933, as amended; or

(6) ___ pursuant to an effective registration statement under the Securities Act of 1933, as amended; or

(7) ___ pursuant to another available exemption from the registration requirements of the Securities Act of 1933, as amended.

Unless one of the boxes is checked, the Trustee will refuse to register any of the Securities evidenced by this certificate in the name of any person other than the registered Holder thereof; provided, however, that if box (3), (4), (5) or (7) is checked, the Sponsor or the Trustee may require, prior to registering any such transfer of the Securities, in its sole discretion, such written legal opinions, certifications (including an investment letter in the case of box (3) or (4)) and other information as the Trustee or the Sponsor has reasonably requested to confirm that such transfer is being made pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act of 1933, as amended.

If none of the foregoing boxes is checked, the Trustee or Registrar shall not be obligated to register this Security in the name of any person other than the Holder hereof unless and until the conditions to any such transfer of registration set forth herein and in Section 315 of the Indenture shall have been satisfied.

Dated: _____ Signed: _____

(Sign exactly as name appears on the other side of this Security)

Signature Guarantee: _____

TO BE COMPLETED BY PURCHASER IF (2) ABOVE IS CHECKED

The undersigned represents and warrants that it is purchasing this Security for its own account or an account with respect to which it exercises sole investment discretion and that it and any such account is a "qualified institutional buyer" within the meaning of Rule 144A under the Securities Act and is aware that the sale to it is being made in reliance on Rule 144A and acknowledges that it has received such information regarding the Sponsor as the undersigned has requested pursuant to Rule 144A or has determined not to request such information and that it is aware that the transferor is relying upon the undersigned's foregoing representations in order to claim the exemption from registration provided by Rule 144A.

Dated: _____ _____

NOTICE: To be executed by an executive officer

TO BE COMPLETED BY PURCHASER IF (4) ABOVE IS CHECKED

The undersigned represents and warrants that it is purchasing the Capital Security outside the United States as a "foreign person" in compliance with Rule 904 of Regulation S under the Securities Act and is aware that the sale to it is being made in reliance on Regulation S and acknowledges that a holder of an interest in a Regulation S temporary global security may not (i) receive the payment of any distributions, redemption price or any other payments with respect to the holder's beneficial interest in the temporary global security or (ii) receive an interest in a Regulation S permanent global security until (A) expiration of the 40th day after the later of the commencement of the offering of the Capital Securities and the closing date and (B) certification that the beneficial owner of the interest in the Capital Security is a non-U.S. person.

Dated: _____ _____

NOTICE: To be executed by an executive officer

THIS GLOBAL NOTE IS A TEMPORARY GLOBAL NOTE FOR PURPOSES OF REGULATION S UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"). NEITHER THIS TEMPORARY GLOBAL NOTE NOR ANY INTEREST HEREIN MAY BE OFFERED, SOLD OR DELIVERED, EXCEPT AS PERMITTED UNDER THE DECLARATION REFERRED TO BELOW.

NO BENEFICIAL OWNERS OF THIS TEMPORARY GLOBAL NOTE SHALL BE ENTITLED TO RECEIVE PAYMENT OF PRINCIPAL OR INTEREST HEREON UNLESS THE REQUIRED CERTIFICATIONS HAVE BEEN DELIVERED PURSUANT TO THE TERMS OF THE DECLARATION.

THIS CAPITAL SECURITY (OR ITS PREDECESSOR) HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR ANY STATE SECURITIES LAWS AND NEITHER THIS CAPITAL SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE OFFERED, SOLD OR OTHERWISE TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN APPLICABLE EXEMPTION THEREFROM. EACH PURCHASER OF THIS CAPITAL SECURITY IS HEREBY NOTIFIED THAT THE SELLER MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A, REGULATION S OR ANOTHER EXEMPTION THEREUNDER. THE HOLDER OF THIS CAPITAL SECURITY, BY ITS ACCEPTANCE HEREOF, REPRESENTS, ACKNOWLEDGES AND AGREES FOR THE BENEFIT OF THE TRUST THAT: (I) IT HAS ACQUIRED A "RESTRICTED" SECURITY WHICH HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT; (II) IT WILL NOT OFFER, SELL OR OTHERWISE TRANSFER THIS CAPITAL SECURITY PRIOR TO THE LATER OF THE DATE WHICH IS THREE YEARS AFTER THE DATE OF ORIGINAL ISSUANCE HEREOF AND THE LAST DATE ON WHICH THE TRUST OR ANY AFFILIATE OF THE TRUST WAS THE OWNER OF SUCH RESTRICTED SECURITIES (OR ANY PREDECESSOR) EXCEPT (A) TO THE TRUST, (B) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, (C) FOR SO LONG AS THIS CAPITAL SECURITY IS ELIGIBLE FOR RESALE PURSUANT TO RULE 144A, TO A PERSON WHO THE SELLER REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (D) OUTSIDE THE UNITED STATES IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 904 UNDER THE SECURITIES ACT, (E) TO AN INSTITUTIONAL "ACCREDITED INVESTOR," WITHIN THE MEANING OF SUBPARAGRAPH (A)(1), (2), (3) OR (7) OF RULE 501 UNDER THE SECURITIES ACT THAT IS ACQUIRING THE SECURITIES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF SUCH AN INSTITUTIONAL "ACCREDITED INVESTOR," FOR INVESTMENT PURPOSES AND NOT WITH A VIEW TO, OR FOR OFFER OR SALE IN CONNECTION WITH, ANY DISTRIBUTION IN VIOLATION OF THE SECURITIES ACT, OR (F) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, AND, IN EACH CASE, IN ACCORDANCE WITH THE APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY APPLICABLE JURISDICTION; AND (III) IT WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER FROM IT OF THIS CAPITAL

SECURITY OF THE RESALE RESTRICTIONS SET FORTH IN (II) ABOVE. ANY OFFER, SALE OR OTHER DISPOSITION PURSUANT TO THE FOREGOING CLAUSES (II)(D), (E) AND (F) IS SUBJECT TO THE RIGHT OF THE ISSUER OF THIS CAPITAL SECURITY AND THE PROPERTY TRUSTEE FOR SUCH CAPITAL SECURITIES TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATIONS OR OTHER INFORMATION ACCEPTABLE TO THEM IN FORM AND SUBSTANCE.

This Capital Security is a Global Certificate within the meaning of the Declaration hereinafter referred to and is registered in the name of The Depository Trust Company, a New York corporation (the "Depository"), or a nominee of the Depository. This Capital Security is exchangeable for Capital Securities registered in the name of a person other than the Depository or its nominee only in the limited circumstances described in the Declaration and no transfer of this Capital Security (other than a transfer of this Capital Security as a whole by the Depository to a nominee of the Depository or by a nominee of the Depository to the Depository or another nominee of the Depository) may be registered except in limited circumstances.

Unless this Capital Security Certificate is presented by an authorized representative of the Depository to Capital One Capital I or its agent for registration of transfer, exchange or payment, and any Capital Security Certificate issued is registered in the name of Cede & Co. or such other name as registered by an authorized representative of the Depository (and any payment hereon is made to Cede & Co. or to such other entity as is requested by an authorized representative of the Depository), 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.

CERTIFICATE NO. R-1 CUSIP NO. U 13479 AA5

AGGREGATE LIQUIDATION AMOUNT OF CAPITAL SECURITIES: $13,000,000

CERTIFICATE EVIDENCING CAPITAL SECURITIES
OF
CAPITAL ONE CAPITAL I

FLOATING RATE SUBORDINATED CAPITAL INCOME SECURITIES
(LIQUIDATION AMOUNT $1,000 PER CAPITAL SECURITY)

CAPITAL ONE CAPITAL I, a statutory business trust formed under the laws of the State of Delaware (the "Trust"), hereby certifies that Cede & Co. (the "Holder") is the registered owner of capital securities in the aggregate liquidation amount of $13,000,000 of the Trust representing undivided beneficial interests in the assets of the Trust designated the Floating Rate Subordinated Capital Income Securities (liquidation amount

$1,000 per Capital Security) (the "Capital Securities"). The Capital Securities are transferable on the books and records of the Trust, in person or by a duly authorized attorney, upon surrender of this certificate duly endorsed and in proper form for transfer as provided in the Declaration (as defined below). The designation, rights, privileges, restrictions, preferences and other terms and provisions of the Capital Securities represented hereby are issued and shall in all respects be subject to the provisions of the Amended and Restated Declaration of Trust of the Trust, dated as of January 31, 1997 (as the same may be amended from time to time (the "Declaration"), among Capital One Bank, as Sponsor (the "Sponsor"), The First National Bank of Chicago, as Property Trustee, and First Chicago Delaware Inc., as Delaware Trustee. Capitalized terms used herein but not defined shall have the meaning given them in the Declaration. The Holder is entitled to the benefits of the Guarantee to the extent described therein. The Sponsor will provide a copy of the Declaration, the Guarantee and the Indenture to a Holder without charge upon written request to the Sponsor at its principal place of business.

Upon receipt of this certificate, the Holder is bound by the Declaration and is entitled to the benefits thereunder.

By acceptance, the Holder agrees to treat, for United States federal income tax purposes, the Debentures as indebtedness and the Capital Securities as evidence of undivided indirect beneficial interests in the Debentures.

This Capital Security shall be governed by and interpreted in accordance with the laws of the State of Delaware.

IN WITNESS WHEREOF, the Trust has executed this certificate this ____ day of January, 1997.

CAPITAL ONE CAPITAL I

By:

Name:
Title:

CERTIFICATE OF AUTHENTICATION

This is one of the Securities referred to in the within-mentioned Declaration.

THE FIRST NATIONAL BANK OF CHICAGO

By:

Authorized Officer

In connection with any transfer of this Security occurring prior to the date which is the earlier of (i) the date of the declaration by the Commission of the effectiveness of a registration statement under the Securities Act covering resales of this Security (which effectiveness shall not have been suspended or terminated at the date of the transfer) and (ii) three years after the later of the date of original issue and the last date on which the Sponsor or any affiliate of the Sponsor was the owner of such Capital Securities (or any predecessor thereto) (the "Resale Restriction Termination Date"), the undersigned confirms that it has not utilized any general solicitation or general advertising in connection with the transfer:

[CHECK ONE]

(1) ___ to the Sponsor or a subsidiary thereof; or

(2) ___ pursuant to and in compliance with Rule 144A under the Securities Act of 1933, as amended; or

(3) ___ to an institutional "accredited investor" (as defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act of 1933, as amended) that has furnished to the Trustee a signed letter containing certain representations and agreements (the form of which letter can be obtained from the Trustee); or

(4) ___ outside the United States to a "foreign person" in compliance with Rule 904 of Regulation S under the Securities Act of 1933, as amended; or

(5) ___ pursuant to the exemption from registration provided by Rule 144 under the Securities Act of 1933, as amended; or

(6) ___ pursuant to an effective registration statement under the Securities Act of 1933, as amended; or

(7) ___ pursuant to another available exemption from the registration requirements of the Securities Act of 1933, as amended.

Unless one of the boxes is checked, the Trustee will refuse to register any of the Securities evidenced by this certificate in the name of any person other than the registered Holder thereof; provided, however, that if box (3), (4), (5) or (7) is checked, the Sponsor or the Trustee may require, prior to registering any such transfer of the Securities, in its sole discretion, such written legal opinions, certifications (including an investment letter in the case of box (3) or (4)) and other information as the Trustee or the Sponsor has reasonably requested to confirm that such transfer is being made pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act of 1933, as amended.

If none of the foregoing boxes is checked, the Trustee or Registrar shall not be obligated to register this Security in the name of any person other than the Holder hereof unless and until the conditions to any such transfer of registration set forth herein and in Section 315 of the Indenture shall have been satisfied.

Dated: _____ Signed: _____

(Sign exactly as name appears on the other side of this Security)

Signature Guarantee: _____

TO BE COMPLETED BY PURCHASER IF (2) ABOVE IS CHECKED

The undersigned represents and warrants that it is purchasing this Security for its own account or an account with respect to which it exercises sole investment discretion and that it and any such account is a "qualified institutional buyer" within the meaning of Rule 144A under the Securities Act and is aware that the sale to it is being made in reliance on Rule 144A and acknowledges that it has received such information regarding the Sponsor as the undersigned has requested pursuant to Rule 144A or has determined not to request such information and that it is aware that the transferor is relying upon the undersigned's foregoing representations in order to claim the exemption from registration provided by Rule 144A.

Dated: _____ _____

NOTICE: To be executed by an executive officer

TO BE COMPLETED BY PURCHASER IF (4) ABOVE IS CHECKED

The undersigned represents and warrants that it is purchasing the Capital Security outside the United States as a "foreign person" in compliance with Rule 904 of Regulation S under the Securities Act and is aware that the sale to it is being made in reliance on Regulation S and acknowledges that a holder of an interest in a Regulation S temporary global security may not (i) receive the payment of any distributions, redemption price or any other payments with respect to the holder's beneficial interest in the temporary global security or (ii) receive an interest in a Regulation S permanent global security until (A) expiration of the 40th day after the later of the commencement of the offering of the Capital Securities and the closing date and (B) certification that the beneficial owner of the interest in the Capital Security is a non-U.S. person.

Dated: _____ _____

NOTICE: To be executed by an executive officer

EXHIBIT 4.6.3

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AMENDED AND RESTATED DECLARATION OF TRUST

CAPITAL ONE CAPITAL I

Dated as of January 31, 1997

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AMENDED AND RESTATED DECLARATION OF TRUST
OF CAPITAL ONE CAPITAL I

THIS AMENDED AND RESTATED DECLARATION OF TRUST ("Declaration") dated as of January 31, 1997 among CAPITAL ONE BANK, a Virginia state chartered bank, as Sponsor, THE FIRST NATIONAL BANK OF CHICAGO, a national banking association, as the initial Property Trustee and FIRST CHICAGO DELAWARE INC., as the initial Delaware Trustee, not in their individual capacities but solely as Trustees, and the holders, from time to time, of undivided beneficial ownership interests in the assets of the Trust to be issued pursuant to this Declaration.

WHEREAS, the Trustees, the Property Trustee and the Sponsor established Capital One Capital I (the "Trust"), a business trust under the Business Trust Act (as defined, together with other capitalized terms, herein) pursuant to a Declaration of Trust dated as of January 31, 1997 (the "Original Declaration") and a Certificate of Trust (the "Certificate of Trust") filed with the Secretary of State of the State of Delaware on January 28, 1997; and

WHEREAS, the sole purpose of the Trust shall be to issue and sell certain securities representing undivided beneficial ownership interests in the assets of the Trust, to invest the proceeds from such sales in the Debentures issued by the Debenture Issuer and to engage in only those activities necessary or incidental thereto; and

WHEREAS, all of the Trustees and the Sponsor, by this Declaration, amend and restate each and every term and provision of the Original Declaration.

NOW, THEREFORE, it being the intention of the parties hereto that the Trust constitute a business trust under the Business Trust Act, the Trustees hereby declare that all assets contributed to the Trust be held in trust for the benefit of the Holders, from time to time, of the Securities representing undivided beneficial ownership interests in the assets of the Trust issued hereunder, subject to the provisions of this Declaration.

ARTICLE 1

INTERPRETATION AND DEFINITIONS

Section 1.1 Interpretation and Definitions.

Unless the context otherwise requires:

(a) capitalized terms used in this Declaration but not defined in the preamble above have the respective meanings assigned to them in this Section 1.1;

(b) a term defined anywhere in this Declaration has the same meaning throughout;

(c) all references to "the Declaration" or "this Declaration" are to this Declaration as modified, supplemented or amended from time to time;

(d) all references in this Declaration to Articles and Sections are to Articles and Sections of this Declaration unless otherwise specified;

(e) a term defined in the Trust Indenture Act has the same meaning when used in this Declaration unless otherwise defined in this Declaration or unless the context otherwise requires; and

(f) a reference to the singular includes the plural and vice versa and a reference to any masculine form of a term shall include the feminine form of a term, as applicable.

"Administrators" means each Person appointed pursuant to Section 6.5, solely in such Person's capacity as Administrator of the Trust created and continued hereunder and not in such Person's individual capacity, or such Administrator's successor in interest in such capacity, or any successor appointed as herein provided.

"Affiliate" has the same meaning as given to that term in Rule 405 of the Securities Act or any successor rule thereunder.

"Authorization Certificate" means a written certificate signed by two of the Administrators for the purpose of

establishing the terms and form of the Capital Securities and the Common Securities as determined by the Administrators.

"Authorized Officer" of a Person means the Chairman of the Board, a Vice Chairman of the Board, the Chief Executive Officer, the President, a Vice President, the principal financial officer, the Treasurer, an Assistant Treasurer, the Secretary or an Assistant Secretary of such Person.

"Business Day" means any day other than a Saturday or Sunday or a day on which banking institutions in Wilmington, Delaware, Richmond, Virginia or New York, New York are authorized or required by law or executive order to remain closed or a day on which the Corporate Trust Office of the Property Trustee is closed for business.

"Business Trust Act" means Chapter 38 of Title 12 of the Delaware Code, 12 Del. C. Section 3801, et seq., as it may be amended from time to time, or any successor legislation.

"Capital Security" has the meaning specified in Section 7.1.

"Capital Security Beneficial Owner" means, with respect to any beneficial interest in a Global Security, ownership and transfers of which shall be maintained and made through book entries by a Depositary, a Person who is the beneficial owner of such beneficial interest, as reflected on the books of the Depositary, or on the books of a Person maintaining an account with such Depositary (as a direct or indirect participant, in each case in accordance with the rules of such Depositary).

"Capital Security Certificate" means a certificate representing a Capital Security.

"Cedel" means Cedel Bank, societe anonyme.

"Certificate" means a Common Security Certificate or a Capital Security Certificate.

"Certificate of Trust" has the meaning specified in the recitals hereto.

"Closing Date" means the date or dates on which the Capital Securities are issued and sold.

"Code" means the Internal Revenue Code of 1986, as amended from time to time, or any successor legislation. A reference to a specific section of the Code refers not only to such specific section but also to any corresponding provision of any federal tax statute enacted after the date of this Declaration, as such specific section or corresponding provision is in effect on the date of application of the provisions of this Declaration containing such reference.

"Commission" means the Securities and Exchange Commission.

"Common Securities Holder" means Capital One Bank in its capacity as purchaser and holder of all of the Common Securities issued by the Trust.

"Common Security" has the meaning specified in Section 7.1

"Common Security Certificate" means a definitive certificate in fully registered form representing a Common Security.

"Corporate Trust Office" means the office of the Property Trustee at which the corporate trust business of the Property Trustee shall, at any particular time, be principally administered, which office at the date of execution of this Declaration is located at One First National Plaza, Suite 0126, Chicago, Illinois 60670-0126.

"Corporation" means Capital One Financial Corporation.

"Covered Person" means (a) any officer, director, shareholder, partner, member, representative, employee or agent of (i) the Trust or (ii) the Trust's Affiliates; and (b) any Holder of Securities.

"Custodian" means The First National Bank of Chicago in its capacity as Custodian.

"Debenture Issuer" means Capital One Bank in its capacity as issuer of the Debentures under the Indenture.

"Debenture Maturity Date" means the date specified pursuant to the terms of the Debentures as the date on which the principal of the Debentures is due and payable, as such date may be shortened pursuant to the terms of the Debentures including any such date resulting from a Maturity Advancement (as defined in the Indenture).

"Debenture Redemption Date" means, with respect to any Debentures to be redeemed under the Indenture, the date fixed for redemption under the Indenture.

"Debenture Trustee" means The First National Bank of Chicago, in its capacity as trustee under the Indenture until a successor is appointed thereunder, and thereafter means such successor trustee.

"Debentures" means the Securities (as defined in the Indenture) to be issued by the Debenture Issuer and to be held by the Property Trustee.

"Delaware Trustee" has the meaning set forth in Section 6.2.

"Depositary" means, with respect to Securities issuable in whole or in part in the form of one or more Global Securities, a clearing agency registered under the Exchange Act that is designated to act as Depositary for such Securities.

"Direct Action" has the meaning set forth in Section 3.8(e).

"Distribution" means a distribution payable to Holders of Securities in accordance with Section 7.2.

"DTC" means The Depository Trust Company, the initial Depositary.

"DWAC" means Deposit and Withdrawal At Custodian Service.

"Euroclear" means Morgan Guaranty Trust Company of New York, Brussels office, as operator of the Euroclear System.

"Exchange Act" means the Securities Exchange Act of 1934, as amended from time to time, or any successor legislation.

"Fiscal Year" has the meaning set forth in Section 10.1.

"Global Security" has the meaning set forth in Section 7.11.

"Guarantee" means the guarantee agreement of the Corporation in respect of the Capital Securities and the Common Securities.

"Holder" means a Person in whose name a Certificate representing a Security is registered, such Person being a beneficial owner within the meaning of the Business Trust Act; provided, however, that in determining whether the Holders of the requisite liquidation amount of Capital Securities have voted on any matter provided for in this Declaration, then for the purpose of such determination only (and not for any other purpose hereunder), if the Capital Securities remain in the form of one or more Global Securities, the term "Holders" shall mean the holder of the Global Security acting at the direction of the beneficial owners of the Capital Securities.

"Indemnified Person" means (a) any Trustee; (b) any Administrator; (c) any Affiliate of any Trustee or any Administrator; (d) any officers, directors, shareholders, members, partners, employees, representatives or agents of any Trustee, any Administrator or any Affiliate thereof; or (e) any officer, employee or agent of the Trust or its Affiliates.

"Indenture" means the Indenture dated as of January 31, 1997, between the Debenture Issuer and the Debenture Trustee, and any indenture supplemental thereto pursuant to which the Debentures are to be issued.

"Indenture Event of Default" means an "Event of Default" as defined in the Indenture.

"Initial Purchasers" means Lehman Brothers Inc. and J.P. Morgan Securities Inc.

"Institutional Accredited Investor" means an institution that is an "accredited investor" as the term is defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act.

"Investment Company" means an investment company as defined in the Investment Company Act and the regulations promulgated thereunder.

"Investment Company Act" means the Investment Company Act of 1940, as amended from time to time, or any successor legislation.

"Investment Company Event" means the receipt by the Trust of an opinion of counsel, rendered by a law firm having a recognized national securities practice, to the effect that, as a result of the occurrence of a change in law or regulation by any legislative body, court, governmental agency or regulatory authority (a "Change in 1940 Act Law"), the Trust is or will be considered an "investment company" that is required to be registered under the Investment Company Act, which Change in 1940 Act Law becomes effective on or after the Closing Date.

"Legal Action" has the meaning set forth in Section 3.6(g).

"List of Holders" has the meaning specified in Section 2.2(a).

"Majority in Liquidation Amount" means, except as provided in the terms of the Capital Securities or by the Trust Indenture Act, Holder(s) of outstanding Securities, voting together as a single class, or, as the context may require, Holders of outstanding Capital Securities or Holders of outstanding Common Securities, voting separately as a class, who are the record owners of more than 50% of the aggregate liquidation amount (including the stated amount that would be paid on redemption, liquidation or otherwise, plus accrued and unpaid Distributions to the date upon which the voting percentages are determined) of all outstanding Securities of the relevant class.

"Non-U.S. Certificate" has the meaning set forth in Section 7.13(c).

"Officers' Certificate" means, with respect to any Person (other than Administrators who are natural persons), a certificate signed by two Authorized Officers of such Person on behalf of such Person. Any Officers' Certificate delivered with respect to compliance with a condition or covenant provided for in this Declaration shall include:

(a) a statement that each officer signing the Officers' Certificate has read the covenant or condition and the definitions relating thereto;

(b) a statement that each such officer has made such examination or investigation as, in such officer's opinion, is necessary to enable such officer to express an informed opinion as to whether or not such covenant or condition has been complied with; and

(c) a statement as to whether, in the opinion of each such officer and on behalf of such Person, such condition or covenant has been complied with; provided, that the term "Officers' Certificate", when used with reference to Administrators who are natural persons shall mean a certificate signed by two of the Administrators which otherwise satisfies the foregoing requirements.

"Paying Agent" has the meaning specified in Section 3.8(h).

"Payment Amount" has the meaning specified in Section 7.2(a).

"Person" means a legal person, including any individual, corporation, estate, partnership, joint venture, association, joint stock company, limited liability company, trust, unincorporated association, or government or any agency or political subdivision thereof or any other entity of whatever nature.

"PORTAL" has the meaning specified in Section 3.6

"Private Placement Legend" has the meaning specified in Section 314 of the Indenture.

"Property Account" has the meaning specified in Section 3.8(c).

"Property Trustee" means the Trustee meeting the eligibility requirements set forth in Section 6.3.

"Pro Rata" means pro rata to each Holder of Securities according to the aggregate liquidation amount of the Securities held by the relevant Holder in relation to the aggregate liquidation amount of all Securities outstanding.

"Qualified Institutional Buyer" or "QIB" has the meaning specified in Rule 144A under the Securities Act.

"Quorum" means a majority of the Regular Trustees or, if there are only two Regular Trustees, both of them.

"Redemption Price" has the meaning specified in Section 7.3(a).

"Regulation S" means Regulation S under the Securities Act and any successor regulation thereto.

"Regulation S Certificate" shall have the meaning set forth in Section 7.2.

"Regulation S Global Security" means any Global Security or Securities evidencing Securities that are to be traded pursuant to Regulation S.

"Regulation S Permanent Security" shall have the meaning set forth in Section 7.2.

"Regulation S Temporary Security" shall have the meaning set forth in Section 7.2.

"Regulatory Capital Event" means that the Bank shall have reasonably determined that, as a result of (a) any amendment to or change (including any announced prospective change) in the laws (or any regulations thereunder) of the United States or any rules, guidelines or policies of the Federal Reserve Board or (b)

any official or administrative pronouncement or action or judicial decision interpreting or applying such laws or regulations, which amendment or change is effective or such pronouncement or action or decision is announced on or after the date of original issuance of the Capital Securities, there is more than an insubstantial risk that the Bank will not be entitled to treat an amount equal to the liquidation amount of the Capital Securities as either Tier 1 capital (or its then equivalent) or Tier 2 capital (or its then equivalent), provided, however, that the distribution of the Debentures in connection with the liquidation of the Trust by the Bank shall not in and of itself constitute a Regulatory Capital Event unless such liquidation shall have occurred in connection with a Tax Event or an Investment Company Event.

"Related Party" means, with respect to the Sponsor, any direct or wholly owned subsidiary of the Sponsor or any Person that owns, directly or indirectly, 100% of the outstanding voting securities of the Sponsor.

"Release Date" shall have the meaning set forth in Section 7.2.

"Responsible Officer", when used with respect to the Property Trustee, means any officer within the Corporate Trust Office, including any Vice-President, any Assistant Vice-President, the Secretary, any Assistant Secretary or any other officer of the Property Trustee customarily performing functions similar to those performed by any of the above designated officers and also means, with respect to a particular corporate trust matter, any other officer to whom such matter is referred because of that officer's knowledge of and familiarity with the particular subject.

"Restricted Global Security" means any Global Security or Securities evidencing Securities that are to be sold pursuant to Rule 144A.

"Restricted Period" shall mean the period prior to or on the fortieth day after the later of the commencement of the offering of the Capital Securities and the Closing Date.

"Restricted Security" has the meaning assigned to such term in Rule 144(a)(3) under the Securities Act.

"Rule 144A" means Rule 144A under the Securities Act.

"Rule 3a-7" means Rule 3a-7 under the Investment Company Act or any successor rule thereunder.

"Securities" means the Common Securities and the Capital Securities.

"Securities Act" means the Securities Act of 1933, as amended from time to time, or any successor legislation.

"Special Event" means a Tax Event, a Regulatory Capital Event or an Investment Company Event.

"Sponsor" means Capital One Bank, a Virginia state chartered bank, or any successor entity in a merger, consolidation or amalgamation, in its capacity as sponsor of the Trust.

"Successor Delaware Trustee" has the meaning specified in Section 6.6(b).

"Successor Entity" has the meaning specified in Section 3.15(b)(i).

"Successor Property Trustee" has the meaning specified in Section 6.6(b).

"Successor Security" has the meaning specified in Section 3.15(b)(i)b.

"Super Majority" has the meaning set forth in Section 2.6(a)(ii).

"Tax Event" means the receipt by the Debenture Issuer of an opinion of counsel, rendered by a law firm having a recognized national tax practice, to the effect that, as a result of any amendment to, change in or announced proposed change in the laws (or any regulations thereunder) of the United States or any political subdivision or taxing authority thereof or therein, or as a result of any official or administrative pronouncement or action or judicial decision interpreting or applying such laws or regulations, which amendment or change is adopted or which proposed change, pronouncement or decision is announced or which

action is taken on or after the Closing Date, there is more than an insubstantial risk that (i) the Trust is, or will be within 90 days of the date of such opinion, subject to the United States federal income tax with respect to income received or accrued on the Debentures, (ii) interest payable by the Debenture Issuer on such Debentures is not, or within 90 days of the date of such opinion, will not be deductible by the Debenture Issuer, in whole or in part, for United States federal income tax purposes, or (iii) the Trust is, or will be within 90 days of the date of such opinion, subject to more than a de minimis amount of other taxes, duties or other governmental charges.

"Treasury Regulations" means the income tax regulations, including temporary and proposed regulations, promulgated under the Code by the United States Treasury, as such regulations may be amended from time to time (including corresponding provisions of succeeding regulations).

"Trust Enforcement Event" in respect of the Securities means an Indenture Event of Default has occurred and is continuing in respect of the Debentures.

"Trust Indenture Act" means the Trust Indenture Act of 1939, as amended from time to time, or any successor legislation.

"Trustee" or "Trustees" means each Person who has signed this Declaration as a trustee, so long as such Person shall continue in office in accordance with the terms hereof, and all other Persons who may from time to time be duly appointed, qualified and serving as Trustees in accordance with the provisions hereof, and references herein to a Trustee or the Trustees shall refer to such Person or Persons solely in their capacity as trustees hereunder.

"25% in Liquidation Amount" means, except as provided in the terms of the Capital Securities or by the Trust Indenture Act, Holder(s) of outstanding Securities, voting together as a single class, or, as the context may require, Holders of outstanding Capital Securities or Holders of outstanding Common Securities, voting separately as a class, who are the record owners of 10% or more of the aggregate liquidation amount (including the stated amount that would be paid on redemption, liquidation or otherwise, plus accrued and unpaid Distributions

to the date upon which the voting percentages are determined) of all outstanding Securities of the relevant class.

ARTICLE 2

TRUST INDENTURE ACT

Section 2.1 Trust Indenture Act; Application.

(a) This Declaration is subject to the provisions of the Trust Indenture Act that are required to be part of this Declaration and shall, to the extent applicable, be governed by such provisions.

(b) The Property Trustee shall be the only Trustee which is a Trustee for the purposes of the Trust Indenture Act.

(c) If and to the extent that any provision of this Declaration conflicts with the duties imposed by Sections 310 to 317, inclusive, of the Trust Indenture Act, such imposed duties shall control.

(d) The application of the Trust Indenture Act to this Declaration shall not affect the Trust's classification as a grantor trust for United States federal income tax purposes and shall not affect the nature of the Securities as equity securities representing undivided beneficial ownership interests in the assets of the Trust.

Section 2.2 Lists of Holders of Securities.

(a) Each of the Sponsor and the Administrators on behalf of the Trust shall provide the Property Trustee with a list, in such form as the Property Trustee may reasonably require, of the names and addresses of the Holders of the Securities ("List of Holders"), (i) quarterly, not later than January 15, April 15, July 15 and October 15 of each year and current as of such date, and (ii) at any other time, within 30 days of receipt by the Trust of a written request from the Property Trustee for a List of Holders as of a date no more than 15 days before such List of Holders is given to the Property Trustee; provided that neither the Sponsor nor the Regular Trustees on behalf of the Trust shall be obligated to provide

such List of Holders at any time the List of Holders does not differ from the most recent List of Holders given to the Property Trustee by the Sponsor and the Regular Trustees on behalf of the Trust. The Property Trustee shall preserve, in as current a form as is reasonably practicable, all information contained in Lists of Holders given to it or which it receives in the capacity as Paying Agent (if acting in such capacity), provided that the Property Trustee may, but shall not be obligated to, destroy any List of Holders previously given to it on receipt of a new List of Holders.

(b) The Property Trustee shall comply with its obligations under, and shall be entitled to the benefits of, Sections 311(a), 311(b) and 312(b) of the Trust Indenture Act.

Section 2.3 Reports by the Property Trustee.

Within 60 days after May 15 of each year (commencing in the year of the first anniversary of the issuance of the Capital Securities), the Property Trustee shall provide to the Holders of the Capital Securities such reports as are required by Section 313 of the Trust Indenture Act, if any, in the form and in the manner provided by Section 313 of the Trust Indenture Act. The Property Trustee shall also comply with the requirements of Section 313(d) of the Trust Indenture Act.

Section 2.4 Periodic Reports to the Property Trustee.

Each of the Sponsor and the Administrators on behalf of the Trust shall provide to the Property Trustee such documents, reports and information as required by Section 314 of the Trust Indenture Act (if any) and the compliance certificate required by Section 314 of the Trust Indenture Act in the form, in the manner and at the times required by Section 314 of the Trust Indenture Act and an Officer's Certificate as to its compliance with all conditions and covenants under this Declaration on an annual basis on or before 120 days after the end of each fiscal year of the Sponsor.

Section 2.5 Evidence of Compliance with Conditions Precedent.

Each of the Sponsor and the Administrators on behalf of the Trust shall provide to the Property Trustee such evidence of

compliance with any conditions precedent, if any, provided for in this Declaration that relate to any of the matters set forth in Section 314(c) of the Trust Indenture Act. Any certificate or opinion required to be given by an officer pursuant to Section 314(c)(1) shall be given in the form of an Officers' Certificate.

Section 2.6 Trust Enforcement Events; Waiver.

(a) The Holders of a Majority in Liquidation Amount of the Capital Securities may, by vote or written consent, on behalf of the Holders of all of the Capital Securities, waive any past Trust Enforcement Event in respect of the Capital Securities and its consequences, provided that, if the underlying Indenture Event of Default:

(i) is not waivable under the Indenture, the Trust Enforcement Event under the Declaration shall also not be waivable; or

(ii) requires the consent or vote of greater than a majority in principal amount of the holders of the Debentures (a "Super Majority") to be waived under the Indenture, the Trust Enforcement Event under the Declaration may only be waived by the vote or written consent of the Holders of at least the proportion in liquidation amount of the Capital Securities that the relevant Super Majority represents of the aggregate principal amount of the Debentures outstanding.

The foregoing provisions of this Section 2.6(a) shall be in lieu of Section 316(a)(1)(B) of the Trust Indenture Act and such Section 316(a)(1)(B) of the Trust Indenture Act is hereby expressly excluded from this Declaration and the Securities, as permitted by the Trust Indenture Act. Upon such waiver, any such default shall cease to exist, and any Trust Enforcement Event with respect to the Capital Securities arising therefrom shall be deemed to have been cured, for every purpose of this Declaration and the Capital Securities, but no such waiver shall extend to any subsequent or other Trust Enforcement Event with respect to the Capital Securities or impair any right consequent thereon. Any waiver by the Holders of the Capital Securities of a Trust Enforcement Event with respect to the Capital Securities shall also be deemed to constitute a waiver by the Holders of the

Common Securities of any such Trust Enforcement Event with respect to the Common Securities for all purposes of this Declaration without any further act, vote, or consent of the Holders of the Common Securities.

(b) The Holders of a Majority in Liquidation Amount of the Capital Securities will have the right to direct the time, method and place of conducting any proceeding of any remedy available to the Property Trustee or to direct the exercise of any trust or power conferred upon the Property Trustee, including the right to direct the Property Trustee to exercise the remedies available to it as Holder of the Debentures.

(c) The Holders of a Majority in Liquidation Amount of the Common Securities may, by vote or written consent, on behalf of the Holders of all of the Common Securities, waive any past Trust Enforcement Event in respect of the Common Securities and its consequences, provided that, if the underlying Indenture Event of Default:

(i) is not waivable under the Indenture, except where the Holders of the Common Securities are deemed to have waived such Trust Enforcement Event under the Declaration as provided below in this Section 2.6(c), the Trust Enforcement Event under the Declaration shall also not be waivable; or

(ii) requires the consent or vote of a Super Majority to be waived under the Indenture, except where the Holders of the Common Securities are deemed to have waived such Trust Enforcement Event under the Declaration as provided below in this Section 2.6(c), the Trust Enforcement Event under the Declaration may only be waived by the vote or written consent of the Holders of at least the proportion in liquidation amount of the Common Securities that the relevant Super Majority represents of the aggregate principal amount of the Debentures outstanding;

provided further, each Holder of Common Securities will be deemed to have waived any Trust Enforcement Event and all Trust Enforcement Events with respect to the Common Securities and the consequences thereof until all Trust Enforcement Events with

respect to the Capital Securities have been cured, waived or otherwise eliminated, and until such Trust Enforcement Events with respect to the Capital Securities have been so cured, waived or otherwise eliminated, the Property Trustee will be deemed to be acting solely on behalf of the Holders of the Capital Securities and only the Holders of the Capital Securities will have the right to direct the Property Trustee in accordance with the terms of the Securities. The foregoing provisions of this Section 2.6(c) shall be in lieu of Sections 316(a)(1)(A) and 316(a)(1)(B) of the Trust Indenture Act and such Sections 316(a)(1)(A) and 316(a)(1)(B) of the Trust Indenture Act are hereby expressly excluded from this Declaration and the Securities, as permitted by the Trust Indenture Act. Subject to the foregoing provisions of this Section 2.6(c), upon such waiver, any such default shall cease to exist and any Trust Enforcement Event with respect to the Common Securities arising therefrom shall be deemed to have been cured for every purpose of this Declaration, but no such waiver shall extend to any subsequent or other Trust Enforcement Event with respect to the Common Securities or impair any right consequent thereon.

(d) A waiver of an Indenture Event of Default by the Property Trustee at the direction of the Holders of the Capital Securities constitutes a waiver of the corresponding Trust Enforcement Event with respect to the Capital Securities under this Declaration. The foregoing provisions of this Section 2.6(d) shall be in lieu of Section 316(a)(1)(B) of the Trust Indenture Act and such Section 316(a)(1)(B) of the Trust Indenture Act is hereby expressly excluded from this Declaration and the Securities, as permitted by the Trust Indenture Act.

Section 2.7 Trust Enforcement Event; Notice.

(a) The Property Trustee shall, within 90 days after the occurrence of a Trust Enforcement Event actually known to a Responsible Officer of the Property Trustee, transmit by mail, first class postage prepaid, to the Holders of the Securities, notices of all such defaults with respect to the Securities unless such defaults have been cured before the giving of such notice (the term "defaults" for the purposes of this Section 2.7(a) being hereby defined to be an Indenture Event of Default, not including any periods of grace provided for therein and irrespective of the giving of any notice provided therein); provided that, except for a default in the payment of principal

of (or premium, if any) or interest on any of the Debentures, the Property Trustee shall be fully protected in withholding such notice if and so long as a Responsible Officer of the Property Trustee in good faith determines that the withholding of such notice is in the interests of the Holders of the Securities.

(b) The Property Trustee shall not be deemed to have knowledge of any default except:

(i) a default under Sections 501(1) and 501(2) of the Indenture; or

(ii) any default as to which the Property Trustee shall have received written notice or of which a Responsible Officer of the Property Trustee charged with the administration of this Declaration shall have actual knowledge.

ARTICLE 3

ORGANIZATION

Section 3.1 Name and Organization.

The Trust hereby continued is named "Capital One Capital I" as such name may be modified from time to time by the Administrators following written notice to the Holders of Securities and the Trustees, in which name the Trustees may conduct the business of the Trust, make and execute contracts and other instruments on behalf of the Trust and sue and be sued. The Trust's activities may be conducted under the name of the Trust or any other name deemed advisable by the Regular Trustees.

Section 3.2 Office.

The address of the principal executive office of the Trust is 2980 Fairview Park Drive, Suite 1300, Falls Church, Virginia 22042-4525. On 10 Business Days' written notice to the Holders of Securities and the Trustees, the Administrators may designate another principal office.

Section 3.3 Purpose.

The exclusive purposes and functions of the Trust are (a) to issue and sell the Securities and use the gross proceeds from such sale to acquire the Debentures, and (b) except as otherwise limited herein, to engage in only those other activities necessary or incidental thereto. The Trust shall not borrow money, issue debt or reinvest proceeds derived from investments, mortgage, pledge any of its assets or otherwise undertake (or permit to be undertaken) any activity that would cause the Trust not to be classified as a grantor trust for United States federal income tax purposes.

By the acceptance of this Trust, none of the Trustees, the Administrators, the Sponsor, the Holders of the Capital Securities or Common Securities or the Capital Security Beneficial Owners will take any position which is contrary to the classification of the Trust as a grantor trust for United States federal income tax purposes.

Section 3.4 Authority.

The Sponsor hereby appoints the Trustees as trustees of the Trust, to have all the rights, powers and duties to the extent set forth herein, and the Trustees hereby accept such appointment. The Property Trustee hereby declares that it will hold the trust property in trust upon and subject to the conditions set forth herein for the benefit of the Trust and the Holders of the Securities. The Administrators shall have only those ministerial duties set forth herein with respect to accomplishing the purposes of the Trust and shall not be trustees or fiduciaries with respect to the Trust or the Holders of the Securities. The Property Trustee shall have the right, but shall not be obligated except as provided in Section 3.8(i), to perform those duties assigned to the Administrators. An action taken by the Administrators in accordance with their powers shall constitute the act of and serve to bind the Trust and an action taken by the Property Trustee on behalf of the Trust in accordance with its powers shall constitute the act of and serve to bind the Trust. In dealing with the Trustees acting on behalf of the Trust, no person shall be required to inquire into the authority of the Trustees to bind the Trust. Persons dealing

with the Trust are entitled to rely conclusively on the power and authority of the Trustees as set forth in this Declaration.

(a) Except as expressly set forth in this Declaration and except if a meeting of the Administrators is called with respect to any matter over which the Administrators have power to act, any power of the Administrators may be exercised by, or with the consent of, any one such Administrator.

(b) Unless otherwise determined by the Administrators, and except as otherwise required by the Business Trust Act or applicable law, any Administrator is authorized to execute on behalf of the Trust any documents which the Administrators have the power and authority to cause the Trust to execute pursuant to Section 3.6(b); and

(c) An Administrator may, by power of attorney consistent with applicable law, delegate to any other natural person over the age of 21 his or her power for the purposes of signing any documents which the Administrators have power and authority to cause the Trust to execute pursuant to Section 3.6.

(d) Notwithstanding anything herein to the contrary, the Administrators and the Property Trustee are authorized and directed to conduct the affairs of the Trust and to operate the Trust so that the Trust will not be deemed to be an "investment company" required to be registered under the 1940 Act, or fail to be classified as a grantor trust for United States Federal income tax purposes and so that the Debentures will be treated as indebtedness of the Debenture Issuer for United States Federal income tax purposes. In this connection, the Administrators, the Property Trustee and the Holders of a Majority in Liquidation Amount of Common Securities are authorized to take any action, not inconsistent with applicable law, the Certificate of Trust or this Declaration, that each of any Administrator, the Property Trustee and the Holders of a Majority in Liquidation Amount of Common Securities determines in its discretion to be necessary or desirable for such purposes, as long as such action does not adversely affect in any material respect the interests of the holders of the Capital Securities.

Section 3.5 Title to Property of the Trust.

Except as provided in Section 3.8 with respect to the Debentures and the Property Account or as otherwise provided in this Declaration, legal title to all assets of the Trust shall be vested in the Trust. The Holders shall not have legal title to any part of the assets of the Trust, but shall have an undivided beneficial ownership interest in the assets of the Trust.

Section 3.6 Powers and Duties of the Administrators.

The Administrators shall have the power, duty and authority to cause the Trust to engage in the following activities, subject to the limitations and restrictions of applicable laws:

(a) to establish the terms and form of the Capital Securities and the Common Securities in the manner specified in Section 7.1 and issue and sell the Capital Securities and the Common Securities in accordance with this Declaration; provided, that there shall be no interests in the Trust other than the Securities, and no more than one series of Common Securities and one series of Capital Securities;

(b) in connection with the issue and sale of the Capital Securities, at the direction of the Sponsor, to:

(i) execute and file any documents prepared by the Sponsor, or take any acts as determined by the Sponsor to be necessary, in order to qualify or register all or part of the Capital Securities in any State in which the Sponsor has determined to qualify or register such Capital Securities for sale;

(ii) execute and file an application, prepared by the Sponsor, to the Private Offerings, Resales and Trading through Automated Linkages ("PORTAL") Market and if and at such time determined by the Sponsor, to The New York Stock Exchange, Inc. or any other national stock exchange or the Nasdaq Stock Market's National Market for listing upon notice of issuance of any Capital Securities; and

(iii) execute and deliver letters or documents to, or instruments with, DTC relating to the Capital Securities.

(c) to acquire the Debentures with the proceeds of the sale of the Capital Securities and the Common Securities; provided, however, that the Administrators shall cause legal title to the Debentures to be held of record in the name of the Property Trustee for the benefit of the Holders of the Capital Securities and the Holders of the Common Securities;

(d) to give the Sponsor and the Property Trustee prompt written notice of the occurrence of a Special Event; provided that the Administrators shall consult with the Sponsor and the Property Trustee before taking or refraining from taking any action in relation to any such Special Event;

(e) to establish a record date with respect to all actions to be taken hereunder that require a record date be established, including and with respect to, for the purposes of Section 316(c) of the Trust Indenture Act, Distributions, voting rights, redemptions and exchanges, and to issue relevant notices to the Holders of Capital Securities and Holders of Common Securities as to such actions and applicable record dates;

(f) to take all actions and perform such duties as may be required of the Administrators pursuant to the terms of this Declaration and the Securities;

(g) to bring or defend, pay, collect, compromise, arbitrate, resort to legal action or otherwise adjust claims or demands of or against the Trust ("Legal Action"), unless pursuant to Section 3.8(e), the Property Trustee has the exclusive power to bring such Legal Action;

(h) to employ or otherwise engage employees and agents (who may be designated as officers with titles) and managers, contractors, advisors and consultants to conduct only those services that the Administrators have authority to conduct directly, and to and pay reasonable compensation for such services;

(i) to incur expenses that are necessary or incidental to carry out any of the purposes of the Trust;

(j) to consent to the appointment of a registrar, paying agent and transfer agent for the Securities which consent shall not be unreasonably withheld;

(k) to give prompt written notice to the Holders of the Securities of any notice received from the Debenture Issuer of its election to defer payments of interest on the Debentures by extending the interest payment period under the Debentures as authorized by the Indenture;

(l) to take all action that may be necessary or appropriate for the preservation and the continuation of the Trust's valid existence, rights, franchises and privileges as a statutory business trust under the laws of the State of Delaware and of each other jurisdiction in which such existence is necessary to protect the limited liability of the Holders of the Capital Securities or to enable the Trust to effect the purposes for which the Trust was created;

(m) to take all action necessary to cause all applicable tax returns and tax information reports that are required to be filed with respect to the Trust to be duly prepared and filed by the Regular Trustees, on behalf of the Trust;

(n) to execute all documents or instruments, perform all duties and powers, and do all things for and on behalf of the Trust in all matters necessary or incidental to the foregoing; and

(o) No provision of this Declaration shall be construed to relieve an Administrator from liability for his own negligent action, his own negligent failure to act, or his own willful misconduct, except that:

(i) prior to the occurrence of a Trust Enforcement Event and after the curing or waiving of such Trust Enforcement Event that may have occurred:

(A) the duties and obligations of the Administrators shall be determined solely by the express provisions of this Declaration and the Administrators shall not be liable except for the performance of such duties and

obligations as are specifically set forth in this Declaration, and no implied covenants or obligations shall be read into this Declaration against the Administrators; and

(B) in the absence of bad faith on the part of an Administrator, such Administrator may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon any certificates or opinions furnished to such Administrator and conforming to the requirements of this Declaration; but in the case of any such certificates or opinions that by any provision hereof are specifically required to be furnished to such Administrator, such Administrator shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Declaration;

(ii) an Administrator shall not be liable for any error of judgment made in good faith unless it shall be proved that such Administrator was negligent in ascertaining the pertinent facts;

(iii) no provision of this Declaration shall require an Administrator to expend or risk his own funds or otherwise incur personal financial liability in the performance of any of his duties or in the exercise of any of his rights or powers, if he shall have reasonable grounds for believing that the repayment of such funds or liability is not reasonably assured to him under the terms of this Declaration or indemnity reasonably satisfactory to such Administrator against such risk or liability is not reasonably assured to him;

(iv) an Administrator shall not be responsible for monitoring the compliance by the Property Trustee or the Sponsor with their respective duties under this Declaration, nor shall such Administrator be liable for any default or misconduct of the Property Trustee or the Sponsor;

(v) an Administrator may conclusively rely and shall be fully protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document believed by him to be genuine and to have been signed, sent or presented by the proper party or parties;

(vi) an Administrator shall have no duty to see to any recording, filing or registration of any instrument (including any financing or continuation statement or any filing under tax or securities laws) or any rerecording, refiling or registration thereof;

(vii) the Administrators may consult with counsel or other experts of their selection and the advice or opinion of such counsel and experts with respect to legal matters or advice within the scope of such experts' area of expertise shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by them hereunder in good faith and in accordance with such advice or opinion, such counsel may be counsel to the Sponsor or any of its Affiliates, and may include any of its employees. The Administrators shall have the right at any time to seek instructions concerning the administration of this Declaration from any court of competent jurisdiction;

(viii) the Administrators shall be under no obligation to exercise any of the rights or powers vested in them by this Declaration at the request or direction of any Holder, unless such Holder shall have provided to the Administrators security and indemnity, reasonably satisfactory to the Administrators, against the costs, expenses (including attorneys' fees and expenses) and liabilities that might be incurred by them in complying with such request or direction,

including such reasonable advances as may be requested by them;

(ix) an Administrator shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document, but he, in his discretion, may make such further inquiry or investigation into such facts or matters as he may see fit;

(x) an Administrator may execute any of the powers hereunder or perform any duties hereunder either directly or by or through agents, custodians, nominees or attorneys and such Administrator shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care by him hereunder;

(xi) any action taken by an Administrator or his agents hereunder shall bind the Trust and the Holders of the Securities, and the signature of such Administrator or his agents alone shall be sufficient and effective to perform any such action and no third party shall be required to inquire as to the authority of such Administrator to so act or as to his compliance with any of the terms and provisions of this Declaration, both of which shall be conclusively evidenced by such Administrator's or his agent's taking such action;

(xii) except as otherwise expressly provided by this Declaration, an Administrator shall not be under any obligation to take any action that is discretionary under the provisions of this Declaration; and

(xiii) an Administrator shall not be liable for any action taken, suffered, or omitted to be taken by it in good faith and reasonably believed by it to be authorized or within the discretion or rights or powers conferred upon it by this Declaration.

The Administrators shall exercise the powers set forth in this Section 3.6 in a manner that is consistent with the purposes and functions of the Trust set out in Section 3.3 and subject to the limitations and restrictions of applicable law, and the Administrators shall have no power to, and shall not, take any action that is inconsistent with the purposes and functions of the Trust set forth in Section 3.3 or that is inconsistent with or in contravention of any applicable law.

Subject to this Section 3.6, the Administrators shall have none of the powers or the authority of the Property Trustee set forth in Section 3.8.

Any expenses incurred by the Regular Trustees pursuant to this Section 3.6 shall be reimbursed by the Debenture Issuer.

Section 3.7 Prohibition of Actions by the Trust and the Trustees.

(a) The Trust shall not, and the Trustees (including the Property Trustee) shall cause the Trust not to, engage in any activity other than as required or authorized by this Declaration. In particular, the Trust shall not and the Trustees (including the Property Trustee) shall cause the Trust not to:

(i) invest any proceeds received by the Trust from holding the Debentures, but shall distribute all such proceeds to Holders of Securities pursuant to the terms of this Declaration and of the Securities;

(ii) acquire any assets other than the Debentures (and any interest or proceeds received thereon) and the Guarantee (and the proceeds received thereon or with respect thereto);

(iii) possess Trust property for other than a Trust purpose;

(iv) make any loans or incur any indebtedness;

(v) possess any power or otherwise act in such a way as to vary the Trust assets;

(vi) possess any power or otherwise act in such a way as to vary the terms of the Securities in any way whatsoever (except to the extent expressly authorized in this Declaration or by the terms of the Securities);

(vii) issue any securities or other evidences of beneficial ownership of, or beneficial interest in, the Trust other than the Securities; or

(viii) other than as provided in this Declaration or by the terms of the Securities, (A) direct the time, method and place of exercising any trust or power conferred upon the Debenture Trustee with respect to the Debentures, (B) waive any past default that is waivable under the Indenture, (C) exercise any right to rescind or annul any declaration that the principal of all the Debentures shall be due and payable, or (D) consent to any amendment, modification or termination of the Indenture or the Debentures where such consent shall be required unless, in each case, the Trust shall have received (A) the prior approval of the Majority in Liquidation Amount of the Capital Securities; provided, however, that where a consent or action under the Indenture would require the consent or act of the holders of more than a majority of the aggregate liquidation amount of Debentures affected thereby, only the Holders of the percentage of the aggregate stated liquidation amount of the Capital Securities which is at least equal to the percentage required under the Indenture may direct the Property Trustee to give such consent to take such action and (B) an opinion of counsel to the effect that such modification will not cause more than an insubstantial risk that the Trust will be deemed an Investment Company required to be registered under the Investment Company Act, or the Trust will not be classified as a grantor trust for United States federal income tax purposes; or

(ix) take any action inconsistent with the status of the Trust as a grantor trust for United States federal income tax purposes; or

(x) revoke any action previously authorized or approved by a vote of the Holders of the Capital Securities except pursuant to a subsequent vote of the Holders of the Capital Securities.

Section 3.8 Powers and Duties of the Property Trustee.

As among the Trustees and the Administrators, the Property Trustee shall have the power, duty and authority to act on behalf of the Trust with respect to the following matters:

(a) The legal title to the Debentures shall be owned by and held of record in the name of the Property Trustee in trust for the benefit of the Trust and the Holders of the Securities. The right, title and interest of the Property Trustee to the Debentures shall vest automatically in each Person who may hereafter be appointed as Property Trustee in accordance with Section 6.6. Such vesting and cessation of title shall be effective whether or not conveyancing documents with regard to the Debentures have been executed and delivered.

(b) The Property Trustee shall not transfer its right, title and interest in the Debentures to the Administrators or to the Delaware Trustee (if the Property Trustee does not also act as Delaware Trustee).

(c) The Property Trustee shall:

(i) establish and maintain a segregated non-interest bearing trust account (the "Property Account") in the name of and under the exclusive control of the Property Trustee on behalf of the Holders of the Securities and, upon the receipt of payments of funds made in respect of the Debentures held by the Property Trustee, deposit such funds into the Property Account and make payments to the Holders of the Capital Securities and Holders of the Common Securities from the Property Account in accordance with Section 7.2. Funds in the Property Account shall be held uninvested until

disbursed in accordance with this Declaration. The Property Account shall be an account that is maintained with a banking institution the rating on whose long-term unsecured indebtedness is at least equal to the rating assigned to the Capital Securities by a "nationally recognized statistical rating organization", as that term is defined for purposes of Rule 436(g)(2) under the Securities Act;

(ii) engage in such ministerial activities as shall be necessary or appropriate to effect the redemption of the Capital Securities and the Common Securities to the extent the Debentures are redeemed or mature; and

(iii) upon written notice of distribution issued by the Regular Trustees in accordance with the terms of the Securities, engage in such ministerial activities as so directed and as shall be necessary or appropriate to effect the distribution of the Debentures to Holders of Securities upon the occurrence of a Special Event.

(d) The Property Trustee shall take all actions and perform such duties as may be specifically required of the Property Trustee pursuant to the terms of this Declaration and the Securities.

(e) The Property Trustee shall take any Legal Action which arises out of or in connection with a Trust Enforcement Event of which a Responsible Officer of the Property Trustee has actual knowledge or the Property Trustee's duties and obligations under this Declaration or the Trust Indenture Act; provided, however, that if a Trust Enforcement Event has occurred and is continuing and such event is attributable to the failure of the Debenture Issuer to pay interest or principal (or premium, if any) on the Debentures on the date such interest or principal (or premium, if any) is otherwise payable (or in the case of redemption, on the redemption date), then a Holder of Capital Securities may directly institute a proceeding for enforcement of payment to such Holder of the principal of (or premium, if any) or interest on the Debentures having a principal amount equal to the aggregate liquidation amount of the Capital Security of such

Holder (a "Direct Action"), on or after the respective due date specified in the Debentures. In connection with such Direct Action, the rights of the Holders of the Common Securities will be subrogated to the rights of such Holder of Capital Securities to the extent of any payment made by the Debenture Issuer to such Holder of Capital Securities in such Direct Action; provided, however, that no Holder of the Common Securities may exercise any such right of subrogation so long as an Trust Enforcement Event with respect to the Capital Securities has occurred and is continuing. Except as provided in the preceding sentences, the Holders of Capital Securities will not be able to exercise directly any other remedy available to the Holders of the Debentures.

(f) The Property Trustee shall continue to serve as a Trustee until either:

(i) the Trust has been completely liquidated and the proceeds of the liquidation distributed to the Holders of Securities pursuant to the terms of the Securities;

(ii) a Successor Property Trustee has been appointed and has accepted that appointment in accordance with Section 6.6; or

(iii) the Property Trustee has resigned in accordance with Section 6.6.

(g) Subject to such limitations as are necessary to insure compliance with Section 3.3, the Property Trustee shall have the legal power to exercise all of the rights, powers and privileges of a holder of Debentures under the Indenture and, if a Trust Enforcement Event actually known to a Responsible Officer of the Property Trustee occurs and is continuing, the Property Trustee shall, for the benefit of Holders of the Securities, enforce its rights as holder of the Debentures subject to the rights of the Holders pursuant to the terms of such Securities.

(h) The Property Trustee may authorize one or more Persons (each, a "Paying Agent") to pay Distributions, redemption payments or liquidation payments on behalf of the Trust with respect to all Securities and any such Paying Agent shall comply with Section 317(b) of the Trust Indenture Act. Any Paying Agent

may be removed by the Property Trustee at any time and a successor Paying Agent or additional Paying Agents may be appointed at any time by the Property Trustee. In the event the Capital Securities do not remain in the form of one or more Global Securities, the Property Trustee will act as Paying Agent. The Property Trustee may designate additional or substitute Paying Agents at any time.

(i) The Property Trustee shall have the power and authority to act with respect to any of the duties, liabilities, powers or the authority of the Administrators set forth in Sections 3.6(e), (k) or (l) herein, but shall not have a duty to do any such act unless specifically directed to do so in writing by the Sponsor and then shall be fully protected in acting pursuant to such direction; and in the event of a conflict between the action of the Administrators and the action of the Property Trustee, the action of the Property Trustee shall prevail.

The Property Trustee shall exercise the powers set forth in this Section 3.8 in a manner that is consistent with the purposes and functions of the Trust set out in Section 3.3 and subject to the limitations and restrictions of applicable law, and the Property Trustee shall have no power to, and shall not, take any action that is inconsistent with the purposes and functions of the Trust set out in Section 3.3.

Section 3.9 Certain Duties and Responsibilities of the Property Trustee.

(a) The Property Trustee, before the occurrence of any Trust Enforcement Event and after the curing of all Trust Enforcement Events that may have occurred, shall undertake to perform only such duties as are specifically set forth in this Declaration and no implied covenants shall be read into this Declaration against the Property Trustee. In case a Trust Enforcement Event has occurred (that has not been cured or waived pursuant to Section 2.6) of which a Responsible Officer of the Property Trustee has actual knowledge, the Property Trustee shall exercise such of the rights and powers vested in it by this Declaration, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs.

(b) No provision of this Declaration shall be construed to relieve the Property Trustee from liability for its own negligent action, its own negligent failure to act or its own willful misconduct, except that:

(i) prior to the occurrence of a Trust Enforcement Event and after the curing or waiving of all such Trust Enforcement Events that may have occurred:

a. the duties and obligations of the Property Trustee shall be determined solely by the express provisions of this Declaration and the Property Trustee shall not be liable except for the performance of such duties and obligations as are specifically set forth in this Declaration, and no implied covenants or obligations shall be read into this Declaration against the Property Trustee; and

b. in the absence of bad faith on the part of the Property Trustee, the Property Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon any certificates or opinions furnished to the Property Trustee and conforming to the requirements of this Declaration; but in the case of any such certificates or opinions that by any provision hereof are specifically required to be furnished to the Property Trustee, the Property Trustee shall be under a duty to examine the same to determine whether or not they substantially conform to the requirements of this Declaration;

(ii) the Property Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer of the Property Trustee, unless it shall be proved that the Property Trustee was negligent in ascertaining the pertinent facts;

(iii) the Property Trustee shall not be liable with respect to any action taken or omitted to be taken

by it without negligence, in good faith in accordance with the direction of the Holders of not less than a Majority in Liquidation Amount of the Securities relating to the time, method and place of conducting any proceeding for any remedy available to the Property Trustee, or exercising any trust or power conferred upon the Property Trustee under this Declaration;

(iv) no provision of this Declaration shall require the Property Trustee to expend or risk its own funds or otherwise incur personal financial liability in the performance of any of its duties or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that the repayment of such funds or liability is not reasonably assured to it under the terms of this Declaration or indemnity reasonably satisfactory to the Property Trustee against such risk or liability is not reasonably assured to it;

(v) the Property Trustee's sole duty with respect to the custody, safe-keeping and physical preservation of the Debentures and the Property Account shall be to deal with such property in a similar manner as the Property Trustee deals with similar property for its own account, subject to the protections and limitations on liability afforded to the Property Trustee under this Declaration and the Trust Indenture Act;

(vi) the Property Trustee shall have no duty or liability for or with respect to the value, genuineness, existence or sufficiency of the Debentures or the payment of any taxes or assessments levied thereon or in connection therewith;

(vii) the Property Trustee shall not be liable for any interest on any money received by it except as it may otherwise agree with the Sponsor in writing. Money held by the Property Trustee need not be segregated from other funds held by it except in relation to the Property Account maintained by the

Property Trustee pursuant to Section 3.8(c)(i) and except to the extent otherwise required by law;

(viii) the Property Trustee shall not be responsible for monitoring the compliance by the Administrators or the Sponsor with their respective duties under this Declaration, nor shall the Property Trustee be liable for any default or misconduct of the Administrators or the Sponsor; and

(ix) The Trustee shall be under no liability for interest on any money received by it hereunder except as otherwise agreed in writing with the Debenture Issuer.

Section 3.10 Certain Rights of Property Trustee.

(a) Subject to the provisions of Section 3.9:

(i) the Property Trustee may conclusively rely and shall be fully protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document believed by it to be genuine and to have been signed, sent or presented by the proper party or parties;

(ii) any direction or act of the Sponsor or the Administrators contemplated by this Declaration shall be sufficiently evidenced by an Officers' Certificate (or, with respect to the establishment of the terms and form of the Securities by the Administrators, by an Authorization Certificate);

(iii) whenever in the administration of this Declaration, the Property Trustee shall deem it desirable that a matter be proved or established before taking, suffering or omitting any action hereunder, the Property Trustee (unless other evidence is herein specifically prescribed) may, in the absence of bad faith on its part, request and conclusively rely upon an Officers'

Certificate which, upon receipt of such request, shall be promptly delivered by the Sponsor or the Administrators;

(iv) the Property Trustee shall have no duty to see to any recording, filing or registration of any instrument (including any financing or continuation statement or any filing under tax or securities laws) or any rerecording, refiling or registration thereof;

(v) the Property Trustee may consult with counsel of its choice or other experts and the advice or opinion of such counsel and experts with respect to legal matters or advice within the scope of such experts' area of expertise shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in accordance with such advice or opinion, such counsel may be counsel to the Sponsor or any of its Affiliates, and may include any of its employees. The Property Trustee shall have the right at any time to seek instructions concerning the administration of this Declaration from any court of competent jurisdiction;

(vi) the Property Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Declaration at the request or direction of any Holder, unless such Holder shall have provided to the Property Trustee security and indemnity, reasonably satisfactory to the Property Trustee, against the costs, expenses (including attorneys' fees and expenses and the expenses of the Property Trustee's agents, nominees or custodians) and liabilities that might be incurred by it in complying with such request or direction, including such reasonable advances as may be requested by the Property Trustee; provided that, nothing contained in this Section 3.10(a) shall be taken to relieve the Property Trustee, upon the occurrence of an Indenture Event of Default, of

its obligation to exercise the rights and powers vested in it by this Declaration;

(vii) the Property Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document, but the Property Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit;

(viii) the Property Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents, custodians, nominees or attorneys and the Property Trustee shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care by it hereunder;

(ix) any action taken by the Property Trustee or its agents hereunder shall bind the Trust and the Holders of the Securities, and the signature of the Property Trustee or its agents alone shall be sufficient and effective to perform any such action and no third party shall be required to inquire as to the authority of the Property Trustee to so act or as to its compliance with any of the terms and provisions of this Declaration, both of which shall be conclusively evidenced by the Property Trustee's or its agent's taking such action;

(x) whenever in the administration of this Declaration the Property Trustee shall deem it desirable to receive instructions with respect to enforcing any remedy or right or taking any other action hereunder, the Property Trustee (i) may request instructions from the Holders of the Securities, the Administrators or the Sponsor which instructions may only be given by the Holders of

the same proportion in liquidation amount of the Securities as would be entitled to direct the Property Trustee under the terms of the Securities in respect of such remedy, right or action, (ii) may refrain from enforcing such remedy or right or taking such other action until such instructions are received, and (iii) shall be protected in conclusively relying on or acting in accordance with such instructions;

(xi) if no Trust Enforcement Event has occurred and is continuing and the Property Trustee is required to decide between alternative causes of action, construe ambiguous provisions in their Declaration or is unsure of the application of any provision of their Declaration, and the matter is not one on which Holders of Capital Securities are entitled under the Declaration to vote, then the Property Trustee may, but shall be under no duty to, take such action as is directed by the Sponsor and will have no liability except for its own bad faith, negligence or willful misconduct;

(xii) except as otherwise expressly provided by this Declaration, the Property Trustee shall not be under any obligation to take any action that is discretionary under the provisions of this Declaration;

(xiii) the Property Trustee shall not be liable for any action taken, suffered or omitted to be taken by it without negligence, in good faith and reasonably believed by it to be authorized or within the discretion, rights or powers conferred upon it by this Declaration; and

(xiv) the Trustee shall have a lien prior to the Securities as to all property and funds held by it hereunder for any amount owing it or any predecessor Trustee, except with respect to funds held in trust for the benefit of the Holders of particular Securities.

(b) No provision of this Declaration shall be deemed to impose any duty or obligation on the Property Trustee to perform any act or acts or exercise any right, power, duty or obligation conferred or imposed on it, in any jurisdiction in which it shall be illegal, or in which the Property Trustee shall be unqualified or incompetent in accordance with applicable law, to perform any such act or acts, or to exercise any such right, power, duty or obligation. No permissive power or authority available to the Property Trustee shall be construed to be a duty.

Section 3.11 Delaware Trustee.

Notwithstanding any other provision of this Declaration other than Section 6.2, the Delaware Trustee shall not be entitled to exercise any powers, nor shall the Delaware Trustee have any of the duties and responsibilities of the Administrators, the Property Trustee or the Trustees, generally (except as may be required by the Business Trust Act) described in this Declaration. Except as set forth in Section 6.2, the Delaware Trustee shall be a Trustee for the sole and limited purpose of fulfilling the requirements of Section 3807 of the Business Trust Act.

Section 3.12 Execution of Documents.

Unless otherwise determined by the Property Trustee or the Holders of a Majority in Liquidation Amount of the outstanding Capital Securities or the Holders of a Majority in Liquidation Amount of the outstanding Common Securities or as otherwise required by the Business Trust Act or the Trust Indenture Act, and except as otherwise required by the Business Trust Act, any Administrator is authorized to execute on behalf of the Trust any documents that the Regular Trustees have the power and authority to execute pursuant to Section 3.6.

Section 3.13 Not Responsible for Recitals or Issuance of Securities.

The recitals contained in this Declaration and the Securities shall be taken as the statements of the Sponsor, and the Trustees and the Administrators do not assume any responsibility for their correctness. The Trustees and the Administrators make no representations as to the value or

condition of the property of the Trust or any part thereof. The Trustees and the Administrators make no representations as to the validity or sufficiency of this Declaration, the Securities, the Debentures or the Indenture.

Section 3.14 Duration of Trust.

The Trust shall exist until terminated pursuant to the provisions of Article 8 hereof.

Section 3.15 Mergers.

(a) The Trust may not consolidate, amalgamate, merge with or into, or be replaced by, or convey, transfer or lease its properties and assets substantially as an entirety to any corporation or other body, except as described in Section 3.15(b) and (c).

(b) The Trust may, at the request of the Holders of the Common Securities, and with the consent of the Holders of a Majority in Liquidation Amount of the Capital Securities, consolidate, amalgamate, merge with or into, or be replaced by or convey, transfer or lease its properties substantially as an entirety to a trust organized as such under the laws of any State; provided that:

(i) if the Trust is not the successor, such successor entity (the "Successor Entity") either:

a. expressly assumes all of the obligations of the Trust under the Securities; or

b. substitutes for the Capital Securities other securities having substantially the same terms as the Capital Securities (the "Successor Securities") so long as the Successor Securities rank the same as the Capital Securities rank with respect to Distributions and payments upon liquidation, redemption and otherwise;

(ii) if the Trust is not the successor entity, the Property Trustee expressly appoints a trustee of such Successor Entity that possesses substantially

the same powers and duties as the Property Trustee as the holder of the Debentures;

(iii) the Capital Securities or any Successor Securities are listed, or any Successor Securities will be listed upon notification of issuance, on any national securities exchange or with any other organization on which the Capital Securities are then listed or quoted, if any;

(iv) such merger, consolidation, amalgamation, replacement, conveyance, transfer or lease does not cause the Capital Securities (including any Successor Securities) to be downgraded by any nationally recognized statistical rating organization;

(v) such merger, consolidation, amalgamation, replacement, conveyance, transfer or lease does not adversely affect the rights, preferences and privileges of the Holders of the Capital Securities (including any Successor Securities) in any material respect;

(vi) such Successor Entity has a purpose substantially identical to that of the Trust;

(vii) prior to such merger, consolidation, amalgamation, replacement, conveyance, transfer or lease the Trust has received an opinion of independent counsel to the Trust experienced in such matters to the effect that:

a. such merger, consolidation, amalgamation, replacement, conveyance, transfer or lease does not adversely affect the rights, preferences and privileges of the Holders of the Capital Securities (including any Successor Securities) in any material respect;

b. following such merger, consolidation, amalgamation, replacement, conveyance, transfer or lease neither the Trust nor the

Successor Entity will be required to register as an Investment Company; and

c. following such merger, consolidation, amalgamation or replacement, the Trust (or the Successor Entity) will continue to be classified as a grantor trust for United States federal income tax purposes;

(viii) the Sponsor or any permitted successor or assignee owns all of the Common Securities the Corporation or any permitted successor or assignee and guarantees the obligations of such Successor Entity under the Successor Securities at least to the extent provided by the Guarantee; and

(ix) such Successor Entity expressly assumes all of the obligations of the Trust with respect to the Trustees.

(c) Notwithstanding Section 3.15(b), the Trust shall not, except with the consent of Holders of 100% in liquidation amount of the Capital Securities, consolidate, amalgamate, merge with or into, or be replaced by any other entity or permit any other entity to consolidate, amalgamate, merge with or into, or replace it if such consolidation, amalgamation, merger or replacement would cause the Trust or Successor Entity to be classified as other than a grantor trust for United States federal income tax purposes and each Holder of the Securities not to be treated as owning an undivided beneficial ownership interest in the Debentures.

Section 3.16 Property Trustee May File Proofs of Claim.

In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other similar judicial proceeding relative to the Trust or any other obligor upon the Securities or the property of the Trust or of such other obligor or their creditors, the Property Trustee (irrespective of whether any Distributions on the Securities shall then be due and payable as therein expressed or by declaration or otherwise and irrespective of whether the Property Trustee shall have made any demand on the

Trust for the payment of any past due Distributions) shall be entitled and empowered, to the fullest extent permitted by law, by intervention in such proceeding or otherwise:

(a) to file and prove a claim for the whole amount of any Distributions owing and unpaid in respect of the Securities (or, if the Securities are original issue discount Securities, such portion of the liquidation amount as may be specified in the terms of such Securities) and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Property Trustee (including any claim for the reasonable compensation, expenses, disbursements and advances of the Property Trustee, its agents and counsel) and of the Holders allowed in such judicial proceeding, and

(b) to collect and receive any moneys or other property payable or deliverable on any such claims and to distribute the same;

and any custodian, receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such judicial proceeding is hereby authorized by each Holder to make such payments to the Property Trustee and, in the event the Property Trustee shall consent to the making of such payments directly to the Holders, to pay to the Property Trustee any amount due it for the reasonable compensation, expenses, disbursements and advances of the Property Trustee, its agents and counsel, and any other amounts due the Property Trustee.

Nothing herein contained shall be deemed to authorize the Property Trustee to authorize or consent to or accept or adopt on behalf of any Holder any plan of reorganization, arrangement adjustment or compensation affecting the Securities or the rights of any Holder thereof or to authorize the Property Trustee to vote in respect of the claim of any Holder in any such proceeding.

ARTICLE 4

SPONSOR

Section 4.1 Responsibilities of the Sponsor.

In connection with the issue and sale of the Capital Securities, the Sponsor shall have the exclusive right and responsibility to engage in the following activities:

(a) to determine the States in which to take appropriate action to qualify or register for sale all or part of the Capital Securities and to do any and all such acts, other than actions which must be taken by the Trust, and advise the Trust of actions it must take, and prepare for execution and filing any documents to be executed and filed by the Trust, as the Sponsor deems necessary or advisable in order to comply with the applicable laws of any such States;

(b) to prepare for filing and cause the filing by the Trust, as may be appropriate, of an application to the PORTAL, The New York Stock Exchange, Inc. or any other national stock exchange or the Nasdaq National Market for listing or quotation upon notice of issuance of any Capital Securities;

(c) to negotiate the terms of and execute and deliver a purchase agreement and other related agreements providing for the sale of the Capital Securities to the Initial Purchasers; and

(d) the taking of any other actions necessary or desirable to carry out any of the foregoing activities.

Section 4.2 Compensation, Indemnification and Expenses of the Trustee.

Pursuant to Sections 607 and 1009 of the Indenture, the Sponsor, in its capacity as Debenture Issuer, agrees:

(1) to pay to the Trustees from time to time such compensation as the Debenture Issuer and the Trustees shall from time to time agree in writing for all services rendered by it hereunder (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust);

(2) to reimburse the Trustees upon their request for all reasonable expenses, disbursements and advances incurred or made by the Trustees in accordance with any provision of the Indenture (including the compensation and the expenses and disbursements of its agent and counsel), except any such expense, disbursement or advance as may be attributable to its negligence or bad faith; and

(3) to indemnify the Property Trustee and the Delaware Trustee and their respective officers, directors, employees and authorized agents for, and to hold each of them harmless against, any loss, liability or expense including taxes (other than taxes based upon, measured by or determined by the income of any Trustee) incurred without negligence or bad faith on the part of the Property Trustee, the Delaware Trustee or their respective officers, directors, employees and authorized agents, as the case may be, arising out of or in connection with the acceptance or administration of the trust or trusts hereunder, including the costs and expenses of defending any of them against any claim or liability in connection with the exercise or performance of any of their respective powers or duties hereunder; the provisions of this Section 4.2 shall survive the resignation or removal of the Delaware Trustee or the Property Trustee or the termination of this Declaration.

ARTICLE 5

TRUST COMMON SECURITIES HOLDER

Section 5.1 Debenture Issuer's Purchase of Common Securities.

On the Closing Date the Debenture Issuer will purchase all of the Common Securities issued by the Trust, for an amount at least equal to 3% of the capital of the Trust, at the same time as the Capital Securities are sold.

Section 5.2 Covenants of the Common Securities Holder.

For so long as the Capital Securities remain outstanding, the Common Securities Holder will covenant (i) to

maintain directly or indirectly 100% ownership of the Common Securities, (ii) to cause the Trust to remain a statutory business trust and not to voluntarily dissolve, wind up, liquidate or be terminated, except as permitted by this Declaration, (iii) to use its commercially reasonable efforts to ensure that the Trust will not be an investment company for purposes of the Investment Company Act, and (iv) to take no action which would be reasonably likely to cause the Trust to be classified as an association or a publicly traded partnership taxable as a corporation for United States federal income tax purposes.

ARTICLE 6

TRUSTEES

Section 6.1 Number of Trustees.

The number of Trustees initially shall be two (2). The Property Trustee and the Delaware Trustee may be the same Person, in which case the number of Trustees may be one (1).

Section 6.2 Delaware Trustee.

If required by the Business Trust Act, one Trustee (the "Delaware Trustee") shall be:

(a) a natural person who is a resident of the State of Delaware; or

(b) if not a natural person, an entity which has its principal place of business in the State of Delaware, and otherwise meets the requirements of applicable law,

provided that, if the Property Trustee has its principal place of business in the State of Delaware and otherwise meets the requirements of applicable law, then the Property Trustee shall also be the Delaware Trustee and Section 3.11 shall have no application.

Section 6.3 Property Trustee; Eligibility.

(a) There shall at all times be one Trustee which shall act as Property Trustee which shall:

(i) not be an Affiliate of the Sponsor or any Person involved in the organization or operation of the Sponsor;

(ii) not offer or provide credit or credit enhancement to the Trust; and

(iii) be a corporation organized and doing business under the laws of the United States of America or any State or Territory thereof or of the District of Columbia, or a corporation or other Person permitted by the Commission to act as an institutional trustee under the Trust Indenture Act, authorized under such laws to exercise corporate trust owners, having a combined capital and surplus of at least 50 million U.S. dollars ($50,000,000), and subject to supervision or examination by Federal, State, Territorial or District of Columbia authority. If such corporation publishes reports of condition at least annually, pursuant to law or to the requirements of the supervising or examining authority referred to above, then for the purposes of this Section 6.3(a)(ii), the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

(b) If at any time the Property Trustee shall cease to be eligible to so act under Section 6.3(a), the Property Trustee shall promptly resign in the manner and with the effect set forth in Section 6.6(c).

(c) If the Property Trustee has or shall acquire any "conflicting interest" within the meaning of Section 310(b) of the Trust Indenture Act, the Property Trustee and the Holder of the Common Securities (as if it were the Obliger referred to in Section 310(b) of the Trust Indenture Act) shall in all respects

comply with the provisions of Section 310(b) of the Trust Indenture Act.

(d) The Guarantee, the Indenture, the Debentures and the Securities shall be deemed to be specifically described in this Declaration for purposes of clause (i) of the first provision contained in Section 310(b) of the Trust Indenture Act.

Section 6.4 Qualifications of Administrators and Delaware Trustee Generally.

Each Administrator and the Delaware Trustee (unless the Property Trustee also acts as Delaware Trustee) shall be either a natural person who is at least 21 years of age or a legal entity that shall act through one or more Authorized Officers.

Section 6.5 Appointment of Administrators.

(a) The Administrators shall be appointed by the Holder of Common Securities and may be removed by the Holder of Common Securities at any time. If at any time there is no Administrator, the Property Trustee or any Holder who has been a Holder of Trust Securities for at least six months may petition any court of competent jurisdiction for the appointment of one or more Administrators.

(b) Whenever a vacancy in the manner of Administrators shall occur, until such vacancy is filled by the appointment of an Administrator in accordance with this Section 6.5, the Administrators in office, regardless of their number (and notwithstanding any other provision of this Declaration), shall have all the powers granted to the Administrators and shall discharge all the duties imposed upon the Administrators by this Declaration.

Notwithstanding the foregoing or any other provision of this Declaration, in the event any Administrator who is a natural person dies or becomes, in the opinion of the Holder of Common Securities, incompetent or incapacitated, the vacancy created by such death, incompetence or incapacity may be filled by the unanimous act of the remaining Administrators if there were at least two of them prior to such vacancy (with the successor in each case being a Person who satisfies the eligibility requirement for Administrators set forth in Section 6.4).

The initial Administrators shall be:

Susanna Tisa, Scott DeVine and Murray Abrams, the business address of all of whom is c/o Capital One Bank, 2980 Fairview Park Drive, Suite 1300, Falls Church, Virginia 22042.

Section 6.6 Appointment, Removal and Resignation of Trustees.

(a) Subject to Section 6.6(b), Trustees may be appointed or removed without cause at any time except, if a Trust Enforcement Event has occurred and is continuing:

(i) until the issuance of any Securities, by written instrument executed by the Sponsor; and

(ii) after the issuance of any Securities, by vote of the Holders of a Majority in Liquidation Amount of the Common Securities voting as a class at a meeting of the Holders of the Common Securities.

(b) The Trustee that acts as Property Trustee shall not be removed in accordance with Section 6.6(a) until a successor Trustee possessing the qualifications to act as Property Trustee under Section 3.8(h) (a "Successor Property Trustee") has been appointed and has accepted such appointment by written instrument executed by such Successor Property Trustee and delivered to the Administrators and the Sponsor. The Trustee that acts as Delaware Trustee shall not be removed in accordance with Section 6.6(a) until a successor Trustee possessing the qualifications to act as Delaware Trustee under Sections 6.2 and 6.4 (a "Successor Delaware Trustee") has been appointed and has accepted such appointment by written instrument executed by such Successor Delaware Trustee and delivered to the Administrators and the Sponsor.

(c) A Trustee appointed to office shall hold office until his or its successor shall have been appointed, until his death or its dissolution or until his or its removal or resignation. Any Trustee may resign from office (without need for prior or subsequent accounting) by an instrument in writing signed by the Trustee and delivered to the Sponsor and the Trust, which resignation shall take effect upon such delivery or upon such later date as is specified therein; provided, however, that:

(i) No such resignation of the Trustee that acts as the Property Trustee shall be effective:

a. until a Successor Property Trustee has been appointed and has accepted such appointment by instrument executed by such Successor Property Trustee and delivered to the Trust, the Sponsor and the resigning Property Trustee; or

b. until the assets of the Trust have been completely liquidated and the proceeds thereof distributed to the holders of the Securities; and

(ii) no such resignation of the Trustee that acts as the Delaware Trustee shall be effective until a Successor Delaware Trustee has been appointed and has accepted such appointment by instrument executed by such Successor Delaware Trustee and delivered to the Trust, the Sponsor and the resigning Delaware Trustee.

(d) The Holders of the Common Securities shall use their best efforts to promptly appoint a Successor Delaware Trustee or Successor Property Trustee, as the case may be, if the Property Trustee or the Delaware Trustee delivers an instrument of resignation in accordance with this Section 6.6.

(e) If no Successor Property Trustee or Successor Delaware Trustee, as the case may be, shall have been appointed and accepted appointment as provided in this Section 6.6 within 30 days after delivery to the Sponsor and the Trust of an instrument of resignation or removal, the resigning or removed Property Trustee or Delaware Trustee, as applicable, may petition any court of competent jurisdiction for appointment of a Successor Property Trustee or Successor Delaware Trustee, as applicable. Such court may thereupon, after prescribing such notice, if any, as it may deem proper, appoint a Successor Property Trustee or Successor Delaware Trustee, as the case may be.

(f) No Property Trustee or Delaware Trustee shall be liable for the acts or omissions to act of any Successor Property Trustee or Successor Delaware Trustee, as the case may be.

(g) Upon the resignation or removal of the Property Trustee, such Property Trustee shall be paid all amounts due and owing.

Section 6.7 Vacancies among Trustees.

If a Trustee ceases to hold office for any reason a vacancy shall occur. The vacancy shall be filled with a Trustee appointed in accordance with Section 6.6.

Section 6.8 Effect of Vacancies.

The death, resignation, retirement, removal, bankruptcy, dissolution, liquidation, incompetence or incapacity to perform the duties of a Trustee shall not operate to annul the Trust.

Section 6.9 Delegation of Power.

(a) Any Administrator may, by power of attorney consistent with applicable law, delegate to any natural person over the age of 21 his, her or its power for the purpose of executing any documents contemplated in Section 3.6, including making governmental filings.

(b) The Administrators shall have power to delegate from time to time to such of their number or to officers of the Trust the doing of such things and the execution of such instruments either in the name of the Trust or the names of the Administrators or otherwise as the Administrator may deem expedient, to the extent such delegation is not prohibited by applicable law or contrary to the provisions of the Trust, as set forth herein.

Section 6.10 Merger, Conversion, Consolidation or Succession to Business.

Any corporation into which the Property Trustee or the Delaware Trustee, as the case may be, may be merged or converted or with which either may be consolidated, or any corporation

resulting from an merger, conversion or consolidation to which the Property Trustee or the Delaware Trustee, as the case may be, shall be a party, or any corporation succeeding to all or substantially all the corporate trust business of the Property Trustee or the Delaware Trustee, as the case may be, shall be the successor of the Property Trustee or the Delaware Trustee, as the case may be, hereunder, provided such corporation shall be otherwise qualified and eligible under this Article without the execution or filing of any paper or any further act on the part of any of the parties hereto.

ARTICLE 7

THE SECURITIES

Section 7.1 General Provisions Regarding Securities.

(a) The Administrators shall on behalf of the Trust issue a class of capital securities representing undivided beneficial ownership interests in the assets of the Trust (the "Capital Securities"), and one class of common securities representing undivided beneficial ownership interests in the assets of the Trust (the "Common Securities"). The aggregate liquidation amount of Capital Securities and Common Securities that may be issued by the Trust is unlimited; provided that the Common Securities outstanding at any time must have an aggregate liquidation amount with respect to the assets of the Trust equal to at least 3% of the assets of the Trust; and provided further that after the initial issuance of Capital Securities and Common Securities, the Trust may not issue additional Capital Securities or Common Securities unless the Trustees have received an opinion of counsel to the effect that the issuance of such securities will not affect the Trust's status as a grantor trust for United States federal income tax purposes.

(i) Capital Securities. The Capital Securities of the Trust have a liquidation amount with respect to the assets of the Trust of $1,000 per Capital Security. The Capital Security Certificates evidencing the Capital Securities shall be substantially in the form of Exhibit A-1 to the Declaration, with such changes and additions

thereto or deletions therefrom as may be required by ordinary usage, custom or practice.

(ii) Common Securities. The Common Securities of the Trust have a liquidation amount with respect to the assets of the Trust of $1,000 per Common Security. The Common Security Certificates evidencing the Common Securities shall be substantially in the form of Exhibit A-2 to the Declaration, with such changes and additions thereto or deletions therefrom as may be required by ordinary usage, custom or practice.

The Trust shall issue no securities or other interests in the assets of the Trust other than the Capital Securities and the Common Securities.

(b) Payment of Distributions on, and payments of the Redemption Price upon a redemption of, the Capital Securities and the Common Securities, as applicable, shall be made Pro Rata based on the liquidation amount of such Capital Securities and Common Securities; provided, however, that if on any date on which amounts payable on Distribution or redemption an Indenture Event of Default shall have occurred and be continuing, no payment of any Distribution on, or Redemption Price, any of the Common Securities, and no other payment on account of the redemption, liquidation or other acquisition of such Common Securities, shall be made unless payment in full in cash of all accumulated and unpaid Distributions on all of the outstanding Capital Securities for all Distribution periods terminating on or prior thereto, or in the case of amounts payable on redemption the full amount of the Redemption Price for all of the outstanding Capital Securities then called for redemption, shall have been made or provided for, and all funds available to the Property Trustee shall first be applied to the payment in full in cash of all Distributions on, or payments of the Redemption Price upon a redemption of, the Capital Securities then due and payable. The Trust shall issue no securities or other interests in the assets of the Trust other than the Capital Securities and the Common Securities.

(c) The Certificates shall be signed on behalf of the Trust by an Administrator. Such signature shall be the manual or facsimile signature of any present or any future Administrator.

In case an Administrator of the Trust who shall have signed any of the Certificates shall cease to be such Administrator before the Certificates so signed shall be delivered by the Trust, such Certificates nevertheless may be delivered as though the person who signed such Certificates had not ceased to be such Administrator; and any Certificate may be signed on behalf of the Trust by such persons who, at the actual date of execution of such Certificate, shall be the Administrators of the Trust, although at the date of the execution and delivery of the Declaration any such person was not an Administrator. Certificates shall be printed, lithographed or engraved or may be produced in any other manner as is reasonably acceptable to the Administrators, as evidenced by their execution thereof, and may have such letters, numbers or other marks of identification or designation and such legends or endorsements as the Administrators may deem appropriate, or as may be required to comply with any law or with any rule or regulation of any stock exchange on which Securities may be listed, or to conform to usage.

A Certificate shall not be valid until authenticated by the manual signature of an authorized officer of the Property Trustee. Such signature shall be conclusive evidence that the Certificate has been authenticated under this Declaration.

Upon a written order of the Trust signed by one Administrator, the Property Trustee shall authenticate the Certificates for original issue. The aggregate number of Capital Securities outstanding at any time shall not exceed the liquidation amount set forth in Section 7(a)(i).

The Property Trustee may appoint an authenticating agent acceptable to the Trust to authenticate Certificates. An authenticating agent may authenticate Certificates whenever the Property Trustee may do so. Each reference in this Declaration to authentication by the Property Trustee includes authentication by such agent. An authenticating agent has the same rights as the Property Trustee to deal with the Sponsor or an Affiliate of the Sponsor.

(d) The consideration received by the Trust for the issuance of the Securities shall constitute a contribution to the capital of the Trust and shall not constitute a loan to the Trust.

(e) Upon issuance of the Securities as provided in this Declaration, the Securities so issued shall be deemed to be validly issued, fully paid and non-assessable.

(f) Every Person, by virtue of having become a Holder or a Capital Security Beneficial Owner in accordance with the terms of this Declaration, shall be deemed to have expressly assented and agreed to the terms of, and shall be bound by, this Declaration and the terms of the Securities, the Guarantee, the Indenture and the Debentures.

(g) The Securities shall have no preemptive rights.

Section 7.2 Distributions.

(a) Subject to Section 7.2(d), Holders of Securities shall be entitled to receive cumulative cash Distributions at a variable per annum rate on the stated liquidation amount of $1,000 per Security equal to the variable per annum rate on the Debentures calculated on the basis of the actual number of days elapsed in a year consisting of twelve 30-day months. For any period shorter than a full 90-day quarterly period, distributions will be computed on the basis of the actual number of days elapsed in such 90-day quarterly period. Subject to Section 7.1(b), Distributions shall be made on the Capital Securities and the Common Securities on a Pro Rata basis. Distributions on the Securities shall, from the date of original issue, accrue and be cumulative and shall be payable quarterly only to the extent that the Trust has funds available for the payment of such Distributions in the Property Account. Distributions not paid on the scheduled payment date will accumulate and compound quarterly at the rate payable on the Debentures, to the extent permitted by applicable law ("Compounded Distributions"). "Distributions" shall mean ordinary cumulative distributions together with any Compounded Distributions. If and to the extent that the Debenture Issuer makes a payment of interest, premium and/or principal on the Debentures held by the Property Trustee (the amount of any such payment being a "Payment Amount"), the Property Trustee shall and is directed, to the extent funds are available for that purpose, to make a Pro Rata distribution (a "Distribution") of the Payment Amount to Holders, subject to the terms of Section 7.1(b).

(b) Distributions on the Securities will be cumulative, will accrue from the date of initial issuance and will be payable quarterly in arrears on the 1st day of February, May, August and November, commencing April 15, 1997, when, as and if available for payment, by the Property Trustee, except as otherwise described below. If Distributions are not paid when scheduled, the accrued Distributions shall be paid to the Holders of record of Securities as they appear on the books and records of the Trust on the record date as determined under Section 7.2(c).

(c) Distributions on the Securities will be payable to the Holders thereof as they appear on the books and records of the Trust on the relevant record dates, which relevant record date shall be the first day of the month of the relevant payment dates. Distributions payable on any Capital Securities that are not punctually paid on any Distribution Date will cease to be payable to the person in whose name such Capital Securities are registered on the relevant record date, and such defaulted Distribution will instead be payable to the person in whose name such Capital Securities are registered on the special record date or other specified date determined in accordance with the Declaration. In the event that any date on which distributions are payable on the Securities is not a Business Day, payment of the distribution payable on such date will be made on the next succeeding day which is a Business Day (without any interest or other payment in respect of any such delay), except that, if such Business Day falls in the next calendar year, such payment will be made on the immediately preceding Business Day, in each case with the same force and effect as if made on such date.

(d) Holders of a beneficial interest in Capital Securities sold in reliance on Regulation S and in the form of temporary global Capital Security (the "Regulation S Temporary Global Security") are prohibited from receiving Distributions or from exchanging beneficial interests in such Regulation S Temporary Global Securities for a permanent global security issued in reliance on Regulation S (the "Regulation S Permanent Global Security") until (i) the expiration of the Restricted Period (the "Release Date") and (ii) the furnishing of a certificate, substantially in the form of Exhibit B-2 attached hereto, certifying that the beneficial owner of the Regulation S Temporary Global Security is a non-United States Person (a "Regulation S Certificate") as provided in Section 7.13.

Section 7.3 Redemption of Securities; Distribution of Debentures.

(a) Upon the repayment or redemption, in whole or in part, of the Debentures on each Debenture Redemption Date and on the Debenture Maturity Date, the proceeds from such repayment or redemption shall be simultaneously applied Pro Rata (subject to Section 7.1(b)) to redeem Securities having an aggregate liquidation amount equal to the aggregate principal amount of the Debentures so repaid or redeemed for an amount equal to the redemption price paid by the Debenture Issuer in respect of such Debentures plus an amount equal to accrued and unpaid Distributions thereon through the date of the redemption or such lesser amount as shall be received by the Trust in respect of the Debentures so repaid or redeemed (the "Redemption Price"). Holders will be given not less than 30 or more than 60 days notice of such redemption.

(b) If, at any time, a Special Event shall occur and be continuing, the Sponsor may elect to, unless the Debentures are redeemed, within 90 days following the occurrence of such Special Event, subject to the receipt of any necessary prior regulatory approval, cause the dissolution of the Trust upon not less than 30 nor more than 60 days' notice and, after satisfaction of creditors, if any, cause the Debentures to be distributed to the holders of the Common Securities and the Capital Securities in liquidation of the Trust.

(c) On the date fixed for any distribution of Debentures, upon dissolution of the Trust, (i) the Capital Securities and the Common Securities will no longer be deemed to be outstanding and (ii) certificates representing Securities will be deemed to represent the Debentures having an aggregate principal amount equal to the stated liquidation amount of, and bearing accrued and unpaid distributions equal to accrued and unpaid distributions on, such Securities until such certificates are presented to the Sponsor or its agent for transfer or reissuance.

Section 7.4 Redemption Procedures.

(a) Notice of any redemption of, or notice of distribution of Debentures in exchange for, the Securities (a "Redemption/Distribution Notice") will be given by the Trust by

mail to each Holder of Securities to be redeemed or exchanged not fewer than 30 nor more than 60 days before the date fixed for redemption or exchange thereof which, in the case of a redemption, will be the date fixed for redemption of the Debentures. For purposes of the calculation of the date of redemption or exchange and the dates on which notices are given pursuant to this Section 7.4, a Redemption/Distribution Notice shall be deemed to be given on the day such notice is first mailed by first-class mail, postage prepaid, to Holders of Securities. Each Redemption/Distribution Notice shall be addressed to the Holders of Securities at the address of each such Holder appearing in the books and records of the Trust. No defect in the Redemption/Distribution Notice or in the mailing of either thereof with respect to any Holder shall affect the validity of the redemption or exchange proceedings with respect to any other Holder.

(b) If fewer than all the outstanding Securities are to be so redeemed, the Common Securities and the Capital Securities will be redeemed Pro Rata and the Capital Securities to be redeemed will be redeemed as described below. The Trust may not redeem the Securities in part unless all accrued and unpaid interest has been paid in full on all Securities then outstanding plus accrued but unpaid interest to the date of redemption. For all purposes of this Declaration, unless the context otherwise requires, all provisions relating to the redemption of Capital Securities shall relate, in the case of any Capital Security redeemed or to be redeemed only in part, to the portion of the aggregate liquidation amount of Capital Securities which has been or is to be redeemed.

(c) Holders of a beneficial interest in a Regulation S Temporary Global Security are prohibited from receiving payments of the Redemption Price or from exchanging beneficial interests in such Regulation S Temporary Global Securities for a beneficial interest in a Regulation S Permanent Global Security until the latter of (i) the Release Date or (ii) the furnishing of a Regulation S Certificate, substantially in the form of Exhibit B- 2 attached hereto.

(d) If Securities are to be redeemed and the Trust gives a Redemption/Distribution Notice, which notice may only be issued if the Debentures are redeemed as set out in this Section 7.4 (which notice will be irrevocable), then (A) by 12:00 noon,

New York City time, on the redemption date with respect to Global Securities, the Property Trustee, upon receipt of such funds, will deposit irrevocably with the DTC (in the case of book-entry form Capital Securities) or its nominee (or successor Clearing Agency or its nominee) funds sufficient to pay the applicable Redemption Price with respect to the Capital Securities and will give the DTC irrevocable instructions and authority to pay the Redemption Price to the Holders of the Capital Securities, and (B) with respect to Capital Securities and Common Securities issued in definitive form, the trust, to the extent funds are available, will irrevocably deposit with the paying agent for such Capital Securities funds sufficient to pay the applicable Redemption Price and will give the paying agent irrevocable instructions and authority to pay the Redemption Price to the holders thereof upon surrender of their certificates evidencing the Capital Securities. If a Redemption/Distribution Notice shall have been given and funds deposited as required, then immediately prior to the close of business on the date of such deposit, distributions will cease to accrue on the Securities so called for redemption and all rights of Holders of such Securities will cease, except the right of the Holders of such Securities to receive the Redemption Price, but without interest on such Redemption Price. If any date fixed for redemption of Securities is not a Business Day, then payment of the Redemption Price payable on such date will be made on the next succeeding day that is a Business Day (and without any interest or other payment in respect of any such delay) except that, if such Business Day falls in the next calendar year, such payment will be made on the immediately preceding Business Day, in each case with the same force and effect as if made on such date fixed for redemption. If payment of the Redemption Price in respect of any Securities is improperly withheld or refused and not paid either by the Property Trustee or by the Corporation as guarantor pursuant to the Guarantee, Distributions on such Securities will continue to accrue at the then applicable rate from the original redemption date to the actual date of payment, in which case the actual payment date will be considered the date fixed for redemption for purposes of calculating the Redemption Price. For these purposes, the applicable Redemption Price shall not include Distributions which are being paid to Holders who were Holders on a relevant record date. Upon satisfaction of the foregoing conditions, then immediately prior to the close of business on the date of such deposit or payment, all rights of Holders of such Debentures so called for redemption will cease, except the

right of the Holders to receive the Redemption Price, but without interest on such Redemption Price, and from and after the date fixed for redemption, such Debentures will not accrue distributions or bear interest.

None of the Administrators, the Trustees or the Trust shall be required to register or cause to be registered the transfer or exchange of any Securities that have been called for redemption, except in the case of any Securities being redeemed in part, any portion thereof not to be redeemed.

(e) Subject to the foregoing and applicable law (including, without limitation, United States Federal securities laws), the Debenture Issuer or its subsidiaries may at any time and from time to time purchase outstanding Capital Securities by tender, in the open market or by private agreement.

Section 7.5 Voting Rights of Capital Securities.

(a) Except as provided under this Article VII and as otherwise required by the Business Trust Act, the Trust Indenture Act and other applicable law, the Holders of the Capital Securities will have no voting rights.

(b) Subject to the requirement of the Property Trustee obtaining a tax opinion in certain circumstances set forth in Section 7.5(d) below, the Holders of a Majority in Liquidation Amount of the Capital Securities have the right to (i) direct the time, method and place of conducting any proceeding for any remedy available to the Indenture Trustee or executing any trust or power conferred on the Property Trustee with respect to such Debentures, (ii) waive any past default that is waivable under the Indenture, (iii) exercise any right to rescind or annul a declaration that the principal of all the Debentures shall be due and payable, or (iv) consent to any amendment, modification or termination of the Indenture or such Debentures, where such consent shall be required, without, in each case, obtaining the prior approval of the holders of a Majority in Liquidation Amount of all outstanding Capital Securities; provided, however, that where a consent under the Indenture would require the consent of each holder of Debentures affected thereby, no such consent shall be given by the Property Trustee without the prior consent of each holder of Capital Securities. The Issuer Trustees shall not revoke any action previously authorized or approved by a vote of

the holders of the Capital Securities except pursuant to a subsequent vote of the holders of the Capital Securities.

(c) If the Property Trustee fails to enforce its rights under the Debentures after a Holder of record of Capital Securities has made a written request, such Holder of record of Capital Securities may, to the extent permitted by applicable law, institute a legal proceeding directly against the Debenture Issuer to enforce the Property Trustee's rights under the Indenture without first instituting any legal proceeding against the Property Trustee or any other person or entity. Notwithstanding the foregoing, if a Trust Enforcement Event has occurred and is continuing and such event is attributable to the failure of the Debenture Issuer to make any required payment when due under the Indenture, then a Holder of Capital Securities may directly institute a proceeding against the Debenture Issuer for enforcement of such payment under the Indenture.

(d) The Property Trustee shall notify all Holders of the Capital Securities of any written notice of any Indenture Event of Default received from the Debenture Issuer with respect to the Debentures. Such notice shall state that such Indenture Event of Default also constitutes a Trust Enforcement Event. Except with respect to directing the time, method, and place of conducting a proceeding for a remedy, the Property Trustee shall be under no obligation to take any of the actions described in clause 7.5(b)(i) and (ii) above unless the Property Trustee has obtained an opinion of independent tax counsel to the effect that as a result of such action, the Trust will not fail to be classified as a grantor trust for United States federal income tax purposes and each Holder will be treated as owning an undivided beneficial ownership interest in the Debentures.

(e) In the event the consent of the Property Trustee, as the Holder of the Debentures, is required under the Indenture with respect to any amendment or modification of the Indenture, the Property Trustee shall request the direction of the Holders of the Securities with respect to such amendment or modification and shall vote with respect to such amendment or modification as directed by a Majority in Liquidation Amount of the Securities voting together as a single class; provided, however, that where a consent under the Indenture would require the consent of the Holders of more than a majority in aggregate principal amount of the Debentures, the Property Trustee may only give such consent

at the direction of the Holders of at least the same proportion in aggregate stated liquidation amount of the Securities. The Property Trustee shall not take any such action in accordance with the directions of the Holders of the Securities unless the Property Trustee has obtained an opinion of tax counsel to the effect that, as a result of such action, the Trust will not be classified as other than a grantor trust for United States federal income tax purposes and each Holder will be treated as owning an undivided beneficial ownership interest in the Debentures.

(f) A waiver of an Indenture Event of Default with respect to the Debentures will constitute a waiver of the corresponding Trust Enforcement Event.

(g) Any required approval or direction of Holders of Capital Securities may be given at a separate meeting of Holders of Capital Securities convened for such purpose, at a meeting of all of the Holders of Securities or pursuant to written consent. The Property Trustee will cause a notice of any meeting at which Holders of Capital Securities are entitled to vote, or of any matter upon which action by written consent of such Holders is to be taken, to be mailed to each Holder of record of Capital Securities. Each such notice will include a statement setting forth the following information: (i) the date of such meeting or the date by which such action is to be taken; (ii) a description of any resolution proposed for adoption at such meeting on which such Holders are entitled to vote or of such matter upon which written consent is sought; and (iii) instructions for the delivery of proxies or consents.

(h) No vote or consent of the Holders of Capital Securities will be required for the Trust to redeem and cancel Capital Securities or distribute Debentures in accordance with the Declaration.

(i) Notwithstanding that Holders of Capital Securities are entitled to vote or consent under any of the circumstances described above, any of the Securities that are owned at such time by the Debenture Issuer or any entity directly or indirectly controlled by, or under direct or indirect common control with, the Debenture Issuer, shall not be entitled to vote or consent and shall, for purposes of such vote or consent, be treated as if such Securities were not outstanding, provided, however that

persons otherwise eligible to vote to whom the Debenture Issuer or any of its subsidiaries have pledged Capital Securities may vote or consent with respect to such pledged Capital Securities under any of the circumstances described herein.

(j) Upon the occurrence and continuation of a Trust Enforcement Event, the Property Trustee or the Delaware Trustee, or both of them, may be removed by the Holders of a Majority in Liquidation Amount of the Capital Securities.

Section 7.6 Voting Rights of Common Securities.

(a) Except as provided under this Section 7.6 or as otherwise required by the Business Trust Act, the Trust Indenture Act or other applicable law or provided by the Declaration, the Holders of the Common Securities will have no voting rights.

(b) Subject to Section 2.6 of the Declaration and only after all Trust Enforcement Events with respect to the Capital Securities have been cured, waived, or otherwise eliminated and subject to the requirement of the Property Trustee obtaining a tax opinion in certain circumstances set forth in this paragraph (b), the Holders of a Majority in liquidation amount of the Common Securities have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Property Trustee, or direct the exercise of any trust or power conferred upon the Property Trustee under the Declaration, including the right to direct the Property Trustee, as Holder of the Debentures, to (i) exercise the remedies available to it under the Indenture as a Holder of the Debentures, or (ii) consent to any amendment or modification of the Indenture or the Debentures where such consent shall be required; provided, however, that where a consent or action under the Indenture would require the consent or act of the Holders of more than a majority in aggregate principal amount of Debentures affected thereby, only the Holders of the percentage of the aggregate stated liquidation amount of the Common Securities which is at least equal to the percentage required under the Indenture may direct the Property Trustee to have such consent or take such action. Except with respect to directing the time, method, and place of conducting a proceeding for a remedy, the Property Trustee shall be under no obligation to take any of the actions described in clause 7.6(b)(i) and (ii) above unless the Property Trustee has obtained an opinion of independent tax counsel to the effect

that, as a result of such action, for United States federal income tax purposes the Trust will not fail to be classified as a grantor trust and each Holder will be treated as owning an undivided beneficial interest in the Debentures.

(c) If the Property Trustee fails to enforce its rights under the Debentures after a Holder of record of Common Securities has made a written request, such Holder of record of Common Securities may, to the extent permitted by applicable law, directly institute a legal proceeding directly against the Debenture Issuer, as sponsor of the Trust, to enforce the Property Trustee's rights under the Debentures without first instituting any legal proceeding against the Property Trustee or any other person or entity.

(d) A waiver of an Indenture Event of Default with respect to the Debentures will constitute a waiver of the corresponding Trust Enforcement Event.

(e) Any required approval or direction of Holders of Common Securities may be given at a separate meeting of Holders of Common Securities convened for such purpose, at a meeting of all of the Holders of Securities or pursuant to written consent. The Property Trustee will cause a notice of any meeting at which Holders of Common Securities are entitled to vote, or of any matter on which action by written consent of such Holders is to be taken, to be mailed to each Holder of Common Securities. Each such notice will include a statement setting forth the following information: (i) the date of such meeting or the date by which such action is to be taken; (ii) a description of any resolution proposed for adoption at such meeting on which such Holders are entitled to vote or of such matter upon which written consent is sought; and (iii) instructions for the delivery of proxies or consents.

(f) No vote or consent of the Holders of Common Securities will be required for the Trust to redeem and cancel Common Securities or to distribute Debentures in accordance with the Declaration and the terms of the Securities.

Section 7.7 Paying Agent.

In the event that any Capital Securities are not in book-entry only form, the Trust shall maintain in the Borough of Manhattan, City of New York, State of New York an office or agency where the Capital Securities may be presented for payment (each a "Paying Agent"). The Trust may appoint the Paying Agents and may appoint additional Paying Agents in such other locations as it shall determine. The term "Paying Agent" includes any additional Paying Agents. The Trust may change any Paying Agent without prior notice to the Holders. The Trust shall notify the Property Trustee of the name and address of any Paying Agent not a party to this Declaration. If the Trust fails to appoint or maintain another entity as Paying Agent, the Property Trustee shall act as such. The Trust or any of its Affiliates may act as a Paying Agent. The First National Bank of Chicago shall initially act as Paying Agent for the Capital Securities and The First National Bank of Chicago will act as initial Paying Agent for the Common Securities. In the event the Property Trustee shall no longer be the Paying Agent, the Trust shall appoint a successor (which shall be a bank or trust company acceptable to the Debenture Issuer) to act as Paying Agent. The Paying Agent shall be permitted to resign as Paying Agent upon 30 days' written notice to the Property Trustee and the Debenture Issuer.

Section 7.8 Transfer of Securities.

(a) The Trust shall cause to be kept at the Corporate Trust Office of the Property Trustee a register (the register maintained in such office being herein sometimes referred to as the "Security Register") in which, subject to such reasonable regulations as it may prescribe, the Trust shall provide for the registration of Capital Securities and of transfers of Capital Securities. The Property Trustee is hereby appointed "Security Registrar" for the purpose of registering Capital Securities and transfers of Capital Securities as herein provided.

(b) Upon surrender for registration of transfer of any Security at an office or agency of the Trust designated for such purpose, the Trust shall execute, upon receipt of an order to authenticate, and the Property Trustee shall authenticate and deliver, in the name of the designated transferee or transferees, one or more new Securities of any authorized denominations and of a like aggregate principal amount.

(c) At the option of the Holder, Securities may be exchanged for other Securities of any authorized denominations and of a like aggregate principal amount, upon surrender of the Securities to be exchanged at such office or agency. Whenever any Securities are so surrendered for exchange, the Trust shall execute, and the Property Trustee shall authenticate and deliver, the Securities which the Holder making the exchange is entitled to receive.

(d) Every Security presented or surrendered for registration of transfer or for exchange shall (if so required by the Trust or the Property Trustee) be duly endorsed, or be accompanied by a written instrument of transfer in form satisfactory to the Trust and the Security Registrar duly executed, by the Holder thereof or his attorney duly authorized in writing.

(e) No service charge shall be made for any registration of transfer or exchange of Securities, but the Trust may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any registration of transfer or exchange of Securities.

(f) If the Securities are to be redeemed in part, the Trust shall not be required (A) to issue, register the transfer of or exchange any Securities during a period beginning at the opening of business 15 days before the day of the mailing of a notice of redemption of any such Securities selected for redemption under Section 7.4 and ending at the close of business on the day of such mailing, or (B) to register the transfer of or exchange any Security so selected for redemption in whole or in part, except the unredeemed portion of any Security being redeemed in part.

Section 7.9 Mutilated, Destroyed, Lost or Stolen Certificates.

If:

(a) any mutilated Certificates should be surrendered to the Security Registrar, or if the Security Registrar shall receive evidence to their satisfaction of the destruction, loss or theft of any Certificate; and

(b) there shall be delivered to the Security Registrar and the Administrator such security or indemnity as may be required by them to keep each of them, the Sponsor and the Trust harmless, then, in the absence of notice that such Certificate shall have been acquired by a bona fide purchaser, any Administrator on behalf of the Trust shall execute and deliver, in exchange for or in lieu of any such mutilated, destroyed, lost or stolen Certificate, a new Certificate of like denomination. In connection with the issuance of any new Certificate under this Section 7.9, the Administrator or the Security Registrar may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection therewith. Any duplicate Certificate issued pursuant to this Section shall constitute conclusive evidence of an ownership interest in the relevant Securities, as if originally issued, whether or not the lost, stolen or destroyed Certificate shall be found at any time.

Section 7.10 Deemed Security Holders.

The Trustees and the Administrators may treat the Person in whose name any Certificate shall be registered on the books and records of the Trust as the sole holder of such Certificate and of the Securities represented by such Certificate for purposes of receiving Distributions and for all other purposes whatsoever and, accordingly, shall not be bound to recognize any equitable or other claim to or interest in such Certificate or in the Securities represented by such Certificate on the part of any Person, whether or not the Trust shall have actual or other notice thereof.

Section 7.11 Global Securities.

If the Trust shall establish that the Capital Securities are to be issued in global form (each, a "Global Security"), then an Administrator on behalf of the Trust shall execute, upon receipt of an order to authenticate, and the Property Trustee shall authenticate and deliver one or more Global Securities that (i) shall represent and shall be denominated in an amount equal to the aggregate liquidation amount of all of the Capital Securities to be issued in the form of Global Securities and not yet cancelled, (ii) shall be registered in the name of the Depositary for such Global Security or Capital Securities or the nominee of such Depositary, and (iii) shall be delivered by the Property Trustee to such Depositary or pursuant to such Depositary's instructions. Global Securities shall bear a legend substantially to the following effect:

"This Capital Security is a Global Security within the meaning of the Declaration hereinafter referred to and is registered in the name of a Depositary or a nominee of a Depositary. Notwithstanding the provisions of Section 7.8 of the Declaration, unless and until it is exchanged in whole or in part for Capital Securities in definitive registered form, a Global Security representing all or a part of the Capital Securities may not be transferred in the manner provided in Section 7.8 of the Declaration except as a whole by the Depositary to a nominee of such Depositary or by a nominee of such Depositary to such Depositary or another nominee of such Depositary or by such Depositary or any such nominee to a successor Depositary or a nominee of such successor Depositary. Every Capital Security delivered upon registration or transfer of, or in exchange for, or in lieu of, this Global Security shall be a Global Security subject to the foregoing, except in the limited circumstances described above. Unless this certificate is presented by an authorized representative of DTC to the Trust or its agent for registration of transfer, exchange or payment, and any certificate issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is to be made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein."

Definitive Capital Securities issued in exchange for all or a part of a Global Security pursuant to this Section 7.11 shall be registered in such names and in such authorized denominations as the Depositary, pursuant to instructions from its direct or indirect participants or otherwise, shall instruct the Property Trustee. Upon execution and authentication, the Property Trustee shall deliver such definitive Capital Securities to the persons in whose names such definitive Capital Securities are so registered.

At such time as all interests in Global Securities have been redeemed, repurchased or canceled, such Global Securities shall be, upon receipt thereof, canceled by the Property Trustee in accordance with its standing procedures in effect from time to time and instructions existing between the Depositary and the Custodian. At any time prior to such cancellation, if any interest in Global Securities is exchanged for definitive Capital Securities, redeemed, canceled or transferred to a transferee who receives definitive Capital Securities therefor or any definitive Capital Security is exchanged or transferred for part of Global Securities, the principal amount of such Global Securities shall, in accordance with the standing procedures in effect from time to time and instructions existing between the Depositary and the Custodian, be reduced or increased, as the case may be, and an endorsement shall be made on such Global Securities by the Property Trustee or the Custodian, at the direction of the Property Trustee, to reflect such reduction or increase.

The Trust and the Property Trustee may for all purposes, including the making of payments due on the Capital Securities, deal with the Depositary as the authorized representative of the Holders for the purposes of exercising the rights of Holders hereunder. The rights of the owner of any beneficial interest in a Global Security shall be limited to those established by law and agreements between such owners and depositary participants or Euroclear and Cedel; provided that no such agreement shall give any rights to any person against the Trust or the Property Trustee without the written consent of the parties so affected. Multiple requests and directions from and votes of the Depositary as holder of Capital Securities in global form with respect to any particular matter shall not be deemed inconsistent to the extent they do not represent an amount of Capital Securities in excess of those held in the name of the Depositary or its nominee.

If at any time the Depositary for any Capital Securities represented by one or more Global Securities notifies the Trust that it is unwilling or unable to continue as Depositary for such Capital Securities or if at any time the Depositary for such Capital Securities shall no longer be eligible under this Section 7.11, the Trust shall appoint a successor Depositary with respect to such Capital Securities. If a successor Depositary for such Capital Securities is not appointed by the Trust within 90 days after the Trust receives such notice or becomes aware of such ineligibility, the Trust's election that such Capital Securities be represented by one or more Global Securities shall no longer be effective and an Administrator on behalf of the Trust shall execute, and the Property Trustee will authenticate and deliver Capital Securities in definitive registered form, in any authorized denominations, in an aggregate liquidation amount equal to the principal amount of the Global Security or Capital Securities representing such Capital Securities in exchange for such Global Security or Capital Securities.

The Trust may at any time and in its sole discretion determine that the Capital Securities issued in the form of one or more Global Securities shall no longer be represented by a Global Security or Capital Securities. In such event an Administrator on behalf of the Trust shall execute, and the Property Trustee, shall authenticate and deliver, Capital Securities in definitive registered form, in any authorized denominations, in an aggregate liquidation amount equal to the principal amount of the Global Security or Capital Securities representing such Capital Securities, in exchange for such Global Security or Capital Securities.

Notwithstanding any other provisions of this Declaration (other than the provisions set forth in Section 7.13(a)), Global Securities may not be transferred as a whole except by 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 a successor Depositary or a nominee of such successor Depositary.

Interests of beneficial owners in Global Securities may be transferred or exchanged for definitive Capital Securities and definitive Capital Securities may be transferred or exchanged for

Global Securities in accordance with the rules of the Depositary and the provisions of Section 7.13.

Any Capital Security in global form may be endorsed with or have incorporated in the text thereof such legends or recitals or changes not inconsistent with the provisions of this Declaration as may be required by the Custodian, the Depositary or by the National Association of Securities Dealers, Inc. in order for the Capital Securities to be tradeable on the PORTAL Market or as may be required for the Capital Securities to be tradeable on any other market developed for trading of securities pursuant to Rule 144A or required to comply with any applicable law or any regulation thereunder or with Regulation S or with the rules and regulations of any securities exchange upon which the Capital Securities may be listed or traded or to conform with any usage with respect thereto, or to indicate any special limitations or restrictions to which any particular Capital Securities are subject.

Section 7.12 Restrictive Legend.

(a) Each Global Security and definitive Capital Security that constitutes a Restricted Security shall bear the following legend (the "Private Placement Legend") on the face thereof until three years after the later of the date of original issue and the last date on which the Sponsor or any affiliate of the Sponsor was the owner of such Capital Securities (or any predecessor thereto) (the "Resale Restriction Termination Date"), unless otherwise agreed by the Trust and the Holder thereof:

"THIS CAPITAL SECURITY (OR ITS PREDECESSOR) HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") OR ANY STATE SECURITIES LAWS AND NEITHER THIS CAPITAL SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE OFFERED, SOLD OR OTHERWISE TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN APPLICABLE EXEMPTION THEREFROM. EACH PURCHASER OF THIS CAPITAL SECURITY IS HEREBY NOTIFIED THAT THE SELLER MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A, REGULATION S OR ANOTHER EXEMPTION THEREUNDER. THE HOLDER OF THIS CAPITAL SECURITY, BY ITS ACCEPTANCE HEREOF, REPRESENTS, ACKNOWLEDGES AND AGREES FOR THE BENEFIT OF THE TRUST THAT: (I) IT HAS ACQUIRED A "RESTRICTED" SECURITY WHICH HAS NOT BEEN

REGISTERED UNDER THE SECURITIES ACT; (II) IT WILL NOT OFFER, SELL OR OTHERWISE TRANSFER THIS CAPITAL SECURITY PRIOR TO THE LATER OF THE DATE WHICH IS THREE YEARS AFTER THE DATE OF ORIGINAL ISSUANCE HEREOF AND THE LAST DATE ON WHICH THE TRUST OR ANY AFFILIATE OF THE TRUST WAS THE OWNER OF SUCH RESTRICTED SECURITIES (OR ANY PREDECESSOR) EXCEPT (A) TO THE BANK, (B) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, (C) FOR SO LONG AS THIS CAPITAL SECURITY IS ELIGIBLE FOR RESALE PURSUANT TO RULE 144A, TO A PERSON WHO THE SELLER REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (D) OUTSIDE THE UNITED STATES IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 904 UNDER THE SECURITIES ACT, (E) TO AN INSTITUTIONAL "ACCREDITED INVESTOR," WITHIN THE MEANING OF SUBPARAGRAPH (A)(1), (2), (3) OR (7) OF RULE 501 UNDER THE SECURITIES ACT THAT IS ACQUIRING THE SECURITIES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF SUCH AN INSTITUTIONAL "ACCREDITED INVESTOR," FOR INVESTMENT PURPOSES AND NOT WITH A VIEW TO, OR FOR OFFER OR SALE IN CONNECTION WITH, ANY DISTRIBUTION IN VIOLATION OF THE SECURITIES ACT, OR (F) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND, IN EACH CASE, IN ACCORDANCE WITH THE APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY APPLICABLE JURISDICTION; AND (III) IT WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER FROM IT OF THIS CAPITAL SECURITY OF THE RESALE RESTRICTIONS SET FORTH IN (II) ABOVE. ANY OFFER, SALE OR OTHER DISPOSITION PURSUANT TO THE FOREGOING CLAUSES (II)(D), (E) AND (F) IS SUBJECT TO THE RIGHT OF THE ISSUER OF THIS CAPITAL SECURITY AND THE PROPERTY TRUSTEE FOR SUCH CAPITAL SECURITIES TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATIONS OR OTHER INFORMATION ACCEPTABLE TO THEM IN FORM AND SUBSTANCE."

Any Capital Security (or security issued in exchange or substitution therefor) as to which such restrictions on transfer shall have expired in accordance with their terms may, upon satisfaction of the requirements of Section 7.12(b) and surrender of such Capital Security for exchange to the Capital Security Registrar in accordance with the provisions of this Section 7.12(a), be exchanged for a new Capital Security or Capital Securities, of like tenor and aggregate liquidation amount, which

shall not bear the restrictive legend required by this Section 7.12(a).

Upon any sale or transfer of any Restricted Security (including any interest in a Global Security) (i) that is effected pursuant to an effective registration statement under the Securities Act or (ii) in connection with which the Property Trustee receives certificates and other information (including an opinion of counsel, if requested) reasonably acceptable to the Sponsor and the Property Trustee to the effect that such security will no longer be subject to the resale restrictions under federal and state securities laws, then (A) in the case of a Restricted Security in definitive form, the Capital Security registrar or co-registrar shall permit the holder thereof to exchange such Restricted Security for a security that does not bear the legend set forth in Section 7.12(a), and shall rescind any such restrictions on transfer and (B) in the case of Restricted Securities represented by a Global Security, such Capital Security shall no longer be subject to the restrictions contained in the legend set forth in Section 7.12(a) (but still subject to the other provisions hereof). In addition, any Capital Security (or security issued in exchange or substitution therefor) as to which the restrictions on transfer described in the legend set forth in Section 7.12(a) have expired by their terms, may, upon surrender thereof (in accordance with the terms of this Indenture) together with such certifications and other information (including an opinion of counsel having substantial experience in practice under the Securities Act and otherwise reasonably acceptable to the Sponsor, addressed to the Sponsor and the Property Trustee and in a form acceptable to the Sponsor, to the effect that the transfer of such Restricted Security has been made in compliance with Rule 144 or such successor provision) acceptable to the Sponsor and the Property Trustee as either of them may reasonably require, be exchanged for a new Capital Security or Capital Securities of like tenor and aggregate liquidation amount, which shall not bear the restrictive legends set forth in Section 7.12(a). Notwithstanding anything to the contrary, the Property Trustee may conclusively rely upon the completed certificate set forth in the certificate evidencing the Capital Securities.

Section 7.13 Regulation S Global Securities; Regulation S Certificates

(a) Capital Securities issued in reliance on a Regulation S will initially be in the form of a Regulation S Temporary Global Security and contain the following legend:

"THIS GLOBAL NOTE IS A TEMPORARY GLOBAL NOTE FOR PURPOSES OF REGULATION S UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "1933 ACT"). NEITHER THIS TEMPORARY GLOBAL NOTE NOR ANY INTEREST HEREIN MAY BE OFFERED, SOLD OR DELIVERED, EXCEPT AS PERMITTED UNDER THE DECLARATION REFERRED TO BELOW.

NO BENEFICIAL OWNERS OF THIS TEMPORARY GLOBAL NOTE SHALL BE ENTITLED TO RECEIVE PAYMENT OF PRINCIPAL OR INTEREST HEREON UNLESS THE REQUIRED CERTIFICATIONS HAVE BEEN DELIVERED PURSUANT TO THE TERMS OF THE DECLARATION."

(b) Any Capital Security evidenced by the Regulation S Temporary Global Security is exchangeable for a Regulation S Permanent Global Security upon the latter of the (i) expiration of the Restricted Period and upon certification of non-U.S. beneficial ownership substantially in the form of Exhibit B-2 attached hereto.

(c) (i) On or prior to the expiration of the Release Date, each beneficial owner of a Regulation S Temporary Global Security shall deliver to Euroclear or Cedel (as applicable) a Regulation S Certificate in the form of Exhibit B-2 attached hereto; provided, however, that any beneficial owner of a Regulation S Temporary Global Security on the Release Date or on any payment date that has previously delivered a Regulation S Certificate hereunder shall not be required to deliver any subsequent Regulation S Certificate (unless the certificate previously delivered is no longer true as of such subsequent date, in which case such beneficial owner shall promptly notify Euroclear or Cedel, as applicable, thereof and shall deliver an updated Regulation S Certificate). Euroclear or Cedel, as applicable, shall deliver to the Paying Agent or the Property Trustee a certificate (a "Non-U.S. Certificate") substantially in the form of Exhibit B-1 attached hereto promptly upon the receipt of each such Regulation S Certificate, and no such beneficial owner (or transferee from such beneficial owner) shall be entitled to receive an interest in a Regulation S Permanent Global Security or any payment of Distributions or Redemption Price, if applicable, or any other payment with respect to its

beneficial interest in a Regulation S Temporary Global Security prior to the Paying Agent or the Property Trustee receiving such Non-U.S. Certificate from Euroclear or Cedel with respect to the portion of the Regulation S Temporary Global Security owned by such beneficial owner (and, with respect to an interest in the Regulation S Permanent Global Security, prior to the Release Date).

(ii) Any payments of Distributions or Redemption Price, if applicable, or any other payment on a Regulation S Temporary Global Security received by Euroclear or Cedel with respect to any portion of such Regulation S Global Security owned by a beneficial owner that has not delivered the Regulation S Certificate required by Section 7.13 hereof shall be held by Euroclear and Cedel solely as agents for the Paying Agent and the Property Trustee. Euroclear and Cedel shall remit such payments to the applicable beneficial owner (or to a Euroclear or Cedel member on behalf of such beneficial owner) only after Euroclear or Cedel has received the requisite Regulation S Certificate. Until the Paying Agent or the Property Trustee has received a Non-U.S. Certificate from Euroclear or Cedel, as applicable, that it has received the requisite Regulation S Certificate with respect to the beneficial ownership of any portion of a Regulation S Temporary Global Security, the Paying Agent or the Property Trustee may revoke the right of Euroclear or Cedel, as applicable, to hold any payments made with respect to such portion of such Regulation S Global Security. If the Paying Agent or the Property Trustee exercises its right of revocation pursuant to the immediately preceding sentence, Euroclear or Cedel, as applicable, shall return such payments to the Paying Agent or the Property Trustee and the Paying Agent or the Property Trustee, as applicable, shall hold such payments in the Property Account until Euroclear or Cedel, as applicable, has provided the necessary Non-U.S. Certificates to the Paying Agent or the Property Trustee (at which time the Paying Agent shall forward such payments to Euroclear or Cedel, as applicable, to be remitted to the beneficial owner that is entitled thereto on the records of Euroclear or Cedel (or on the records of their respective members)).

(iii) Each beneficial owner of a Regulation S Temporary Global Security shall exchange its interest therein for an interest in a Regulation S Permanent Global Security on or after the Release Date upon furnishing to Euroclear or Cedel (as

applicable) the Regulation S Certificate and upon receipt by the Paying Agent or the Property Trustee, as applicable of the Non-U.S. Certificate thereof from Euroclear or Cedel, as applicable, in each case pursuant to the terms of Section 7.13 hereof. On and after the Release Date, upon receipt by the Paying Agent or the Property Trustee of any Non-U.S. Certificate from Euroclear or Cedel described in the immediately preceding sentence, (i) with respect to the first such certification, the Trust shall execute, upon receipt of an order to authenticate, and the Property Trustee shall authenticate and deliver to the Custodian the applicable Regulation S Permanent Global Security and (ii) with respect to the first and all subsequent certifications, the Custodian shall exchange on behalf of the applicable beneficial owners the portion of the applicable Regulation S Temporary Global Security covered by such certification for a comparable portion of the applicable Regulation S Permanent Global Security. Upon any exchange of a portion of a Regulation S Temporary Global Security for a comparable portion of a Regulation S Permanent Global Security, the Custodian shall endorse on the schedules affixed to each of such Regulation S Global Security (or on continuations of such schedules affixed to each of such Regulation S Global Security and made parts thereof) appropriate notations evidencing the date of transfer and (x) with respect to the applicable Regulation S Temporary Global Security, a decrease in the principal amount thereof equal to the amount covered by the applicable certification and (y) with respect to the applicable Regulation S Permanent Global Security, an increase in the principal amount thereof equal to the principal amount of the decrease in the applicable Regulation S Temporary Global Security pursuant to clause (x) above.

Section 7.14 Special Transfer Provisions.

(a) At any time at the request of the beneficial Holder of a Capital Security in global form, such beneficial holder shall be entitled to obtain a definitive Capital Security upon written request to the Property Trustee in accordance with the standing instructions and procedures existing between the Depositary and the Property Trustee for the issuance thereof. Any transfer of a beneficial interest in a Capital Security in global form which cannot be effected through book-entry settlement must be effected by the delivery to the transferee (or its nominee) of a definitive Capital Security or Securities registered in the name of the transferee (or its nominee) on the

books maintained by the Security Registrar. With respect to any such transfer, the Property Trustee will cause, in accordance with the standing instructions and procedures existing between the Depositary and the Property Trustee, the aggregate liquidation amount of the Global Security to be reduced and, following such reduction, the Property Trustee will cause definitive Capital Securities (which have been executed and delivered to it as an Administrator) in the appropriate aggregate liquidation amount in the name of such transferee (or its nominee) and bearing such restrictive legends as may be required by this Declaration to be delivered. In connection with any such transfer, the Property Trustee may request such representations and agreements relating to the restrictions on transfer of such Capital Securities from such transferee (or such transferee's nominee) as the Property Trustee may reasonably require.

(b) So long as the Capital Securities are eligible for book-entry settlement, or unless otherwise required by law, upon any transfer of a definitive Capital Security to a QIB in accordance with Rule 144A, unless otherwise requested by the transferor, and upon receipt of the definitive Capital Security being so transferred, together with a certification from the transferor that the transferor reasonably believes the transferee is a QIB (or other evidence satisfactory to the Property Trustee), the Property Trustee shall make an endorsement on the Restricted Global Security to reflect an increase in the aggregate liquidation amount of the Restricted Global Security, and the Property Trustee shall cancel such definitive Capital Security and cause, in accordance with the standing instructions and procedures existing between the Depositary and the Property Trustees, the aggregate liquidation amount of Capital Securities represented by the Restricted Global Security to be increased accordingly.

(c) So long as the Capital Securities are eligible for book-entry settlement, or unless otherwise required by law, upon any transfer of a definitive Capital Security in accordance with Regulation S, if requested by the transferor, and upon receipt of the definitive Capital Security or Capital Securities being so transferred, together with a certification from the transferor that the transfer was made in accordance with Rule 903 or 904 of Regulation S or Rule 144 under the Securities Act (or other evidence satisfactory to the Property Trustee), the Property Trustee shall make or direct the Custodian to make, an

endorsement on the Regulation S Global Security to reflect an increase in the aggregate liquidation amount of the Capital Securities represented by the Regulation S Global Security, the Property Trustee shall cancel such definitive Capital Security or Capital Securities and cause, or direct the Custodian to cause, in accordance with the standing instructions and procedures existing between the Depositary and the Property Trustee, the aggregate liquidation amount of Capital Securities represented by the Regulation S Global Security to be increased accordingly. Notwithstanding anything to the contrary, the Property Trustee may conclusively rely upon the completed certificate set forth in the certificate evidencing the Capital Securities.

(d) If a holder of a beneficial interest in the Restricted Global Security wishes at any time to exchange its interest in the Restricted Global Security for an interest in the Regulation S Global Security, or to transfer its interest in the Restricted Global Security to a person who wishes to take delivery thereof in the form of an interest in the Regulation S Global Security, such holder may, subject to the rules and procedures of the Depositary and to the requirements set forth in the following sentence, exchange or cause the exchange or transfer or cause the transfer of such interest for an equivalent beneficial interest in the Regulation S Global Security. Upon receipt by the Property Trustee of (1) instructions given in accordance with the Depositary's procedures from or on behalf of a holder of a beneficial interest in the Restricted Global Security, directing the Property Trustee (via DWAC), as transfer agent, to credit or cause to be credited a beneficial interest in the Regulation S Global Security in an amount equal to the beneficial interest in the Restricted Global Security to be exchanged or transferred, (2) a written order in accordance with the Depositary's procedures containing information regarding the Euroclear or Cedel account to be credited with such increase and the name of such account, and (3) a certificate given by the holder of such beneficial interest stating that the exchange or transfer of such interest has been made pursuant to and in accordance with Rule 903 or Rule 904 of Regulation S or Rule 144 under the Securities Act, the Property Trustee, as transfer agent, shall promptly deliver appropriate instructions to the Depositary (via DWAC), its nominee, or the custodian for the Depositary, as the case may be, to reduce or reflect on its records a reduction of the Restricted Global Security by the aggregate liquidation amount of the beneficial interest in such

Restricted Global Security to be so exchanged or transferred from the relevant participant, and the Property Trustee, as transfer agent, shall promptly deliver appropriate instructions (via DWAC) to the Depositary, its nominee, or the custodian for the Depositary, as the case may be, concurrently with such reduction, to increase or reflect on its records an increase of the liquidation amount of such Regulation S Global Security by the aggregate liquidation amount of the beneficial interest in such Restricted Global Security to be so exchanged or transferred, and to credit or cause to be credited to the account of the person specified in such instructions (who may be Morgan Guaranty Trust Company of New York, Brussels office, as operator of Euroclear or Cedel or another agent member of Euroclear or Cedel, or both, as the case may be, acting for and on behalf of them) a beneficial interest in such Regulation S Global Security equal to the reduction in the liquidation amount of such Restricted Global Security. Notwithstanding anything to the contrary, the Property Trustee may conclusively rely upon the completed certificate set forth in the certificate evidencing the Capital Securities.

(e) If a holder of a beneficial interest in the Regulation S Global Security wishes at any time to exchange its interest in the Regulation S Global Security for an interest in the Restricted Global Security, or to transfer its interest in the Regulation S Global Security to a person who wishes to take delivery thereof in the form of an interest in the Restricted Global Security, such holder may, subject to the rules and procedures of Euroclear or Cedel and the Depositary, as the case may be, and to the requirements set forth in the following sentence, exchange or cause the exchange or transfer or cause the transfer of such interest for an equivalent beneficial interest in such Restricted Global Security. Upon receipt by the Property Trustee, as transfer agent of (l) instructions given in accordance with the procedures of Euroclear or Cedel and the Depositary, as the case may be, from or on behalf of a beneficial owner of an interest in the Regulation S Global Security directing the Property Trustee, as transfer agent, to credit or cause to be credited a beneficial interest in the Restricted Global Security in an amount equal to the beneficial interest in the Regulation S Global Security to be exchanged or transferred, (2) a written order given in accordance with the procedures of Euroclear or Cedel and the Depositary, as the case may be, containing information regarding the account with the Depositary to be credited with such increase and the name of such account,

and (3) prior to the expiration of the Restricted Period, a certificate given by the holder of such beneficial interest and stating that the person transferring such interest in such Regulation S Global Security reasonably believes that the person acquiring such interest in the Restricted Global Security is a QIB and is obtaining such beneficial interest in a transaction meeting the requirements of Rule 144A and any applicable securities laws of any state of the United States or any other jurisdiction (or other evidence satisfactory to the Property Trustee), the Property Trustee, as transfer agent, shall promptly deliver (via DWAC) appropriate instructions to the Depositary, its nominee, or the custodian for the Depositary, as the case may be, to reduce or reflect on its records a reduction of the Regulation S Global Security by the aggregate liquidation amount of the beneficial interest in such Regulation S Global Security to be exchanged or transferred, and the Property Trustee , as transfer agent, shall promptly deliver (via DWAC) appropriate instructions to the Depositary, its nominee, or the custodian for the Depositary, as the case may be, concurrently with such reduction, to increase or reflect on its records an increase of the liquidation amount of the Restricted Global Security by the aggregate liquidation amount of the beneficial interest in the Regulation S Global Security to be so exchanged or transferred, and to credit or cause to be credited to the account of the person specified in such instructions a beneficial interest in the Restricted Global Security equal to the reduction in the liquidation amount of the Regulation S Global Security. After the expiration of the Restricted Period, the certification requirement set forth in clause (3) of the second sentence of this Section 7.14 will no longer apply to such exchanges and transfers. Notwithstanding anything to the contrary, the Property Trustee may conclusively rely upon the completed certificate set forth in the certificate evidencing the Capital Securities.

(f) Any beneficial interest in one of the Global Securities that is transferred to a person who takes delivery in the form of an interest in the other Global Security will, upon transfer, cease to be an interest in such Global Security and become an interest in the other Global Security and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in such other Global Security for as long as it remains such an interest.

(g) Until the later of the Release Date and the provision of the certifications required by Section 7.13(c), beneficial interests in a Regulation S Global Security may only be held through Morgan Guaranty Trust Company of New York, Brussels office, as operator of Euroclear or Cedel or another agent member of Euroclear and Cedel acting for and on behalf of them. During the Restricted Period, interests in the Regulation S Global Security may be exchanged for interests in the Restricted Global Security or for definitive Securities only in accordance with the certification requirements described above.

ARTICLE 8

DISSOLUTION AND TERMINATION OF TRUST

Section 8.1 Dissolution and Termination of Trust.

(a) The Trust shall dissolve upon the earliest of:

(i) December 31, 2051, the expiration time of the Trust;

(ii) any liquidation, insolvency or similar proceeding with respect to the Holder of the Common Securities or the Sponsor or all or substantially all of its property;

(iii) the filing of a certificate of dissolution or its equivalent with respect to the Sponsor; the consent of the Holder of at least a Majority in Liquidation Amount of the Securities to the filing of a certificate of cancellation with respect to the Trust or the revocation of the Sponsor's charter and the expiration of 90 days after the date of revocation without a reinstatement thereof;

(iv) the entry of a decree of judicial dissolution of the Sponsor or the Trust;

(v) the time when all of the Securities shall have matured or been called for redemption and the amounts then due shall have been paid to the Holders in accordance with the terms of the Securities; or

(vi) upon the election of the Sponsor and subject to the receipt of any necessary regulatory approvals, pursuant to which the Trust shall have been dissolved in accordance with the terms of the Securities, and all of the Debentures shall have been distributed to the Holders of Securities in exchange for all of the Securities.

(b) As soon as is practicable after the occurrence of an event referred to in Section 8.1(a), but within 30 days of such event, notice of such dissolution should be given to the Holders and upon completion of the winding up of the Trust, the Trustees shall terminate the Trust by filing a certificate of cancellation with the Secretary of State of the State of Delaware.

(c) The provisions of Section 3.9 and Article 10 shall survive the termination of the Trust.

Section 8.2 Liquidation Distribution Upon Termination and Dissolution of the Trust.

(a) In the event of any voluntary or involuntary liquidation, dissolution, winding-up or termination of the Trust (each a "Liquidation"), the Holders of the Capital Securities on the date of the Liquidation will be entitled to receive, out of the assets of the Trust available for distribution to Holders of Securities after satisfaction of the Trusts' liabilities and creditors, distributions in cash or other immediately available funds in an amount equal to the aggregate of the stated liquidation amount of $1,000 per CapitalSecurity plus accrued and unpaid Distributions thereon to the date of payment (such amount being the "Liquidation Distribution"), unless, in connection with such Liquidation, Debentures in an aggregate principal amount equal to the aggregate liquidation amount of, with an interest rate identical to the interest rate of, and accrued and unpaid distributions equal to accrued and unpaid distributions on, such

Securities shall be distributed on a Pro Rata basis to the Holders of the Securities in exchange for such Securities.

(b) If, upon any such Liquidation, the Liquidation Distribution can be paid only in part because the Trust has insufficient assets available to pay in full the aggregate Liquidation Distribution, then the amounts payable directly by the Trust on the Securities shall be paid on a Pro Rata basis. The Holders of the Common Securities will be entitled to receive distributions upon any such Liquidation Pro Rata with the Holders of the Capital Securities except that if an Indenture Event of Default has occurred and is continuing, the Capital Securities shall have a preference over the Common Securities with regard to such distributions.

ARTICLE 9

LIMITATION OF LIABILITY OF HOLDERS OF SECURITIES, TRUSTEES OR OTHERS

Section 9.1 Liability.

(a) Except as expressly set forth in this Declaration and the terms of the Securities, the Sponsor and the Holder of the Common Securities:

(i) shall not be personally liable for the return of any portion of the capital contributions (or any return thereon) of the Holders of the Securities which shall be made solely from assets of the Trust; and

(ii) shall not be required to pay to the Trust or to any Holder of Securities any deficit upon dissolution of the Trust or otherwise.

(b) The Holder of the Common Securities shall be liable for all of the debts and obligations of the Trust (other than with respect to the Securities) to the extent not satisfied out of the Trust's assets.

(c) Pursuant to Section 3803(a) of the Business Trust Act, the Holders of the Capital Securities shall be entitled

to the same limitation of personal liability extended to stockholders of private corporations for profit organized under the General Corporation Law of the State of Delaware.

Section 9.2 Exculpation.

(a) No Indemnified Person shall be liable, responsible or accountable in damages or otherwise to the Trust or any Covered Person for any loss, damage or claim incurred by reason of any act or omission performed or omitted by such Indemnified Person in good faith on behalf of the Trust and in a manner such Indemnified Person reasonably believed to be within the scope of the authority conferred on such Indemnified Person by this Declaration or by law, except that an Indemnified Person shall be liable or any such loss, damage or claim incurred by reason of such Indemnified Person's negligence or willful misconduct with respect to such acts or omissions.

(b) An Indemnified Person shall be fully protected in relying in good faith upon the records of the Trust and upon such information, opinions, reports or statements presented to the Trust by any Person as to matters the Indemnified Person reasonably believes are within such other Person's professional or expert competence and who has been selected with reasonable care by or on behalf of the Trust, including information, opinions, reports or statements as to the value and amount of the assets, liabilities, profits, losses or any other facts pertinent to the existence and amount of assets from which Distributions to Holders of Securities might properly be paid.

Section 9.3 Fiduciary Duty.

(a) To the extent that, at law or in equity, an Indemnified Person has duties (including fiduciary duties) and liabilities relating thereto to the Trust or to any other Covered Person, an Indemnified Person acting under this Declaration shall not be liable to the Trust or to any other Covered Person for its good faith reliance on the provisions of this Declaration. The provisions of this Declaration, to the extent that they restrict the duties and liabilities of an Indemnified Person otherwise existing at law or in equity (other than the duties imposed on the Property Trustee under the Trust Indenture Act), are agreed by the parties hereto to replace such other duties and liabilities of such Indemnified Person.

(b) Unless otherwise expressly provided herein:

(i) whenever a conflict of interest exists or arises between any Covered Persons; or

(ii) whenever this Declaration or any other agreement contemplated herein or therein provides that an Indemnified Person shall act in a manner that is, or provide terms that are, fair and reasonable to the Trust or any Holder of Securities,

the Indemnified Person shall resolve such conflict of interest, take such action or provide such terms, considering in each case the relative interest of each party (including its own interest) to such conflict, agreement, transaction or situation and the benefits and burdens relating to such interests, any customary or accepted industry practices and any applicable generally accepted accounting practices or principles. In the absence of bad faith by the Indemnified Person, the resolution, action or term so made, taken or provided by the Indemnified Person shall not constitute a breach of this Declaration or any other agreement contemplated herein or of any duty or obligation of the Indemnified Person at law or in equity or otherwise.

(c) Whenever in this Declaration an Indemnified Person is permitted or required to make a decision:

(i) in its "discretion" or under a grant of similar authority, the Indemnified Person shall be entitled to consider such interests and factors as it desires, including its own interests, and shall have no duty or obligation to give any consideration to any interest of or factors affecting the Trust or any other Person; or

(ii) in its "good faith" or under another express standard, the Indemnified Person shall act under such express standard and shall not be subject to any other or different standard imposed by this Declaration or by applicable law.

Section 9.4 Indemnification.

(a)(i) The Debenture Issuer shall indemnify, to the full extent permitted by law, any Indemnified Person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Trust) by reason of the fact that he is or was a Indemnified Person against expenses (including attorney fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Trust, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the Indemnified Person did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the Trust, and, with respect to any criminal action or proceeding, had reasonable cause to believe that his conduct was unlawful.

(ii) The Debenture Issuer shall indemnify, to the full extent permitted by law, any Indemnified Person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Trust to procure a judgment in its favor by reason of the fact that he is or was a Indemnified Person against expenses (including attorneys' fees) actually and reasonably incurred by him in connection with the defense or settlement of such action or suit if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Trust and except that no such indemnification shall be made in respect of any claim, issue or matter as to which such Indemnified Person shall have been adjudged to be liable to the Trust unless and only to the extent that the Court of Chancery of Delaware or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which such Court of Chancery or such other court shall deem proper.

(iii) Any indemnification under paragraphs (i) and (ii) of this Section 9.4(a) (unless ordered by a court) shall be made by the Debenture Issuer only as authorized in the specific case upon a determination that indemnification of the Indemnified Person is proper in the circumstances because he has met the applicable standard of conduct set forth in paragraphs (i) and (ii). Such determination shall be made (1) by the Administrators by a majority vote of a quorum consisting of such Administrators who were not parties to such action, suit or proceeding, (2) if such a quorum is not obtainable, or, even if obtainable, if a quorum of disinterested Administrators so directs, by independent legal counsel in a written opinion, or (3) by the Common Security Holder of the Trust.

(iv) Expenses (including attorneys' fees) incurred by an Indemnified Person in defending a civil, criminal, administrative or investigative action, suit or proceeding referred to in paragraphs (i) and (ii) of this Section 9.4(a) shall be paid by the Debenture Issuer in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of such Indemnified Person to repay such amount if it shall ultimately be determined that he is not entitled to be indemnified by the Debenture Issuer as authorized in this Section 9.4(a). Notwithstanding the foregoing, no advance shall be made by the Debenture Issuer if a determination is reasonably and promptly made (i) by the Administrators by a majority vote of a quorum of disinterested Administrators, (ii) if such a quorum is not obtainable, or, even if obtainable, if a quorum of disinterested Administrators so directs, by independent legal counsel in a written opinion or (iii) the Common Security Holder of the Trust, that, based upon the facts known to the Administrators, counsel or the Common Security Holder at the time such determination is made, such Indemnified Person acted in bad faith or in a manner that such person did not believe to be in or not opposed to the best interests of the Trust, or, with respect to any criminal proceeding, that such Indemnified Person believed or had reasonable cause to believe his conduct was unlawful. In no event shall any advance be made in instances where the Administrators, independent legal counsel or Common Security Holder reasonably determine that such person deliberately breached his duty to the Trust or its Common or Capital Security Holders.

(v) The indemnification and advancement of expenses provided by, or granted pursuant to, the other paragraphs of this Section 9.4(a) shall not be deemed exclusive of any other rights to which those seeking indemnification and advancement of expenses may be entitled under any agreement, vote of stockholders or disinterested directors of the Debenture Issuer or Capital Security Holders of the Trust or otherwise, both as to action in his official capacity and as to action in another capacity while holding such office. All rights to indemnification under this Section 9.4(a) shall be deemed to be provided by a contract between the Debenture Issuer and each Indemnified Person who serves in such capacity at any time while this Section 9.4(a) is in effect. Any repeal or modification of this Section 9.4(a) shall not affect any rights or obligations then existing.

(vi) The Debenture Issuer or the Trust may purchase and maintain insurance on behalf of any person who is or was an Indemnified Person against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such, whether or not the Debenture Issuer would have the power to indemnify him against such liability under the provisions of this Section 9.4(a).

(vii) For purposes of this Section 9.4(a), references to "the Trust" shall include, in addition to the resulting or surviving entity, any constituent entity (including any constituent of a constituent) absorbed in a consolidation or merger, so that any person who is or was a director, trustee, officer or employee of such constituent entity, or is or was serving at the request of such constituent entity as a director, trustee, officer, employee or agent of another entity, shall stand in the same position under the provisions of this Section 9.4(a) with respect to the resulting or surviving entity as he would have with respect to such constituent entity if its separate existence had continued.

(viii) The indemnification and advancement of expenses provided by, or granted pursuant to, this Section 9.4(a) shall, unless otherwise provided when authorized or ratified, continue as to a person who has ceased to be an Indemnified Person and shall inure to the benefit of the heirs, executors and administrators of such a person. The provisions of this Section 9.4(a) shall survive the satisfaction and discharge of this

Declaration or the resignation or removal of any Administrator or Trustee, as the case may be.

Section 9.5 Outside Businesses.

Any Covered Person, the Sponsor, the Delaware Trustee and the Property Trustee may engage in or possess an interest in other business ventures of any nature or description, independently or with others, similar or dissimilar to the activities of the Trust, and the Trust and the Holders of Securities shall have no rights by virtue of this Declaration in and to such independent ventures or the income or profits derived therefrom, and the pursuit of any such venture, even if competitive with the activities of the Trust, shall not be deemed wrongful or improper. No Covered Person, the Sponsor, the Delaware Trustee or the Property Trustee shall be obligated to present any particular investment or other opportunity to the Trust even if such opportunity is of a character that, if presented to the Trust, could be taken by the Trust, and any Covered Person, the Sponsor, the Delaware Trustee and the Property Trustee shall have the right to take for its own account (individually or as a partner or fiduciary) or to recommend to others any such particular investment or other opportunity. Any Covered Person, the Delaware Trustee and the Property Trustee may engage or be interested in any financial or other transaction with the Sponsor or any Affiliate of the Sponsor, or may act as depositary for, trustee or agent for, or act on any committee or body of holders of, securities or other obligations of the Sponsor or its Affiliates.

ARTICLE 10

ACCOUNTING

Section 10.1 Fiscal Year.

The fiscal year ("Fiscal Year") of the Trust shall be the calendar year, or such other year as is required by the Code.

Section 10.2 Certain Accounting Matters.

(a) At all times during the existence of the Trust, the Regular Trustees shall keep, or cause to be kept, full books

of account, records and supporting documents, which shall reflect in reasonable detail, each transaction of the Trust. The books of account shall be maintained on the accrual method of accounting, in accordance with generally accepted accounting principles. The Trust shall use the accrual method of accounting for United States federal income tax purposes. The books of account and the records of the Trust shall be examined by and reported upon as of the end of each Fiscal Year of the Trust by a firm of independent certified public accountants selected by the Administrators.

(b) The Administrators shall cause to be duly prepared and delivered to each of the Holders of Securities, an annual United States federal income tax information statement, required by the Code, containing such information with regard to the Securities held by each Holder as is required by the Code and the Treasury Regulations. Notwithstanding any right under the Code to deliver any such statement at a later date, the Administrators shall endeavor to deliver all such statements within 30 days after the end of each Fiscal Year of the Trust.

(c) The Administrators shall cause to be duly prepared and filed with the appropriate taxing authority, an annual United States federal income tax return, on a Form 1041 or such other form required by United States federal income tax law, and any other annual income tax returns required to be filed by the Administrators on behalf of the Trust with any state or local taxing authority.

Section 10.3 Banking.

The Trust shall maintain one or more bank accounts in the name and for the sole benefit of the Trust; provided, however, that all payments of funds in respect of the Debentures held by the Property Trustee shall be made directly to the Property Account and no other funds of the Trust shall be deposited in the Property Account. The sole signatories for such accounts shall be designated by the Administrators; provided, however, that the Property Trustee shall designate the signatories for the Property Account.

Section 10.4 Withholding.

The Trust and the Administrators shall comply with all withholding requirements under United States federal, state and local law. The Trust shall request, and the Holders shall provide to the Trust, such forms or certificates as are necessary to establish an exemption from withholding with respect to each Holder, and any representations and forms as shall reasonably be requested by the Trust to assist it in determining the extent of, and in fulfilling, its withholding obligations. The Administrators shall file required forms with applicable jurisdictions and, unless an exemption from withholding is properly established by a Holder, shall remit amounts withheld with respect to the Holder to applicable jurisdictions. To the extent that the Trust is required to withhold and pay over any amounts to any authority with respect to distributions or allocations to any Holder, the amount withheld shall be deemed to be a distribution in the amount of the withholding to the Holder. In the event of any claimed over withholding, Holders shall be limited to an action against the applicable jurisdiction. If the amount required to be withheld was not withheld from actual Distributions made, the Trust may reduce subsequent Distributions by the amount of such withholding.

ARTICLE 11

AMENDMENTS AND MEETINGS

Section 11.1 Amendments.

(a) Except as otherwise provided in this Declaration or by any applicable terms of the Securities, this Declaration may only be amended by a written instrument approved and executed by (i) the Sponsor; (ii) by the Property Trustee if the amendment affects the rights, powers, duties, obligations or immunities of the Property Trustee; and (iii) by the Delaware Trustee if the amendment affects the rights, powers, duties, obligations or immunities of the Delaware Trustee.

(b) No amendment shall be made, and any such purported amendment shall be void and ineffective:

(i) unless, in the case of any proposed amendment, the Property Trustee shall have first received an Officers' Certificate from each of the Trust and

the Sponsor that such amendment is permitted by, and conforms to, the terms of this Declaration (including the terms of the Securities);

(ii) unless, in the case of any proposed amendment which affects the rights, powers, duties, obligations or immunities of the Property Trustee, the Property Trustee shall have first received:

a. an Officers' Certificate from each of the Trust and the Sponsor that such amendment is permitted by, and conforms to, the terms of this Declaration (including the terms of the Securities); and

b. an opinion of counsel (who may be counsel to the Sponsor or the Trust) that such amendment is permitted by, and conforms to, the terms of this Declaration (including the terms of the Securities); and

(iii) to the extent the result of such amendment would be to:

a. cause the Trust to be classified other than as a grantor trust for United States federal income tax purposes;

b. reduce or otherwise adversely affect the powers of the Property Trustee in contravention of the Trust Indenture Act; or

c. cause the Trust to be deemed to be an Investment Company required to be registered under the Investment Company Act.

(c) At such time after the Trust has issued any Securities that remain outstanding, if amendment would (i) adversely affect the powers, preferences or special rights of the Securities, whether by way of amendment to the Declaration or otherwise or (ii) result in the dissolution, winding-up or termination of the Trust other than pursuant to the terms of this Declaration or, (iii) change the amount or timing of any distribution of the Securities or otherwise adversely affect the

amount of any distribution required to be made in respect of the Securities as of a specified date or (iv) restrict the right of a Holder of Securities to institute suit for the enforcement of any such payment on or after such date, then the Holders of the Securities voting together as a single class will be entitled to vote on such amendment or proposal and such amendment or proposal shall not be effective except with the approval of at least a Majority in Liquidation Amount of the Securities affected thereby; provided that, if any amendment or proposal referred to in clause (i) above would adversely affect only the Capital Securities or the Common Securities, then only the affected class will be entitled to vote on such amendment or proposal and such amendment or proposal shall not be effective except with the approval of a Majority in Liquidation Amount of such class of Securities.

(d) Section 7.8 and this Section 11.1 shall not be amended without the consent of all of the Holders of the Securities.

(e) Article 4 shall not be amended without the consent of the Holders of a Majority in Liquidation Amount of the Common Securities.

(f) The rights of the Holders of the Common Securities under Article 6 to appoint and remove Trustees shall not be amended without the consent of the Holders of a Majority in Liquidation Amount of the Common Securities.

(g) Notwithstanding Section 11.1(c), this Declaration may be amended without the consent of the Holders of the Securities to:

(i) to cure any ambiguity, correct or supplement any provisions in this Declaration that may be inconsistent with any other provision, or to make any other provisions with respect to matters or questions arising under this Declaration that shall not be inconsistent with the other provisions of this Declaration;

(ii) to modify, eliminate or add to any provisions of this Declaration to such extent as shall be necessary to ensure that the Trust will be

classified as a grantor trust and will not be taxable as a corporation for United States federal income tax purposes at all times that any Securities are outstanding or to ensure that the Trust will not be required to register as an "investment company" under the Investment Company Act; or

(iii) to conform to any change in Rule 3a-7 under the Investment Company Act or written change in interpretation or application of such Rule 3a-7 by any legislative body, court, government agency or regulatory authority which amendment does not have a material adverse effect on the rights, preferences or privileges of the Holders.

provided, however, that such action shall not adversely affect in any material respect the interests of any Holder of Capital Securities or Common Securities, and any amendments of this Declaration shall become effective when notice thereof is given to the Holders of Capital Securities and Common Securities.

(h) The issuance of an Authorization Certificate by the Administrators for purposes of establishing the terms and form of the Securities as contemplated by Section 8.1 shall not be deemed an amendment of this Declaration subject to the provisions of this Section 11.1.

(i) Notwithstanding any provision of this Declaration, the right of any Holder of Capital Securities to receive payment of Distributions and other payments upon redemption or otherwise, on or after their respective due dates, or to institute a suit for the enforcement of any such payment on or after such respective dates, shall not be impaired or affected without the consent of such Holder. For the protection and enforcement of the foregoing provision, each and every Holder of Capital Securities shall be entitled to such relief as can be given either at law or equity.

Section 11.2 Meetings of the Holders of Securities; Action by Written Consent.

(a) Meetings of the Holders of any class of Securities may be called at any time by the Trustees (or as provided in the

terms of the Securities) to consider and act on any matter on which Holders of such class of Securities are entitled to act under the terms of this Declaration, the terms of the Securities or the rules of any stock exchange on which the Capital Securities are listed or admitted for trading, if any. The Trustees shall call a meeting of the Holders of such class if directed to do so by the Holders of at least 25% in Liquidation Amount of such class of Securities. Such direction shall be given by delivering to the Trustees one or more calls in a writing stating that the signing Holders of Securities wish to call a meeting and indicating the general or specific purpose for which the meeting is to be called. Any Holders of Securities calling a meeting shall specify in writing the Certificates held by the Holders of Securities exercising the right to call a meeting and only those Securities specified shall be counted for purposes of determining whether the required percentage set forth in the second sentence of this paragraph has been met.

(b) Except to the extent otherwise provided in the terms of the Securities, the following provisions shall apply to meetings of Holders of Securities:

(i) notice of any such meeting shall be given to all the Holders of Securities having a right to vote thereat at least 7 days and not more than 60 days before the date of such meeting. Whenever a vote, consent or approval of the Holders of Securities is permitted or required under this Declaration or the rules of any stock exchange on which the Capital Securities are listed or admitted for trading, if any, such vote, consent or approval may be given at a meeting of the Holders of Securities. Any action that may be taken at a meeting of the Holders of Securities may be taken without a meeting if a consent in writing setting forth the action so taken is signed by the Holders of Securities owning not less than the minimum amount of Securities in liquidation amount that would be necessary to authorize or take such action at a meeting at which all Holders of Securities having a right to vote thereon were present and voting. Prompt notice of the taking of action without a meeting shall be given to the Holders of Securities entitled to vote who have

not consented in writing. The Trustees may specify that any written ballot submitted to the Security Holders for the purpose of taking any action without a meeting shall be returned to the Trust within the time specified by the Trustees;

(ii) each Holder of a Security may authorize any Person to act for it by proxy on all matters in which a Holder of Securities is entitled to participate, including waiving notice of any meeting, or voting or participating at a meeting. No proxy shall be valid after the expiration of 11 months from the date thereof unless otherwise provided in the proxy. Every proxy shall be revocable at the pleasure of the Holder of Securities executing such proxy. Except as otherwise provided herein, all matters relating to the giving, voting or validity of proxies shall be governed by the General Corporation Law of the State of Delaware relating to proxies, and judicial interpretations thereunder, as if the Trust were a Delaware corporation and the Holders of the Securities were stockholders of a Delaware corporation;

(iii) each meeting of the Holders of the Securities shall be conducted by the Trustees or by such other Person that the Trustees may designate; and

(iv) consistent with the Business Trust Act, this Declaration, the terms of the Securities, the Trust Indenture Act or the listing rules of any stock exchange on which the Capital Securities are then listed for trading, otherwise provides, the Trustees, in their sole discretion, shall establish all other provisions relating to meetings of Holders of Securities, including notice of the time, place or purpose of any meeting at which any matter is to be voted on by any Holders of Securities, waiver of any such notice, action by consent without a meeting, the establishment of a record date, quorum requirements, voting in person or by proxy or any other matter with respect to the exercise of any such right to vote.

ARTICLE 12

REPRESENTATIONS OF PROPERTY TRUSTEE
AND DELAWARE TRUSTEE

Section 12.1 Representations and Warranties of the Property Trustee.

The Trustee that acts as initial Property Trustee represents and warrants to the Trust and to the Sponsor at the date of this Declaration, and each Successor Property Trustee represents and warrants to the Trust and the Sponsor at the time of the Successor Property Trustee's acceptance of its appointment as Property Trustee that:

(a) the Property Trustee is a corporation or bank duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation or organization, with trust power and authority to execute and deliver, and to carry out and perform its obligations under the terms of, this Declaration;

(b) the Property Trustee satisfies the requirements set forth in Section 6.3(a);

(c) the execution, delivery and performance by the Property Trustee of this Declaration has been duly authorized by all necessary corporate action on the part of the Property Trustee. This Declaration has been duly executed and delivered by the Property Trustee, and it constitutes a legal, valid and binding obligation of the Property Trustee, enforceable against it in accordance with its terms, subject to applicable bankruptcy, reorganization, moratorium, insolvency and other similar laws affecting creditors' rights generally and to general principles of equity and the discretion of the court (regardless of whether the enforcement of such remedies is considered in a proceeding in equity or at law);

(d) the execution, delivery and performance of this Declaration by the Property Trustee does not conflict with or constitute a breach of the articles of association or incorporation, as the case may be, or the by-laws (or other similar organizational documents) of the Property Trustee; and

(e) no consent, approval or authorization of, or registration with or notice to, any State or Federal banking authority is required for the execution, delivery or performance by the Property Trustee of this Declaration.

Section 12.2 Representations and Warranties of the Delaware Trustee.

The Trustee that acts as initial Delaware Trustee represents and warrants to the Trust and to the Sponsor at the date of this Declaration, and each Successor Delaware Trustee represents and warrants to the Trust and the Sponsor at the time of the Successor Delaware Trustee's acceptance of its appointment as Delaware Trustee that:

(a) the Delaware Trustee satisfies the requirements set forth in Section 6.2 and has the power and authority to execute and deliver, and to carry out and perform its obligations under the terms of, this Declaration and, if it is not a natural person, is duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation or organization;

(b) the Delaware Trustee has been authorized to perform its obligations under the Certificate of Trust and this Declaration. This Declaration under Delaware law constitutes a legal, valid and binding obligation of the Delaware Trustee, enforceable against it in accordance with its terms, subject to applicable bankruptcy, reorganization, moratorium, insolvency and other similar laws affecting creditors' rights generally and to general principles of equity and the discretion of the court (regardless of whether the enforcement of such remedies is considered in a proceeding in equity or at law); and

(c) no consent, approval or authorization of, or registration with or notice to, any State or Federal banking authority is require for the execution, delivery or performance by the Delaware Trustee of this Declaration.

ARTICLE 13

MISCELLANEOUS

Section 13.1 Notices.

All notices provided for in this Declaration shall be in writing, duly signed by the party giving such notice, and shall be delivered, telecopied or mailed by registered or certified mail, as follows:

(a) if given to the Trust, in care of the Administrators at the Trust's mailing address set forth below (or such other address as the Trust may give notice of to the Property Trustee, the Delaware Trustee and the Holders of the Securities):

Capital One Capital I
c/o Capital One Bank
Capital One Financial Corporation
2980 Fairview Park Drive,
Suite 1300
Falls Church, VA 22042-4525

(b) if given to the Delaware Trustee, at the mailing address set forth below (or such other address as the Delaware Trustee may give notice of to the Administrators, the Property Trustee and the Holders of the Securities):

First Chicago Delaware Inc.
300 King Street
Wilmington, DE 19801
Attention: Michael J. Majchuzak

(c) if given to the Property Trustee, at its Corporate Trust Office (or such other address as the Property Trustee may give notice of to the Administrators, the Delaware Trustee and the Holders of the Securities):

The First National Bank of Chicago
One First National Plaza
Suite 0126
Chicago, IL 60670-0126
Attention: Corporate Trust Office

(d) if given to the Sponsor, at the mailing address set forth below (or such other address as the Sponsor may give notice of to the Property Trustee, the Delaware Trustee and the Trust):

Capital One Bank
c/o Capital One Financial Corporation
2980 Fairview Park Drive
Suite 1300
Falls Church, VA 22042
Attn: General Counsel's Office

(e) if given to any Holder, at the address set forth on the books and records of the Trust.

All such notices shall be deemed to have been given when received in person, telecopied with receipt confirmed or mailed by first class mail, postage prepaid except that if a notice or other document is refused delivery or cannot be delivered because of a changed address of which no notice was given, such notice or other document shall be deemed to have been delivered on the date of such refusal or inability to deliver.

Section 13.2 Governing Law.

This Declaration and the rights of the parties hereunder shall be governed by and interpreted in accordance with the laws of the State of Delaware without regard to the principles of conflict of laws.

Section 13.3 Intention of the Parties.

It is the intention of the parties hereto that the Trust be classified for United States federal income tax purposes as a grantor trust. The provisions of this Declaration shall be interpreted in a manner consistent with such classification.

Section 13.4 Headings.

Headings contained in this Declaration are inserted for convenience of reference only and do not affect the interpretation of this Declaration or any provision hereof.

Section 13.5 Successors and Assigns.

Whenever in this Declaration any of the parties hereto is named or referred to, the successors and assigns of such party shall be deemed to be included, and all covenants and agreements in this Declaration by the Sponsor and the Trustees shall bind and inure to the benefit of their respective successors and assigns, whether so expressed.

Section 13.6 Partial Enforceability.

If any provision of this Declaration, or the application of such provision to any Person or circumstance, shall be held invalid, the remainder of this Declaration, or the application of such provision to persons or circumstances other than those to which it is held invalid, shall not be affected thereby.

Section 13.7 Counterparts.

This Declaration may contain more than one counterpart of the signature page and this Declaration may be executed by the affixing of the signature of each of the Trustees to one of such counterpart signature pages. All of such counterpart signature pages shall be read as though one, and they shall have the same force and effect as though all of the signers had signed a single signature page.

Section 13.8 Undertaking for Costs.

In any suit for the enforcement of any right or remedy under this Declaration or in any suit against any Trustee for any action taken or omitted by it as a Trustee, a court in its discretion may require the filing by any party litigant in the suit of an undertaking to pay the costs of the suit, and the court in its discretion may assess reasonable costs, including reasonable attorney's fees and expenses, against any party litigant in the suit, having due regard to the merits and good faith of the claims or defenses made by the party litigant. This Section 13.8 does not apply to a suit by a Trustee, a suit by a Holder to enforce its right to payment or a suit by Holders of more than 10% in Liquidation Amount of the then outstanding Securities.

IN WITNESS WHEREOF, the undersigned have caused these presents to be executed as of the day and year first above written.

CAPITAL ONE BANK,
as Sponsor and Common Securities Holder

BY:

Name:
Title:

THE FIRST NATIONAL BANK OF CHICAGO,
as Property Trustee

BY:

Name:
Title:

FIRST CHICAGO DELAWARE INC.,
as Delaware Trustee

BY:

Name:
Title:

EXHIBIT A-1

This Capital Security is a Global Certificate within the meaning of the Declaration hereinafter referred to and is registered in the name of The Depository Trust Company, a New York corporation (the "Depository"), or a nominee of the Depository. This Capital Security is exchangeable for Capital Securities registered in the name of a person other than the Depository or its nominee only in the limited circumstances described in the Declaration and no transfer of this Capital Security (other than a transfer of this Capital Security as a whole by the Depository to a nominee of the Depository or by a nominee of the Depository to the Depository or another nominee of the Depository) may be registered except in limited circumstances.

Unless this Capital Security Certificate is presented by an authorized representative of the Depository to Capital One Capital I or its agent for registration of transfer, exchange or payment, and any Capital Security Certificate issued is registered in the name of Cede & Co. or such other name as registered by an authorized representative of the Depository (and any payment hereon is made to Cede & Co. or to such other entity as is requested by an authorized representative of the Depository), 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.

CERTIFICATE NO. ---

CUSIP NO. ----------

AGGREGATE LIQUIDATION AMOUNT OF CAPITAL SECURITIES: $ ----------

CERTIFICATE EVIDENCING CAPITAL SECURITIES
OF
CAPITAL ONE CAPITAL I

FLOATING RATE SUBORDINATED CAPITAL INCOME SECURITIES
(LIQUIDATION AMOUNT $1,000 PER CAPITAL SECURITY)

CAPITAL ONE CAPITAL I, a statutory business trust formed under the laws of the State of Delaware (the "Trust"), hereby certifies that Cede & Co. (the "Holder") is the registered owner of capital securities in the aggregate liquidation amount of $_____ of the Trust representing undivided beneficial interests in the assets of the Trust designated the Floating Rate Subordinated Capital Income Securities (liquidation amount $1,000

per Capital Security) (the "Capital Securities"). The Capital Securities are transferable on the books and records of the Trust, in person or by a duly authorized attorney, upon surrender of this certificate duly endorsed and in proper form for transfer as provided in the Declaration (as defined below). The designation, rights, privileges, restrictions, preferences and other terms and provisions of the Capital Securities represented hereby are issued and shall in all respects be subject to the provisions of the Amended and Restated Declaration of Trust, dated as of January 31, 1997 (as the same may be amended from time to time (the "Declaration"), among Capital One Bank, as Sponsor ("Sponsor"), The First National Bank of Chicago, as Property Trustee, and First Chicago Delaware Inc., as Delaware Trustee. Capitalized terms used herein but not defined shall have the meaning given them in the Declaration. The Holder is entitled to the benefits of the Guarantee to the extent described therein. The Sponsor will provide a copy of the Declaration, the Guarantee and the Indenture to a Holder without charge upon written request to the Sponsor at its principal place of business.

Upon receipt of this certificate, the Holder is bound by the Declaration and is entitled to the benefits thereunder.

By acceptance, the Holder agrees to treat, for United States federal income tax purposes, the Debentures as indebtedness and the Capital Securities as evidence of undivided indirect beneficial interests in the Debentures.

This Capital Security shall be governed by and interpreted in accordance with the laws of the State of Delaware.

IN WITNESS WHEREOF, the Trust has executed this certificate this ____ day of January, 1997.

CAPITAL ONE CAPITAL I

By:

Name:
Title:

CERTIFICATE OF AUTHENTICATION

This is one of the Securities referred to in the within-mentioned Declaration.

THE FIRST NATIONAL BANK OF CHICAGO

By:

Authorized Officer

In connection with any transfer of this Security occurring prior to the date which is the earlier of (i) the date of the declaration by the Commission of the effectiveness of a registration statement under the Securities Act covering resales of this Security (which effectiveness shall not have been suspended or terminated at the date of the transfer) and (ii) three years after the later of the date of original issue and the last date on which the Sponsor or any affiliate of the Sponsor was the owner of such Capital Securities (or any predecessor thereto) (the "Resale Restriction Termination Date"), the undersigned confirms that it has not utilized any general solicitation or general advertising in connection with the transfer:

[CHECK ONE]

(1) --- to the Sponsor or a subsidiary thereof; or

(2) --- pursuant to and in compliance with Rule 144A under the Securities Act of 1933, as amended; or

(3) --- to an institutional "accredited investor" (as defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act of 1933, as amended) that has furnished to the Trustee a signed letter containing certain representations and agreements (the form of which letter can be obtained from the Trustee); or

(4) --- outside the United States to a "foreign person" in compliance with Rule 904 of Regulation S under the Securities Act of 1933, as amended; or

(5) --- pursuant to the exemption from registration provided by Rule 144 under the Securities Act of 1933, as amended; or

(6) --- pursuant to an effective registration statement under the Securities Act of 1933, as amended; or

(7) --- pursuant to another available exemption from the registration requirements of the Securities Act of 1933, as amended.

Unless one of the boxes is checked, the Trustee will refuse to register any of the Securities evidenced by this certificate in the name of any person other than the registered Holder thereof; provided, however, that if box (3), (4), (5) or (7) is checked, the Sponsor or the Trustee may require, prior to registering any such transfer of the Securities, in its sole discretion, such written legal opinions, certifications (including an investment

letter in the case of box (3) or (4)) and other information as the Trustee or the Sponsor has reasonably requested to confirm that such transfer is being made pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act of 1933, as amended.

If none of the foregoing boxes is checked, the Trustee or Registrar shall not be obligated to register this Security in the name of any person other than the Holder hereof unless and until the conditions to any such transfer of registration set forth herein and in Section 315 of the Indenture shall have been satisfied.

Dated: _____ Signed: _____

(Sign exactly as name appears on the other side of this Security)

Signature Guarantee: _____

TO BE COMPLETED BY PURCHASER IF (2) ABOVE IS CHECKED

The undersigned represents and warrants that it is purchasing this Security for its own account or an account with respect to which it exercises sole investment discretion and that it and any such account is a "qualified institutional buyer" within the meaning of Rule 144A under the Securities Act and is aware that the sale to it is being made in reliance on Rule 144A and acknowledges that it has received such information regarding the Sponsor as the undersigned has requested pursuant to Rule 144A or has determined not to request such information and that it is aware that the transferor is relying upon the undersigned's foregoing representations in order to claim the exemption from registration provided by Rule 144A.

Dated: _____

NOTICE: To be executed by an executive officer

TO BE COMPLETED BY PURCHASER IF (4) ABOVE IS CHECKED

The undersigned represents and warrants that it is purchasing the Capital Security outside the United States as a "foreign person" in compliance with Rule 904 of Regulation S

under the Securities Act and is aware that the sale to it is being made in reliance on Regulation S and acknowledges that a holder of an interest in a Regulation S temporary global security may not (i) receive the payment of any distributions, redemption price or any other payments with respect to the holder's beneficial interest in the temporary global security or (ii) receive an interest in a Regulation S permanent global security until (A) expiration of the 40th day after the later of the commencement of the offering of the Capital Securities and the closing date and (B) certification that the beneficial owner of the interest in the Capital Security is a non-U.S. person.

Dated:

NOTICE: To be executed by an executive officer

EXHIBIT A-2

THIS CERTIFICATE IS NOT TRANSFERABLE

CERTIFICATE NO. - NUMBER OF COMMON SECURITIES: ------

CERTIFICATE EVIDENCING COMMON SECURITIES
OF
CAPITAL ONE CAPITAL I

COMMON SECURITIES
(LIQUIDATION AMOUNT $1,000 PER COMMON SECURITY)

Capital One Capital I, a statutory business trust formed under the laws of the State of Delaware (the "Trust"), hereby certifies that Capital One Bank (the "Holder") is the registered owner of common securities of the Trust representing an undivided beneficial interest in the assets of the Trust designated the Floating Rate Common Securities (liquidation amount $1,000 per Common Security) (the "Common Securities"). The Common Securities are not transferable and any attempted transfer thereof shall be void. The designation, rights, privileges, restrictions, preferences and other terms and provisions of the Common Securities represented hereby are issued and shall in all respects be subject to the provisions of the Amended and Restated Declaration of Trust of the Trust, dated as of January 31, 1997 (as the same may be amended from time to time, the "Declaration"), among Capital One Bank, as Sponsor, The First National Bank of Chicago, as Property Trustee and First Chicago Delaware Inc., as Delaware Trustee. The Holder is entitled to the benefits of the Guarantee to the extent described therein. Capitalized terms used herein but not defined shall have the meaning given them in the Declaration. The Sponsor will provide a copy of the Declaration, the Guarantee and the Indenture to a Holder without charge upon written request to the Sponsor at its principal place of business.

Upon receipt of this certificate, the Holder is bound by the Declaration and is entitled to the benefits thereunder.

By acceptance, the Holder agrees to treat, for United States federal income tax purposes, the Debentures as indebtedness and the Common Securities as evidence of an undivided indirect beneficial interest in the Debentures.

This Common Security shall be governed by and interpreted in accordance with the laws of the State of Delaware.

IN WITNESS WHEREOF, the Trust has executed this certificate this day of January, 1997.

CAPITAL ONE CAPITAL I

By:

Name:
Title:

EXHIBIT B-1

[FORM OF EUROCLEAR AND CEDEL CERTIFICATE]
(Pursuant to Section 7.13(c) of the Declaration)

Re: Capital One Capital I, Floating Rate
Subordinated Capital Income Securities

_____, as
Paying Agent
[Address of Paying Agent] or
_____, as
Property Trustee
[Address of Property Trustee]

This is to certify that, based solely on certifications we have received in writing, by tested telex or by electronic transmission from member organizations appearing in our records as persons being entitled to a portion of the principal amount of the Securities set forth below (our "Member Organizations") substantially to the effect set forth in the Amended and Restated Declaration of trust dated as of January 31, 1997, between Capital One Bank, as Sponsor, The First National Bank of Chicago, as Property Trustee and First Chicago Delaware Inc., as Delaware Trustee, not in their individual capacities but solely as Trustees, U.S. $_____ principal amount of the above- captioned Securities held by us or on our behalf are beneficially owned by non-U.S. person(s). As used in this paragraph, the term "U.S. person" has the meaning given to it by Regulation S under the United States Securities Act of 1933, as amended.

We further certify that as of the date hereof we have not received any notification from any of our Member Organizations to the effect that the statements made by such Member Organizations with respect to any interest in the Securities identified above are no longer true and cannot be relied upon as of the date hereof.

[On Release Date: We hereby acknowledge that no portion of the Regulation S Temporary Global Security shall be exchanged for an interest in the Regulation S Permanent Global Security (as each such term is defined in the Declaration) with

respect to the portion thereof for which we have not received the applicable certifications from our Member Organizations.]*/

[On _____ and upon any other payments under the Regulation S Temporary Global Security: We hereby agree to hold (and return to the [ ] upon request) any payments received by us on the Regulation S Temporary Global Security (as defined in the Declaration) with respect to the portion thereof for which we have not received the applicable certifications from our Member Organizations.]*

We understand that this certification is required in connection with certain securities laws of the United States of America. In connection therewith, if administrative or legal proceedings are commenced or threatened in connection with which this certification is or would be relevant, we irrevocably authorize you to produce this certification to any interested party in such proceedings.

Dated: **/

[MORGAN GUARANTY TRUST COMPANY OF NEW YORK, Brussels office, as operator of the Euroclear System

or

Cedel, societe anonyme]

By:

Name:
Title

- ---

*/ Select as applicable.

**/ Insert Release Date or applicable Payment Date, as the case may be.

EXHIBIT B-2

[FORM OF CERTIFICATION TO BE GIVEN BY
HOLDER OF BENEFICIAL INTEREST IN A
REGULATION S TEMPORARY GLOBAL SECURITY]
(Pursuant to Section 7.13(b) of the Declaration)

Re: Capital One Capital I, Floating Rate
Subordinated Capital Income Securities

[Morgan Guaranty Trust Company of New York,
Brussels office, as operator of the Euroclear
System] [Cedel, societe anonyme]

Securities, [CINS No. _____] [ISIN No. ____]

Reference is hereby made to the Amended and Restated Declaration of Trust, dated as of January ___, 1997 (the "Declaration"), between Capital One Bank, as Sponsor, The First National Bank of Chicago, as Property Trustee and First Chicago Delaware Inc., as Delaware Trustee, not in their individual capacities but solely as Trustees. Capitalized terms used herein and not otherwise defined have the meanings set forth in the Declaration.

[For purposes of acquiring a beneficial interest in the Regulation S Permanent Global Security upon the expiration of the Restricted Period,][For purposes of receiving payments under the Regulation S Temporary Global Security,1 the undersigned holder of a beneficial interest in the Regulation S Temporary Global Security issued under the Declaration certifies that it is not a U.S. Persons as defined by Regulation S under the Securities Act of 1933, as amended.

We undertake to advise you promptly by telex on or prior to the date on which you intend to submit your corresponding certification relating to the Securities held by you if any applicable statement herein is not correct on such date, and in the absence of any such notification it may be assumed that this certificate applies as of such date.

- --------------------
*/ Select, as applicable.

We understand that this certificate is required in connection with certain securities laws of the United States. In connection therewith, if administrative or legal proceedings are commenced or threatened in connection with which this certificate is or would be relevant, we irrevocably authorize you to produce this certificate to any interested party in such proceeding. This certificate and the statements contained herein are made for your benefit and the health of the Trust and the Initial Purchaser.

Dated: ----------, ----

By: ----------

as, or as agent for, the holder of a beneficial interest in the Securities to which this certificate relates.

EXHIBIT 4.7

CAPITAL ONE BANK

TO

THE FIRST NATIONAL BANK OF CHICAGO

a national banking association, Trustee

INDENTURE

Dated as of January 31, 1997

Floating Rate Junior Subordinated Debentures due 2027

TABLE OF CONTENTS

This INDENTURE is dated as of January 31, 1997, between CAPITAL ONE BANK, a Virginia state chartered bank (herein called the "Bank"), having its principal office at 11011 West Broad Street Road, Richmond, Virginia 23260, and THE FIRST NATIONAL BANK OF CHICAGO, a national banking association, as Trustee (herein called the "Trustee").

RECITALS

WHEREAS, for its lawful corporate purposes, the Bank has duly authorized the execution and delivery of this Indenture to provide for the issuance of its Floating Rate Junior Subordinated Debentures due 2027 (the "Junior Subordinated Securities" or the "Securities").

WHEREAS, Capital One Capital I (the "Trust") has offered to the public its Floating Rate Subordinated Capital Income Securities (the "Capital Securities") representing undivided beneficial ownership interests in the assets of the Trust and proposes to invest the proceeds from such offering and the proceeds from the issuance of its Common Securities in the Securities.

WHEREAS, to provide the terms and conditions upon which the Securities are to be authenticated, issued and delivered, the Bank has duly authorized the execution of this Indenture.

WHEREAS, all things necessary to make this Indenture a valid agreement of the Bank, in accordance with its terms, have been done.

NOW, THEREFORE, THIS INDENTURE WITNESSETH:

For and in consideration of the premises and the purchase of the Securities by the Holders thereof, it is mutually agreed, for the equal and proportionate benefit of all Holders of the Securities, as follows:

ARTICLE ONE

DEFINITIONS AND OTHER PROVISIONS OF GENERAL APPLICATION

SECTION 1. Definitions.

For all purposes of this Indenture, except as expressly provided or unless the context otherwise requires:

(1) the terms defined in this Article have the meanings assigned to them in this Article and include the plural as well as the singular and the masculine as well as the feminine;

(2) all other terms used herein which are defined in the Trust Indenture Act, either directly or by reference therein, have the meanings assigned to them therein;

(3) all accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted accounting principles;

(4) the words "herein," "hereof" and "hereunder" and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or other subdivision;

(5) a reference to any Person shall include its successor and assigns;

(6) a reference to any agreement or instrument shall mean such agreement or instrument as supplemented, modified, amended or amended and restated and in effect from time to time;

(7) a reference to any statute, law, rule or regulation, shall include any amendments thereto applicable to the relevant Person, and any successor statute, law, rule or regulation; and

(8) a reference to any particular rating category shall be deemed to include any corresponding successor category, or any corresponding rating category issued by a successor or subsequent rating agency.

"Act", when used with respect to any Holder, has the meaning specified in Section 104.

"Adverse Tax Consequence" shall mean the circumstances referred to in clauses (i), (ii) and (iii) of the definition of Tax Event.

"Affiliate" of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, "control" when used with respect to any specified Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Authenticating Agent" means any Person authorized by the Trustee to act on behalf of the Trustee to authenticate Securities.

"Bank" means the Person named as the "Bank" in the first paragraph of this instrument until a successor Person shall have become such pursuant to the applicable provisions of this Indenture, and thereafter "Bank" shall mean such successor Person.

"Bank Request" or "Bank Order" means a written request or order signed in the name of the Bank by its Chairman of the Board, its Vice Chairman of the Board, its President or a Vice President, and by its Treasurer, an Assistant Treasurer, its Secretary or an Assistant Secretary, and delivered to the Trustee.

"Board of Directors" means either the board of directors of the Bank or any duly authorized committee of that board as the context requires.

"Board Resolution" means a copy of a resolution certified by the Secretary or an Assistant Secretary of the Bank to have been duly adopted by the Board of Directors or the Executive Committee thereof and to be in full force and effect on the date of such certification, and delivered to the Trustee.

"Business Day" means any day other than a Saturday or Sunday or a day on which banking institutions in The City of New York are authorized or required by law or executive order to remain closed or a day on which the Corporate Trust Office of the Trustee, or the principal office of the Property Trustee, under the Declaration, is closed for business.

"Calculation Agent" means any Person authorized by the Bank to determine the interest rate of the Securities.

"Capital Securities" has the meaning specified in the Recitals to this instrument.

"Cedel" means Cedel Bank, societe anonyme.

"Closing Date" means January 31, 1997 and such other dates as the parties hereto may agree upon to consummate the transactions contemplated hereby.

"Commission" means the Securities and Exchange Commission, as from time to time constituted, created under the Securities Exchange Act of 1934, or, if at any time after the execution of this instrument such Commission is not existing and performing the duties now assigned to it under the Trust Indenture Act, then the body performing such duties at such time.

"Common Securities" means the common securities issued by the Trust.

"Corporate Trust Office" means the principal office of the Trustee in the City of New York, at which at any particular time its corporate trust business shall be administered and which at the date of this Indenture is located at 153 West 51st Street, 8th Floor, New York, New York 10019, Attention: Corporate Trust Administration.

"Covenant Defeasance" has the meaning specified in Section 403.

"Custodian" means the custodian for the time being of any Global Security as designated by the Depositary.

"Declaration" means the Amended and Restated Declaration of Trust, dated as of January 31, 1997, as amended, modified or supplemented from time to time, among the trustees of the Trust named therein, the Bank, as sponsor, and the holders from time to time of undivided beneficial ownership interests in the assets of the Trust.

"Defaulted Interest" has the meaning specified in Section 307.

"Depositary" means, with respect to Securities issuable in whole or in part in the form of one or more Global Securities, a clearing agency registered under the Exchange Act that is designated to act as Depositary for such Securities.

"Determination Date" means, with respect to any interest period, the date that is two London Business Days prior to the first day of such interest period.

"DWAC" means Deposit and Withdrawal At Custodian Service.

"Euroclear" means Morgan Guaranty Trust Company of New York, Brussels office, as operator of the Euroclear System.

"Event of Default" has the meaning specified in Section 501.

"Exchange Act" means the Securities Exchange Act of 1934, as amended from time to time, and any successor legislation.

"Extension Period" has the meaning specified in Section 301.

"Federal Reserve Board" shall have the meaning set forth in Section 1201.

"Global Security" means a Security that evidences all or part of the Securities and is authenticated and delivered to, and registered in the name of, the Depositary for such Securities or a nominee thereof.

"Guarantee" means the Guarantee Agreement, dated as of January 31, 1997, made by the Capital One Financial Corporation in favor of The First National Bank of Chicago as trustee thereunder for the benefit of the Holders (as defined therein) of the Capital Securities and the holder of the Common Securities.

"Holder" means a Person in whose name a Security is registered in the Security Register.

"Indebtedness" means, whether recourse is to all or a portion of the assets of the Bank and whether or not contingent,

(i) every obligation of the Bank for money borrowed; (ii) every obligation of the Bank evidenced by bonds, debentures, notes or other similar instruments, including obligations incurred in connection with the acquisition of property, assets or businesses; (iii) every reimbursement obligation of the Bank with respect to letters of credit, bankers' acceptances or similar facilities issued for the account of the Bank; (iv) every obligation of the Bank issued or assumed as the deferred purchase price of property or services (but excluding trade accounts payable or accrued liabilities arising in the ordinary course of business); (v) every capital lease obligation of the Bank; (vi) every obligation of the Bank for claims (as defined in Section 101(4) of the United States Bankruptcy Code of 1978, as amended) in respect of derivative products such as interest and foreign exchange rate contracts, commodity contracts and similar arrangements; and (vii) every obligation of the type referred to in clauses (i) through (vi) of another Person and all dividends of another Person the payment of which, in either case, the Bank has guaranteed or is responsible or liable, directly or indirectly, as obligor or otherwise; provided that "Indebtedness" shall not include (a) any obligations which, by their terms, are expressly stated to rank pari passu in right of payment with, or to not be superior in right of payment to, the Securities, (b) any Indebtedness of the Bank which when incurred was without recourse to the Bank, (c) any Indebtedness of the Bank to any of its subsidiaries, (d) Indebtedness of the Bank to any employee, or (e) any Indebtedness in respect of debt securities issued to any trust, or a trustee of such trust, partnership or other entity affiliated with the Bank that is a financing entity of the Bank in connection with the issuance of such financing entity of securities that are similar to the Capital Securities.

"Indenture" means this instrument as originally executed or as it may from time to time be supplemented or amended by one or more indentures supplemental hereto entered into pursuant to the applicable provisions hereof, including, for all purposes of this instrument and any such supplemental indenture, the provisions of the Trust Indenture Act that are deemed to be a part of and govern this instrument and any such supplemental indenture, respectively.

"Initial Purchasers" means Lehman Brothers International (Europe) and J.P. Morgan Securities Ltd.

"Institutional Accredited Investor" means an institution that is an "accredited investor" as the term is defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act.

"Interest Payment Date", when used with respect to any installment of interest on a Security, means the date specified in such Security as the fixed date on which an installment of interest with respect to the Securities is due and payable.

"Investment Company Event" means the receipt by the Trust of an Opinion of Counsel having a recognized national securities practice, to the effect that, as a result of the occurrence of a change in law or regulation by any legislative body, court, governmental agency or regulatory authority (a "Change in 1940 Act Law"), the Trust is or will be considered an "investment company" that is required to be registered under the Investment Company Act of 1940, as amended, which Change in 1940 Act Law becomes effective on or after the date of original issuance of the Securities.

"Junior Subordinated Securities" has the meaning specified in the Recitals to this instrument.

"Legal Defeasance" has the meaning specified in Section 402.

"LIBOR" means, with respect to an interest period relating to an Interest Payment Date (in the following order of priority):

(i) the rate (expressed as a percentage per annum) for Eurodollar deposits having a three-month maturity that appears on Telerate Page 3750 as of 11:00 a.m. (London time) on the related Determination Date;

(ii) if such rate does not appear on Telerate Page 3750 as of 11:00 a.m. (London time) on the related Determination Date, LIBOR will be the arithmetic mean (if necessary rounded upwards to the nearest whole multiple of .00001%) of the rates (expressed as percentages per annum) for Eurodollar deposits having a three-month maturity that appear on

Reuters Monitor Money Rates Page LIBO ("Reuters Page LIBO") as of 11:00 a.m. (London time) on such Determination Date;

(iii) if such rate does not appear on Reuters Page LIBO as of 11:00 a.m. (London time) on the related Determination Date, the Calculation Agent will request the principal London offices of four leading banks in the London interbank market to provide such banks' offered quotations (expressed as percentages per annum) to prime banks in the London interbank market for Eurodollar deposits having a three-month maturity as of 11:00 a.m. (London time) on such Determination Date. If at least two quotations are provided, LIBOR will be the arithmetic mean (if necessary rounded upwards to the nearest whole multiple of .00001%) of such quotations;

(iv) if fewer than two such quotations are provided as requested in clause (iii) above, the Calculation Agent will request four major New York City banks to provide such banks' offered quotations (expressed as percentages per annum) to leading European banks for Loans in Eurodollars as of 11:00 a.m. (London time) on such Determination Date. If at least two such quotations are provided, LIBOR will be the arithmetic mean (if necessary rounded upwards to the nearest whole multiple of .00001%) of such quotations; and

(v) if fewer than two such quotations are provided as requested in clause (iv) above, LIBOR will be LIBOR determined with respect to the interest period immediately preceding such current interest period.

If the rate for Eurodollar deposits having a three-month maturity that initially appears on Telerate Page 3750 or Reuters Page LIBO, as the case may be, as of 11:00 a.m. (London time) on the related Determination Date is superseded on Telerate Page 3750 or Reuters Page LIBO, as the case may be, by a corrected rate before 12:00 noon (London time) on such Determination Date, the corrected rate as so substituted on the

applicable page will be the applicable LIBOR for such Determination Date.

"London Business Day" means any day, other than a Saturday or Sunday, on which banks are open for business in London.

"Maturity", when used with respect to any Security, means the date on which the principal of such Security becomes due and payable as therein or herein provided, whether at the Stated Maturity (which may be extended as therein or herein provided) or by declaration of acceleration, call for redemption or otherwise.

"Maturity Advancement" shall have the meaning set forth in Section 1201.

"NON-U.S. CERTIFICATE" SHALL HAVE THE MEANING SET FORTH IN SECTION 315.

"Officers' Certificate" means a certificate signed on behalf of the Bank by the Chairman of the Board, a Vice Chairman of the Board, the President or a Vice President, and by the Treasurer, an Assistant Treasurer, the Secretary or an Assistant Secretary, of the Bank, and delivered to the Trustee. One of the officers signing an Officers' Certificate given pursuant to Section 1004 shall be the principal executive, financial or accounting officer of the Bank. Any Officers' Certificate delivered with respect to compliance with a condition or covenant provided for in this Indenture shall include:

(a) a statement that each officer signing the Officers' Certificate on behalf of the Bank has read the covenant or condition and the definitions relating thereto;

(b) a statement that each such officer has made such examination or investigation as, in such officer's opinion, is necessary to enable such officer to express an informed opinion as to whether or not such covenant or condition has been complied with; and

(c) a statement as to whether, in the opinion of each such officer, such condition or covenant has been complied with.

"Opinion of Counsel" means a written opinion of counsel, who may be counsel for the Bank (and who may be an employee of the Bank). An opinion of counsel may rely on Officers' Certificates as to matters of fact.

"Outstanding", when used with respect to Securities, means, as of the date of determination, all Securities authenticated and delivered under this Indenture, except: (i) Securities cancelled by the Trustee or delivered to the Trustee for cancellation; (ii) Securities for whose payment or redemption money in the necessary amount has been deposited with the Trustee or any Paying Agent (other than the Bank) in trust or set aside and segregated in trust by the Bank (if the Bank shall act as its own Paying Agent) for the Holder of such Securities; provided that, if such Securities are to be redeemed, notice of such redemption has been duly given pursuant to this Indenture or provision therefor satisfactory to the Trustee has been made; and (iii) Securities which have been paid pursuant to Section 306, or in exchange or for in lieu of which other Securities have been authenticated and delivered pursuant to this Indenture, other than any such Securities in respect of which there shall have been presented to the Trustee proof satisfactory to it that such Securities are held by a bona fide purchaser in whose hands such Securities are valid obligations of the Bank; provided, however, that in determining whether the holders of the requisite principal amount of Outstanding Securities are present at a meeting of holders of Securities for quorum purposes or have consented to or voted in favor of any request, demand, authorization, direction, notice, consent, waiver, amendment or modification hereunder, Securities held for the account of the Bank, any of its subsidiaries or any of its affiliates shall be disregarded and deemed not to be Outstanding, except that in determining whether the Trustee shall be protected in making such a determination or relying upon any such quorum, consent or vote, only Securities which a Responsible Officer of the Trustee actually knows to be so owned shall be so disregarded.

"Paying Agent" means any Person authorized by the Bank to pay the principal of or interest on any Securities on behalf of the Bank.

"Person" means a legal person, including any individual, corporation, estate, partnership, joint venture, association, joint stock company, limited liability company,

trust, unincorporated association, or government or any agency or political subdivision thereof, or any other entity of whatever nature.

"Predecessor Security" of any particular Security means every previous Security evidencing all or a portion of the same debt as that evidenced by such particular Security; and, for the purposes of this definition, any security authenticated and delivered under Section 306 in exchange for or in lieu of a mutilated, destroyed, lost or stolen Security shall be deemed to evidence the same debt as the mutilated, destroyed, lost or stolen Security.

"Private Placement Legend" has the meaning specified in Section 314 of this Indenture.

"Property Trustee" has the meaning set forth in the Declaration.

"Qualified Institutional Buyer" or "QIB" shall have the meaning specified in Rule 144A under the Securities Act.

"Redemption Date", when used with respect to any Security to be redeemed, means the date fixed for such redemption by or pursuant to this Indenture.

"Redemption Price", when used with respect to any Security to be redeemed, means the price at which it is to be redeemed pursuant to this Indenture.

"Regular Record Date" for the interest payable on any Interest Payment Date means the fifteenth day of the month of the relevant Interest Payment Date.

"Regular Trustee" has the meaning specified in the Declaration.

"Regulation S" means Regulation S under the Securities Act and any successor regulation thereto.

"REGULATION S CERTIFICATE" SHALL HAVE THE MEANING SET FORTH IN SECTION 315.

"Regulation S Global Security" means any Global Security or Securities evidencing Securities that are to be traded pursuant to Regulation S.

"Regulation S PERMANENT Global Security" has the meaning specified in Section 315.

"Regulation S TEMPORARY Global Security" has the meaning specified in Section 315.

"Regulatory Capital Event" means that the Bank shall have received an opinion of independent bank regulatory counsel experienced in such matters to the effect that, as a result of (a) any amendment to or change (including any announced prospective change) in the laws (or any regulations thereunder) of the United States or any rules, guidelines or policies of the Board of Governors of the Federal Reserve System, or (b) any official or administrative pronouncement or action or judicial decision for interpreting or applying such laws or regulations, which amendment or change is effective or such pronouncement or decision is announced on or after the date of original issuance of the Capital Securities, the Capital Securities do not constitute, or within 90 days of the date thereof, will not constitute (x) either Tier 1 capital (or its then equivalent) or Tier 2 capital (or its then equivalent), in the case of the Bank, or (y) Tier 1 capital in the case of the Corporation; provided, however, that the distribution of the Securities in connection with the liquidation of the Trust by the Bank shall not in and of itself constitute a Regulatory Capital Event unless such liquidation shall have occurred in connection with a Tax Event or an Investment Company Event.

"Release Date" shall have the meaning set forth in Section 315.

"Responsible Officer", when used with respect to the Trustee, means any officer within the Corporate Trust Office, including any Vice President, Assistant Vice Presidents, the Secretary, any Assistant Secretary, or any other officer of the Trustee customarily performing functions similar to those performed by any of the above designated officers and also means, with respect to a particular corporate trust matter, any other officer to whom such matter is referred because of his knowledge of and familiarity with the particular subject.

"Restricted Global Security" means any Global Security or Securities evidencing Securities that are to be traded pursuant to Rule 144A.

"Restricted Period" shall have the meaning specified in Section 316.

"Restricted Security" has the meaning assigned to such term in Rule 144(a)(3) of the Securities Act.

"Rule 144A" means Rule 144A under the Securities Act.

"Securities" has the meaning specified in the Recitals to this instrument.

"Securities Act" means the Securities Act of 1933, as amended.

"Security Register" and "Security Registrar" have the respective meanings specified in Section 305.

"Special Event" means either an Investment Company Event, a Regulatory Capital Event or a Tax Event.

"Special Record Date" for the payment of any Defaulted Interest means a date fixed by the Trustee pursuant to Section 307.

"Stated Maturity", when used with respect to any Security or any installment of interest thereon, means the date specified in such Security as the date on which the principal, together with any accrued and unpaid interest, of such Security or such installment of interest is due and payable, or such earlier date as may be determined in accordance with the terms of the Security and this Indenture.

"Subsidiary" means a corporation more than 50% of the outstanding voting stock of which is owned, directly or indirectly, by the Bank or by one or more other Subsidiaries or by the Bank and one or more other Subsidiaries. For the purposes of this definition, "voting stock" means stock which ordinarily has voting power for the election of directors, whether at all times or only so long as no senior class of stock has such voting power by reason of any contingency.

"Tax Event" means the receipt by the Bank of an Opinion of Counsel, rendered by a law firm having a recognized national tax practice, to the effect that, as a result of any amendment to, change in or announced proposed change in the laws (or any regulations thereunder) of the United States or any political subdivision or taxing authority thereof or therein, or as a result of any official or administrative pronouncement or action or judicial decision interpreting or applying such laws or regulations, which amendment or change is adopted or which proposed change, pronouncement or decision is announced or which action is taken on or after the date of original issuance of the Capital Securities under the Declaration, there is more than an insubstantial risk that (i) the Trust is, or will be within 90 days of the date of such opinion, subject to United States federal income tax with respect to income received or accrued on the Securities, (ii) interest payable by the Bank on the Securities is not, or within 90 days of the date of such opinion, will not be, deductible by the Bank, in whole or in part, for United States federal income tax purposes, or (iii) the Trust is, or will be within 90 days of the date of such opinion, subject to more than a de minimis amount of other taxes, duties or other governmental charges. With respect to the Securities which are no longer held by the Trust, "Tax Event" means the receipt by the Bank of an Opinion of Counsel experienced in such matters to the effect that, as a result of any amendment to, or change (including any announced proposed change) in, the laws (or any regulations thereunder) of the United States or any political subdivision or taxing authority thereof or therein, or as a result of any official administrative pronouncement or judicial decision interpreting or applying such laws or regulations, which amendment or change is effective or which proposed change, pronouncement or decision is announced on or after the date of issuance of the Securities, there is more than an insubstantial risk that interest payable by the Bank on the Securities is not, or within 90 days of the date of such opinion will not be, deductible by the Bank, in whole or in part, for United States federal income tax purposes.

"Trust" means Capital One Capital I, a statutory business trust declared and established pursuant to the Delaware Business Trust Act by the Declaration.

"Trustee" means the Person named as the "Trustee" in the first paragraph of this Indenture until a successor Trustee

shall have become such pursuant to the applicable provisions of this Indenture, and thereafter "Trustee" shall mean such successor Trustee.

"Trust Indenture Act" means the Trust Indenture Act of 1939 as in force at the date as of which this instrument was executed; provided, however, that in the event the Trust Indenture Act of 1939 is amended after such date, "Trust Indenture Act" means, to the extent required by any such amendment, the Trust Indenture Act of 1939 as so amended.

"U.S. Government Obligations" has the meaning specified in Section 404.

"Vice President", when used with respect to the Bank or the Trustee, means any vice president, whether or not designated by a number or a word or words added before or after the title "vice president."

SECTION 2. Compliance Certificates and Opinions; Officers' Certificate of Evidence.

Upon any application or request by the Bank to the Trustee to take any action under any provision of this Indenture, the Bank shall furnish to the Trustee such certificates and opinions as may be required under the Trust Indenture Act. Each such certificate or opinion shall be given in the form of an Officers' Certificate, if to be given by an officer of the Bank, or an Opinion of Counsel, if to be given by counsel, and shall comply with the requirements of the Trust Indenture Act and any other requirement set forth in this Indenture.

Whenever in the administration of the provisions of this Indenture the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or omitting any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may, in the absence of negligence or bad faith on the part of the Trustee, be deemed to be conclusively proved and established by an Officers' Certificate delivered to the Trustee, and such certificate, in the absence of negligence or bad faith on the part of the Trustee, shall be full warrant to the Trustee for any action taken or omitted by it under the provisions of this Indenture upon the faith thereof.

SECTION 3. Form of Documents Delivered to Trustee.

In any case where several matters are required to be certified by, or covered by an opinion of, any specified Person, it is not necessary that all such matters be certified by, or covered by the opinion of, only one such Person, or that they be so certified or covered by only one document, but one such Person may certify or give an opinion with respect to some matters and one or more other such Persons as to other matters, and any such Person may certify or give an opinion as to such matters in one or several documents.

Any certificate or opinion of an officer of the Bank may be based, insofar as it relates to legal matters, upon a certificate or opinion of, or representations by, counsel, unless such officer knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to the matters upon which his certificate or opinion is based are erroneous. Any such certificate or opinion of counsel may be based, insofar as it relates to factual matters, upon a certificate or opinion of, or representations by, an officer or officers of the Bank stating that the information with respect to such factual matters is in the possession of the Bank, unless such counsel knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to such matters are erroneous.

Where any Person is required to make, give or execute two or more applications, requests, consents, certificates, statements, opinions or other instruments under this Indenture, they may, but need not, be consolidated and form one instrument.

SECTION 4. Acts of Holders; Record Dates.

(a) Any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Indenture to be given or taken by Holders may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such Holders in person or by an agent duly appointed in writing; and, except as herein otherwise expressly provided, such action shall become effective when such instrument or instruments are delivered to the Trustee at the address specified in Section 105 and, where it is hereby expressly required, to the Bank. Such instrument or instruments (and the

action embodied therein and evidenced thereby) are herein sometimes referred to as the "Act" of the Holders signing such instrument or instruments. Proof of execution of any such instrument or of a writing appointing any such agent shall be sufficient for any purpose of this Indenture and (subject to Section 601) conclusive in favor of the Trustee and the Bank, if made in the manner provided in this Section.

(b) The fact and date of the execution by any Person of any such instrument or writing may be proved by the affidavit of a witness of such execution or by a certificate of a notary public or other officer authorized by law to take acknowledgments of deeds, certifying that the individual signing such instrument or writing acknowledged to him the execution thereof. Where such execution is by a signer acting in a capacity other than his individual capacity, such certificate or affidavit shall also constitute sufficient proof of his authority.

(c) The Bank may, in the circumstances permitted by the Trust Indenture Act, fix any day as the record date for the purpose of determining the Holders entitled to give or take any request, demand, authorization, direction, notice, consent, waiver or other action, or to vote on any action, authorized or permitted to be given or taken by Holders. If not set by the Bank prior to the first solicitation of a Holder made by any Person in respect of any such action, or, in the case of any such vote, prior to such vote, the record date for any such action or vote shall be the 15th day (or, if later, the date of the most recent list of Holders required to be provided pursuant to Section 701) prior to such first solicitation or vote, as the case may be.

With regard to any record date, only the Holders on such date (or their duly designated proxies) shall be entitled to give or take, or vote on, the relevant action.

(d) The ownership of Securities shall be proved by the Security Register.

(e) Any request, demand, authorization, direction, notice, consent, waiver or other Act of the Holder of any Security shall bind every future Holder of the same Security and the Holder of every Security issued upon the registration of transfer thereof or in exchange therefor or in lieu thereof in

respect of anything done, omitted or suffered to be done by the Trustee or the Bank in reliance thereon, whether or not notation of such action is made upon such Security.

SECTION 5. Notices, Etc. to Trustee and the Bank.

Any request, demand, authorization, direction, notice, consent, waiver or Act of Holders or other document provided or permitted by this Indenture to be made upon, given or furnished to, or filed with:

(1) the Trustee by any Holder or by the Bank shall be sufficient for every purpose hereunder if made, given, furnished or filed in writing to or with the Trustee at its Corporate Trust Office; or

(2) the Bank by the Trustee or by any Holder shall be sufficient for every purpose hereunder (unless otherwise herein expressly provided) if in writing and mailed, first-class postage prepaid, to the Bank addressed to it at the address of its principal office specified in the first paragraph of this instrument or at any other address previously furnished in writing to the Trustee by the Bank; provided, however, that the Trustee may provide such information or documents to the Bank by facsimile or overnight courier.

SECTION 6. Notice to Holders; Waiver.

Where this Indenture provides for notice to Holders of any event, such notice shall be sufficiently given (unless otherwise herein expressly provided) if in writing and mailed, first-class postage prepaid, to each Holder affected by such event, at his address as it appears in the Security Register, not later than the latest date (if any), and not earlier than the earliest date (if any), prescribed for the giving of such notice. In any case where notice to Holders is given by mail, neither the failure to mail such notice, nor any defect in any notice so mailed, to any particular Holder shall affect the sufficiency of such notice with respect to other Holders. Where this Indenture provides for notice in any manner, such notice may be waived in writing by the Person entitled to receive such notice, either before or after the event, and such waiver shall be the equivalent of such notice. Waivers of notice by Holders shall be filed with the Trustee, but such filing shall not be a condition

precedent to the validity of any action taken in reliance upon such waiver.

In case by reason of the suspension of regular mail service or by reason of any other cause it shall be impracticable to give such notice by mail, then such notification as shall be made by telecopier or overnight air courier guaranteeing next day delivery.

SECTION 7. Conflict With Trust Indenture Act.

If any provision hereof limits, qualifies or conflicts with a provision of the Trust Indenture Act that is required under such Act to be a part of and govern this Indenture, the provision of the Trust Indenture Act shall control. If any provision of this Indenture modifies or excludes any provision of the Trust Indenture Act that may be so modified or excluded, the latter provision shall be deemed to apply to this Indenture as to modified or so be excluded, as the case may be.

SECTION 8. Effect of Headings and Table of Contents.

The Article and Section headings herein and the Table of Contents are for convenience only and shall not affect the construction hereof.

SECTION 9. Separability Clause.

In case any provision in this Indenture or in the Securities shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

SECTION 10. Benefits of Indenture.

Nothing in this Indenture or in the Securities, express or implied, shall give to any Person, other than the parties hereto and their successors hereunder, the holders of Indebtedness, the holders of Capital Securities (to the extent provided herein) and the Holders of Securities, any benefit or any legal or equitable right, remedy or claim under this Indenture.

SECTION 11. GOVERNING LAW.

THIS INDENTURE AND THE SECURITIES SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK. THIS INDENTURE IS SUBJECT TO THE PROVISIONS OF THE TRUST INDENTURE ACT THAT ARE REQUIRED TO BE PART OF THIS INDENTURE AND SHALL, TO THE EXTENT APPLICABLE, BE GOVERNED BY SUCH PROVISIONS.

SECTION 12. Legal Holidays.

In any case where any Interest Payment Date, Redemption Date or Stated Maturity of any Security shall not be a Business Day, then (notwithstanding any other provision of this Indenture or of the Securities) payment of interest or principal of the Securities need not be made on such date, but may be made on the next succeeding Business Day (except that, if such Business Day is in the next succeeding calendar year, such Interest Payment Date, Redemption Date or Stated Maturity, as the case may be, shall be the immediately preceding Business Day) with the same force and effect as if made on the Interest Payment Date or Redemption Date, or at the Stated Maturity, provided that no interest shall accrue for the period from and after such Interest Payment Date, Redemption Date or Stated Maturity, as the case may be.

ARTICLE TWO

SECURITY FORMS

The Junior Subordinated Securities in definitive form shall be in the form attached hereto as Exhibit A.

If the Securities are distributed to the holders of Capital Securities and Common Securities, the record holder (including any Depositary) of any Capital Securities or Common Securities shall be issued Securities in definitive, fully registered form without interest coupons, substantially in the form of Exhibit A hereto, with the legends in substantially the form of the legends existing on the security representing the Capital Securities or Common Securities to be exchanged (with such changes thereto as the officers executing such Securities

determine to be necessary or appropriate, as evidenced by their execution of the Securities) and such other legends as may be applicable thereto (including any legend required by Section 313 or Section 314 hereof), duly executed by the Bank and authenticated (upon receipt of a Bank Order for the authentication) by the Trustee or the Authenticating Agent as provided herein, which Securities, if to be held in global form by any Depositary, may be deposited on behalf of the holders of the Securities represented thereby with the Trustee, as custodian for the Depositary, and registered in the name of a nominee of the Depositary.

Any Global Security shall represent such of the outstanding Securities as shall be specified therein and shall provide that it shall represent the aggregate amount of outstanding Securities from time to time endorsed thereon and that the aggregate amount of outstanding Securities represented thereby may from time to time be increased or reduced to reflect transfers or exchanges permitted hereby. Any endorsement of a Global Security to reflect the amount of any increase or decrease in the amount of outstanding Securities represented thereby shall be made by the Trustee or the Custodian, at the direction of the Trustee, in such manner and upon written instructions given by the holder of such Securities in accordance with the Indenture. Payment of principal, interest and premium, if any, on any Global Security shall be made to the holder of such Global Security.

The Securities shall have such appropriate insertions, omissions, substitutions and other variations as are required or permitted by this Indenture, and may have such letters, numbers or other marks of identification and such legends or endorsements placed thereon as may be required to comply with the rules of any securities exchange or as may, consistently herewith, be determined by the officers executing such Securities, as evidenced by their execution of the Securities.

The definitive Securities shall be printed, lithographed or engraved or produced by any combination of these or other methods, all as determined by the officers executing such Securities, as evidenced by their execution of such Securities.

ARTICLE THREE

THE SECURITIES

SECTION 301. Title and Terms.

The aggregate principal amount of Securities which may be authenticated and delivered under this Indenture is unlimited.

The Securities' Stated Maturity shall be February 1, 2027.

The Securities shall bear interest at a variable per annum rate equal to LIBOR plus 1.55%, from January 31, 1997 or from the most recent Interest Payment Date to which interest has been paid or duly provided for, as the case may be, payable quarterly (subject to deferral as set forth herein), in arrears, on the 1st Day of February, May, August and November of each year, commencing May 1, 1997, until the principal thereof is paid or made available for payment; provided, however, that no Holder of a beneficial interest in a Registration S TEMPORARY Global Security may receive principal or interest payments. Interest will compound quarterly and will accrue at a variable per annum rate equal to LIBOR plus 1.55%, to the extent permitted by applicable law, on any interest installment in arrears for more than one quarterly period or during an extension of an interest payment period as set forth below in this Section 301. In the event that any date on which interest is payable on the Securities is not a Business Day, then a payment of the interest payable on such date will be made on the next succeeding day which is a Business Day (and without any interest or other payment in respect of any such delay); provided, however, that if such Business Day is the next succeeding calendar year, such payment of the interest payable shall be on the preceding Business Day.

The Bank shall have the right, at any time during the term of the Securities, from time to time and so long as no Indenture Event of Default has occurred or is continuing, to defer payment of interest on such Security for up to 20 consecutive quarterly periods (an "Extension Period") provided that no Extension Period may extend past the Maturity of the Security. There may be multiple Extension Periods of varying lengths during the term of the Securities. At the end of each Extension Period, if any, the Bank shall pay all interest then accrued and unpaid, together with interest thereon, compounded

quarterly at the rate specified on this Security to the extent permitted by applicable law. Prior to the termination of any such Extension Period, the Bank may further extend the interest payment period, provided that no Extension Period may exceed 20 consecutive quarterly periods or extend beyond the Stated Maturity of the Securities. Upon the termination of any such Extension Period and the payment of all amounts then due on any Interest Payment Date, the Bank may elect to begin a new Extension Period subject to the above requirements. No interest shall be due and payable during an Extension Period, except at the end thereof. The Bank shall give the Trustee, the Property Trustee and the Regular Trustees written notice of its election of such Extension Period at least one Business Day prior to the record date for the related interest payment.

The Trustee shall promptly give notice of the Bank's selection of such Extension Period to the Holders of the Capital Securities.

The principal of and interest on the Securities shall be payable at the office or agency of the Paying Agent in the United States maintained for such purpose and at any other office or agency maintained by the Bank for such purpose in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts; provided, however, that at the option of the Bank payment of interest may be made (i) by check mailed to the address of the Person entitled thereto as such address shall appear in the Security Register or (ii) with respect to Holders who own at least $1,000,000 of Securities, by wire transfer in immediately available funds at such place and to such account as may be designated by the Person entitled thereto as specified in the Security Register.

The Securities shall be subordinated in right of payment to Indebtedness as provided in Article Eleven.

The Securities shall be redeemable as provided in Article Twelve.

SECTION 302. Denominations.

The Securities shall be issuable only in registered form, without coupons, and only in denominations of $1,000 and any integral multiple thereof.

SECTION 303. Execution, Authentication, Delivery and Dating.

The Securities shall be executed on behalf of the Bank by its Chairman of the Board, its Vice Chairman of the Board, its President or one of its Vice Presidents. The signature of any of these officers on the Securities may be manual or facsimile.

Securities bearing the manual or facsimile signatures of individuals who were at any time the proper officers of the Bank shall bind the Bank, notwithstanding that such individuals or any of them have ceased to hold such offices prior to the authentication and delivery of such Securities or did not hold such offices at the date of such Securities.

At any time and from time to time after the execution and delivery of this Indenture, the Bank may deliver Securities executed by the Bank to the Trustee for authentication, together with a Bank Order for the authentication and delivery of such Securities; and the Trustee in accordance with such Bank Order shall authenticate and make available for delivery such Securities as in this Indenture provided and not otherwise.

Each Security shall be dated the date of its authentication.

No Security shall be entitled to any benefit under this Indenture or be valid or obligatory for any purpose unless there appears on such Security a certificate of authentication substantially in the form provided for herein executed by the Trustee by manual signature, and such certificate upon any Security shall be conclusive evidence, and the only evidence, that such Security has been duly authenticated and delivered hereunder.

SECTION 304. Temporary Securities.

Pending the preparation of definitive Securities, the Bank may execute, and upon Bank Order the Trustee shall authenticate and make available for delivery, temporary Securities which are printed, lithographed, typewritten, mimeographed or otherwise produced, in any authorized denomination, substantially of the tenor of the definitive Securities in lieu of which they are issued and with such appropriate insertions, omissions, substitutions and other variations as the officers executing such Securities may determine, as evidenced by their execution of such Securities.

If temporary Securities are issued, the Bank will cause definitive Securities to be prepared without unreasonable delay. After the preparation of definitive Securities, the temporary Securities shall be exchangeable for definitive Securities upon surrender of the temporary Securities at any office or agency of the Bank designated pursuant to Section 1002, without charge to the Holder. Upon surrender for cancellation of any one or more temporary Securities the Bank shall execute and the Trustee shall authenticate, upon receipt of a Bank Order for the authentication, and make available for delivery in exchange therefor a like principal amount of definitive Securities of authorized denominations. Until so exchanged the temporary Securities shall in all respects be entitled to the same benefits under this Indenture as definitive Securities.

SECTION 305. Registration; Registration of Transfer and Exchange.

The Bank shall cause to be kept at the Corporate Trust Office of the Trustee, a register (the register maintained in such office and in any other office or agency designated pursuant to Section 1002 being herein sometimes collectively referred to as the "Security Register") in which, subject to such reasonable regulations as it may prescribe, the Bank shall provide for the registration of Securities and of transfers of Securities. The Trustee is hereby appointed "Security Registrar" for the purpose of registering Securities and transfers of Securities as herein provided.

Upon surrender for registration of transfer of any Security at an office or agency of the Bank designated pursuant

to Section 1002 for such purpose, the Bank shall execute, and the Trustee shall authenticate and make available for delivery, in the name of the designated transferee or transferees, one or more new Securities of any authorized denominations and of a like aggregate principal amount.

At the option of the Holder, Securities may be exchanged for other Securities of any authorized denominations and of a like aggregate principal amount, upon surrender of the Securities to be exchanged at such office or agency. Whenever any Securities are so surrendered for exchange, the Bank shall execute, and the Trustee shall authenticate and make available for delivery, the Securities which the Holder making the exchange is entitled to receive.

All Securities issued upon any registration of transfer or exchange of Securities shall be the valid obligations of the Bank, evidencing the same debt, and entitled to the same benefits under this Indenture, as the Securities surrendered upon such registration of transfer or exchange.

Every Security presented or surrendered for registration of transfer or for exchange shall (if so required by the Bank) be duly endorsed, or be accompanied by a written instrument of transfer in form satisfactory to the Bank, duly executed by the Holder thereof or his attorney duly authorized in writing.

No service charge shall be made for any registration of transfer or exchange of Securities, but the Bank may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any registration of transfer or exchange of Securities, other than exchanges pursuant to Sections 304, 906 or 1208 not involving any transfer.

If the Securities are to be redeemed in part, the Bank shall not be required (A) to issue, register the transfer of or exchange any Securities during a period beginning at the opening of business 15 days before the day of the mailing of a notice of redemption of any such Securities selected for redemption under Section 1204 and ending at the close of business on the day of such mailing, or (B) to register the transfer of or exchange any

Security so selected for redemption in whole or in part, except the unredeemed portion of any Security being redeemed in part.

So long as the Securities are eligible for book-entry settlement with the Depositary, or unless otherwise required by law, all Securities to be traded on the PORTAL Market shall be represented by the Restricted Global Security registered in the name of the Depositary or the nominee of the Depositary.

The transfer and exchange of beneficial interests in any Global Security, which does not involve the issuance of a definitive Security or the transfer of interests to another Global Security, shall be effected through the Depositary (but not the Trustee or the Custodian) in accordance with this Indenture (including the restrictions on transfer set forth herein) and the procedures of the Depositary therefor. Neither the Trustee nor the Custodian (in such respective capacities) will have any responsibility for the transfer and exchange of beneficial interests in such Global Security that does not involve the issuance of a definitive Security or the transfer of interests to another Global Security.

SECTION 306. Mutilated, Destroyed, Lost and Stolen Securities.

If any mutilated Security is surrendered to the Trustee, the Bank shall execute and the Trustee, upon receipt of a Bank Order for the authentication, shall authenticate and make available for delivery in exchange therefor a new Security of like tenor and principal amount and bearing a number not contemporaneously outstanding.

If there shall be delivered to the Bank and the Trustee (i) evidence to their satisfaction of the destruction, loss or theft of any Security and (ii) such security or indemnity as may be required by them to save each of them and any agent of either of them harmless, then, in the absence of notice to the Bank or the Trustee that such Security has been acquired by a bona fide purchaser, the Bank shall execute and the Trustee shall, upon receipt of a Bank Order for the authentication, authenticate and make available for delivery, in lieu of any such destroyed, lost or stolen Security, a new Security of like tenor and principal amount and bearing a number not contemporaneously outstanding.

In case any such mutilated, destroyed, lost or stolen Security has become or is about to become due and payable, the Bank in its discretion may, subject to the preceding paragraph, pay such Security instead of issuing a new Security.

Upon the issuance of any new Security under this Section, the Bank may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Trustee and its agents and counsel) connected therewith.

Every new Security issued pursuant to this Section in lieu of any destroyed, lost or stolen Security shall constitute an original additional contractual obligation of the Bank, whether or not the destroyed, lost or stolen Security shall be at any time enforceable by anyone, and shall be entitled to all the benefits of this Indenture equally and proportionately with any and all other Securities duly issued hereunder.

The provisions of this Section are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement or payment of mutilated, destroyed, lost or stolen Securities.

SECTION 307. Payment of Interest; Interest Rights Preserved.

Interest on any Security which is payable, and is punctually paid or duly provided for, on any Interest Payment Date shall be paid to the Person in whose name that Security (or one or more Predecessor Securities) is registered at the close of business on the Regular Record Date for such interest.

Any interest on any Security which is payable, but is not punctually paid or duly provided for, on any Interest Payment Date (herein called "Defaulted Interest") shall forthwith cease to be payable to the Holder on the relevant Regular Record Date by virtue of having been such Holder, and such Defaulted Interest may be paid by the Bank, at its election in each case, as provided in clause (1) or (2) below:

(1) The Bank may elect to make payment of any Defaulted Interest to the Persons in whose names the Securities (or their respective Predecessor Securities) are registered at

the close of business on a Special Record Date for the payment of such Defaulted Interest, which shall be fixed in the following manner. The Bank shall notify the Trustee in writing of the amount of Defaulted Interest proposed to be paid on each Security and the date of the proposed payment, and at the same time the Bank shall deposit with the Trustee an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest or shall make arrangements satisfactory to the Trustee for such deposit prior to the date of the proposed payment, such money when deposited to be held in trust for the benefit of the Persons entitled to such Defaulted Interest as in this clause provided. Thereupon the Trustee shall fix a Special Record Date for the payment of such Defaulted Interest which shall be not more than 15 days and not less than 10 days prior to the date of the proposed payment and not less than 10 days after the receipt by the Trustee of the notice of the proposed payment. The Trustee shall promptly notify the Bank of such Special Record Date and, in the name and at the expense of the Bank, shall cause notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be mailed, first-class postage prepaid, to each Holder at his address as it appears in the Security Register, not less than 10 days prior to such Special Record Date. Notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor having been so mailed, such Defaulted Interest shall be paid to the Persons in whose names the Securities (or their respective Predecessor Securities) are registered at the close of business on such Special Record Date and shall no longer be payable pursuant to the following clause (2).

(2) The Bank may make payment of any Defaulted Interest in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Securities may be listed, and if so listed, upon such notice as may be required by such exchange, if, after written notice given by the Bank to the Trustee of the proposed payment pursuant to this clause, such manner of payment shall be deemed practicable by the Trustee in its sole discretion. Subject to the foregoing provisions of this Section, each Security delivered under this Indenture upon registration of transfer of or in exchange for or in lieu of any other Security shall carry the rights to interest accrued and unpaid, and to accrue which, which were carried by such other Security.

SECTION 308. Persons Deemed Owners.

Prior to due presentment of a Security for registration of transfer, the Bank, the Trustee and any agent of the Bank or the Trustee shall treat the Person in whose name such Security is registered as the owner of such Security for the purpose of receiving payment of principal of and (subject to Section 307) interest on such Security and for all other purposes whatsoever, whether or not such Security be overdue, and neither the Bank, the Trustee nor any officer, director, employee or agent of the Bank or the Trustee shall be affected by notice to the contrary.

SECTION 309. Cancellation.

All Securities surrendered for payment, redemption, registration of transfer or exchange shall, if surrendered to any Person other than the Trustee, be delivered to the Trustee and shall be promptly cancelled by it. The Bank may at any time deliver to the Trustee for cancellation any Securities previously authenticated and delivered hereunder which the Bank may have acquired in any manner whatsoever, and all Securities so delivered shall be promptly cancelled by the Trustee. No Securities shall be authenticated in lieu of or in exchange for any Securities cancelled as provided in this Section, except as expressly permitted by this Indenture. All cancelled Securities held by the Trustee shall be disposed of as directed by a Bank Order, provided, however, that the Trustee may but shall not be required to destroy such Securities. If the Bank shall acquire any of the Securities, however, such acquisition shall not operate as a redemption or satisfaction of the Indebtedness represented by such Securities unless and until the same are surrendered to the Trustee for cancellation.

SECTION 310. Computation of Interest.

The Bank shall appoint a Calculation Agent, which may be the Trustee, to determine LIBOR as of the Determination Date for each quarterly interest period and to calculate the interest rate and the amount of interest due for each such interest period. Absent manifest error, the Calculation Agent's determination of LIBOR and its calculation of the interest rate for each interest period shall be final and binding on the holders of the Securities.

Interest on the Securities shall be computed on the basis of the actual number of days elapsed in a year of twelve 30-day months. The amount of interest payable for any period shorter than a full quarterly period for which interest is computed will be computed on the basis of actual number of days elapsed in such 90-day quarterly period.

SECTION 311. Right of Set-off.

Notwithstanding anything to the contrary in the Indenture, the Bank shall have the right to set-off any payment it is otherwise required to make thereunder to the extent the Bank has theretofore made, or is concurrently on the date of such payment making, a related payment under the Guarantee.

SECTION 312. CUSIP Numbers.

The Bank in issuing the Securities may use "CUSIP" numbers (if then generally in use), and, if so, the Trustee shall use "CUSIP" numbers in notices of redemption as a convenience to Holders; provided that any such notice may state that no representation is made as to the correctness of such numbers either as printed on the Securities or as contained in any notice of a redemption and that reliance may be placed only on the other identification numbers printed on the Securities, and any such redemption shall not be affected by any defect in or omission of such numbers. The Bank shall promptly notify the Trustee of any change in the "CUSIP" numbers.

SECTION 313. Global Securities.

If the Securities are distributed to the holders of Capital Securities, such Securities distributed in respect of Capital Securities that are held in global form by a Depositary will initially be issued as a Global Security, unless such transfer cannot be effected through book-entry settlement. If the Bank shall establish that the Securities are to be issued in the form of one or more Global Securities, then the Bank shall execute and the Trustee shall, in accordance with Section 303 and the Bank Order, authenticate and deliver one or more Global Securities that (i) shall represent and shall be denominated in an amount equal to the aggregate principal amount of all of the Securities to be issued in the form of Global Securities and not yet cancelled, (ii) shall be registered in the name of the

Depositary for such Global Security or Securities or the nominee of such Depositary, and (iii) shall be delivered by the Trustee to such Depositary or pursuant to such Depositary's instructions. Global Securities shall bear a legend substantially to the following effect:

"This Security is a Global Security within the meaning of the Indenture hereinafter referred to and is registered in the name of a Depositary or a nominee of a Depositary. Notwithstanding the provisions of Section 305, unless and until it is exchanged in whole or in part for Securities in definitive registered form, a Global Security representing all or a part of the Securities may not be transferred in the manner provided in Section 305 except as a whole by the Depositary to a nominee of such Depositary or by a nominee of such Depositary to such Depositary or another nominee of such Depositary or by such Depositary or any such nominee to a successor Depositary or a nominee of such successor Depositary. Every Security delivered upon registration or transfer of, or in exchange for, or in lieu of, this Global Security shall be a Global Security subject to the foregoing, except in the limited circumstances described above. Unless this certificate is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the Bank or its agent for registration of transfer, exchange or payment, and any certificate issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is to be made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein."

Definitive Securities issued in exchange for all or a part of a Global Security pursuant to this Section 313 shall be registered in such names and in such authorized denominations as the Depositary, pursuant to instructions from its direct or indirect participants or otherwise, shall instruct the Trustee in writing. Upon execution and authentication, the Security Registrar shall deliver such definitive Securities to the persons in whose names such definitive Securities are so registered.

At such time as all interests in Global Securities have been redeemed, repurchased or canceled, such Global Securities

shall be, upon receipt thereof, canceled by the Trustee in accordance with its standing procedures in effect from time to time and instructions existing between the Depositary and the Trustee. At any time prior to such cancellation, if any interest in Global Securities is exchanged for definitive Securities, redeemed, canceled or transferred to a transferee who receives definitive Securities therefor or any definitive Security is exchanged or transferred for part of Global Securities, the principal amount of such Global Securities shall, in accordance with the standing procedures and instructions existing between the Depositary and the Custodian, be reduced or increased, as the case may be, and an endorsement shall be made on such Global Securities by the Trustee or the Custodian, at the direction of the Trustee, to reflect such reduction or increase.

The Bank and the Trustee may for all purposes, including the making of payments due on the Securities, deal with the Depositary as the authorized representative of the Holders for the purposes of exercising the rights of Holders hereunder. The rights of the owner of any beneficial interest in a Global Security shall be limited to those established by law and agreements between such owners and depository participants or Euroclear and Cedel; provided, that no such agreement shall give any rights to any person against the Bank or the Trustee or its officers, directors, employees and agents, without the written consent of the parties so affected. Multiple requests and directions from and votes of the Depositary as holder of Securities in global form with respect to any particular matter shall not be deemed inconsistent to the extent they do not represent an amount of Securities in excess of those held in the name of the Depositary or its nominee.

If at any time the Depositary for any Securities represented by one or more Global Securities notifies the Bank that it is unwilling or unable to continue as Depositary for such Securities or if at any time the Depositary for such Securities shall no longer be eligible under this Section 313, the Bank shall appoint a successor Depositary with respect to such Securities. If a successor Depositary for such Securities is not appointed by the Bank within 90 days after the Bank receives such notice or becomes aware of such ineligibility, the Bank's election that such Securities be represented by one or more Global Securities shall no longer be effective and the Bank shall execute, and the Trustee, upon receipt of a Bank Order for the

authentication and delivery of definitive Securities, will authenticate and make available for delivery Securities in definitive registered form, in any authorized denominations, in an aggregate principal amount equal to the principal amount of the Global Security or Securities representing such Securities in exchange for such Global Security or Securities.

The Bank may at any time and in its sole discretion determine that the Securities issued in the form of one or more Global Securities shall no longer be represented by a Global Security or Securities. In such event the Bank shall execute, and the Trustee, upon receipt of a Bank Order for the authentication and delivery of definitive Securities, shall authenticate and make available for delivery, Securities in definitive registered form, in any authorized denominations, in an aggregate principal amount equal to the principal amount of the Global Security or Securities representing such Securities, in exchange for such Global Security or Securities.

Notwithstanding any other provisions of this Indenture (other than the provisions set forth in Section 314(a)), Global Securities may not be transferred as a whole except by 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 a successor Depositary or a nominee of such successor Depositary.

Interests of beneficial owners in Global Security may be transferred or exchanged for definitive Securities and definitive Securities may be transferred or exchanged for Global Securities in accordance with rules of the Depositary and the provisions of Section 315.

Any Security in global form may be endorsed with or have incorporated in the text thereof such legends or recitals or changes not inconsistent with the provisions of this Indenture as may be required by the Custodian, the Depositary or by the National Association of Securities Dealers, Inc. in order for the Securities to be tradeable on the PORTAL Market or as may be required for the Securities to be tradeable on any other market developed for trading of securities pursuant to Rule 144A or required to comply with any applicable law or any regulation thereunder or with Regulation S or with the rules and regulations of any securities exchange upon which the Securities may be

listed or traded or to conform with any usage with respect thereto, or to indicate any special limitations or restrictions to which any particular Securities are subject.

SECTION 314. Restrictive Legend.

(a) Each Global Security and definitive Security that constitutes a Restricted Security shall bear the following legend (the "Private Placement Legend") on the face thereof until three years after the later of the date of original issue and the last date on which the Bank or any Affiliate of the Bank was the owner of such Capital Securities (or any predecessor thereto) (the "Resale Restriction Termination Date"), unless otherwise agreed by the Bank and the Holder thereof:

"THIS SECURITY (OR ITS PREDECESSOR) HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE SECURITIES LAWS AND NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE OFFERED, SOLD OR OTHERWISE TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN APPLICABLE EXEMPTION THEREFROM. EACH PURCHASER OF THIS SECURITY IS HEREBY NOTIFIED THAT THE SELLER MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A, REGULATION S OR ANOTHER EXEMPTION THEREUNDER. THE HOLDER OF THIS SECURITY, BY ITS ACCEPTANCE HEREOF, REPRESENTS, ACKNOWLEDGES AND AGREES FOR THE BENEFIT OF THE BANK THAT: (I) IT HAS ACQUIRED A "RESTRICTED" SECURITY WHICH HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT; OR (II) IT WILL NOT OFFER, SELL OR OTHERWISE TRANSFER THIS SECURITY PRIOR TO THE LATER OF THE DATE WHICH IS THREE YEARS AFTER THE DATE OF ORIGINAL ISSUANCE HEREOF AND THE LAST DATE ON WHICH THE BANK OR ANY AFFILIATE OF THE BANK WAS THE OWNER OF SUCH RESTRICTED SECURITIES (OR ANY PREDECESSOR) EXCEPT (A) TO THE BANK, (B) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, (C) FOR SO LONG AS THIS SECURITY IS ELIGIBLE FOR RESALE PURSUANT TO RULE 144A, TO A PERSON WHO THE SELLER REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (D) OUTSIDE THE UNITED STATES IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 904 UNDER THE SECURITIES ACT, (E) TO AN INSTITUTIONAL "ACCREDITED INVESTOR," WITHIN THE MEANING OF SUBPARAGRAPH (A)(1), (2),

(3) OR (7) OF RULE 501 UNDER THE SECURITIES ACT THAT IS ACQUIRING THE SECURITIES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF SUCH AN INSTITUTIONAL "ACCREDITED INVESTOR," FOR INVESTMENT PURPOSES AND NOT WITH A VIEW TO, OR FOR OFFER OR SALE IN CONNECTION WITH, ANY DISTRIBUTION IN VIOLATION OF THE SECURITIES ACT OR (F) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND, IN EACH CASE, IN ACCORDANCE WITH THE APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY APPLICABLE JURISDICTION; AND (III) IT WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER FROM IT OF THIS SECURITY OF THE RESALE RESTRICTIONS SET FORTH IN (II) ABOVE. ANY OFFER, SALE OR OTHER DISPOSITION PURSUANT TO THE FOREGOING CLAUSES (II)(D), (E) AND (F) IS SUBJECT TO THE RIGHT OF THE ISSUER OF THIS SECURITY AND THE PROPERTY TRUSTEE FOR SUCH SECURITIES TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATIONS OR OTHER INFORMATION ACCEPTABLE TO THEM IN FORM AND SUBSTANCE."

Any Security (or security issued in exchange or substitution therefor) as to which such restrictions on transfer shall have expired in accordance with their terms may, upon satisfaction of the requirements of Section 314(b) and surrender of such Security for exchange to the Security Registrar in accordance with the provisions of this Section 314, be exchanged for a new Security or Securities, of like tenor and aggregate principal amount, which shall not bear the restrictive legend required by this Section 314(a).

(b) Upon any sale or transfer of any Restricted Security (including any interest in a Global Security) (i) that is effected pursuant to an effective registration statement under the Securities Act or (ii) in connection with which the Trustee receives certificates and other information (including an opinion of counsel, if requested) reasonably acceptable to the Bank to the effect that such security will no longer be subject to the resale restrictions under federal and state securities laws, then (A) in the case of a Restricted Security in definitive form, the Security Registrar or co-Registrar shall permit the holder thereof to exchange such Restricted Security for a Security that does not bear the legend set forth in Section 314(a), and shall rescind any such restrictions on transfer and (B) in the case of Restricted Securities represented by a Global Security, such Security shall no longer be subject to the restrictions contained

in the legend set forth in Section 314(a) (but still subject to the other provisions hereof). In addition, any Security (or Security issued in exchange or substitution therefor) as to which the restrictions on transfer described in the legend set forth in Section 314(a) have expired by their terms, may, upon surrender thereof (in accordance with the terms of this Indenture) together with such certifications and other information (including an Opinion of Counsel having substantial experience in practice under the Securities Act and otherwise reasonably acceptable to the Bank, addressed to the Bank and the Trustee and in a form acceptable to the Bank, to the effect that the transfer of such Restricted Security has been made in compliance with Rule 144 or such successor provision) acceptable to the Bank and the Trustee as either of them may reasonably require, be exchanged for a new Security or Securities of like tenor and aggregate principal amount, which shall not bear the restrictive legends set forth in Section 314(a). The Trustee shall receive a certificate, upon which the Trustee may conclusively rely, from the Person transferring such Restricted Security, stating that such transferor satisfies the requirements of this Section 314 and that all conditions precedent required for such transfer have occurred.

SECTION 315. Regulation S Global Securities; Regulation S Certificates.

(a) The distribution of Securities to the Holders of Capital Securities in reliance on Regulation S will be issued in the form of a single TEMPORARY global security (the "Regulation S TEMPORARY Global Security"). Each Global Security that constitutes a Regulation S TEMPORARY Global Security shall bear the following legend:

> THIS GLOBAL SECURITY IS A TEMPORARY GLOBAL NOTE FOR PURPOSES OF REGULATION S UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "1933 ACT"). NEITHER THIS TEMPORARY GLOBAL NOTE NOR ANY INTEREST HEREIN MAY BE OFFERED, SOLD OR DELIVERED, EXCEPT AS PERMITTED UNDER THE INDENTURE REFERRED TO BELOW.
>
> NO BENEFICIAL OWNERS OF THIS TEMPORARY GLOBAL NOTE SHALL BE ENTITLED TO RECEIVE PAYMENT OF PRINCIPAL OR INTEREST HEREON UNLESS THE REQUIRED CERTIFICATIONS HAVE BEEN DELIVERED PURSUANT TO THE TERMS OF THE INDENTURE.

(b) The beneficial interests in a Regulation S TEMPORARY Global Security will be exchangeable for beneficial interests in a single permanent global security (the "Regulation S Permanent Global Security", together with the Regulation S TEMPORARY Global Security, the "Regulation S Global Security") on or after the expiration of the Restricted Period (the "Release Date") and only in accordance with Section 315(c) hereof.

(c)(i) On or prior to the Release Date, each beneficial owner of a Regulation S TEMPORARY Global Security shall deliver to Euroclear or Cedel (as applicable) a certificate certifying that the Holder of the beneficial interest in the Regulation S TEMPORARY Global Security is a non-United States Person within the meaning of Regulation S (a "Regulation S Certificate"), substantially in the form of Exhibit B-2 attached hereto; provided, however, that any beneficial owner of a Regulation S TEMPORARY Global Security on the Release Date or any payment date that has previously delivered a Regulation S Certificate hereunder shall not be required to deliver any subsequent Regulation S Certificate (unless the certificate previously delivered is no longer true as of such subsequent date, in which case such beneficial owner shall promptly notify Euroclear or Cedel, as applicable, thereof and shall deliver an updated Regulation S Certificate). Euroclear or Cedel, as applicable, shall deliver to the Paying Agent a certificate, substantially in the form of Exhibit B-1 attached hereto (a "Non-U.S. Certificate") promptly upon the receipt of each such Regulation S Certificate, and no such beneficial owner (or transferee from such beneficial owner) shall be entitled to receive an interest in a Regulation S Permanent Global Security or any payment of principal or interest, Redemption Price or any other payment, with respect to its interest in a Regulation S TEMPORARY Global Security prior to the Paying Agent receiving such Non-U.S. Certificate from Euroclear or Cedel with respect to the portion of the Regulation S TEMPORARY Global Security owned by such beneficial owner (and, with respect to an interest in the Regulation S Permanent Global Security, prior to the Release Date).

(ii) Any payments of principal or interest, Redemption Price or any other payment, on a Regulation S TEMPORARY Global Security received by Euroclear or Cedel with respect to any portion of such Regulation S Global Security owned by a beneficial owner that has not delivered the Regulation S

Certificate required by Section 315(c)(i) hereof shall be held by Euroclear and Cedel solely as agents for the Paying Agent. Euroclear and Cedel shall remit such payments to the applicable beneficial owner (or to a Euroclear or Cedel member on behalf of such beneficial owner) only after Euroclear or Cedel has received the requisite Regulation S Certificate. Until the Paying Agent has received a certification from Euroclear or Cedel, as applicable, that it has received the requisite Regulation S Certificate with respect to the beneficial ownership of any portion of a Regulation S TEMPORARY Global Security, the Paying Agent may revoke the right of Euroclear or Cedel, as applicable, to hold any payments made with respect to such portion of such Regulation S Global Security. If the Paying Agent exercises its right of revocation pursuant to the immediately preceding sentence, Euroclear or Cedel, as applicable, shall return such payments to the Paying Agent and the Paying Agent shall hold such payments until Euroclear or Cedel, as applicable, has provided necessary Non-U.S. Certificates to the Paying Agent (at which time the Paying Agent shall forward such payments to Euroclear or Cedel, as applicable, to be remitted to the beneficial owner that is entitled thereto on the records of Euroclear or Cedel (or on the records of their respective members)).

(iii) Each beneficial owner of a Regulation S TEMPORARY Global Security shall exchange its interest therein for an interest in a Regulation S Permanent Global Security on or after the Release Date upon furnishing to Euroclear or Cedel (as applicable) the Regulation S Certificate and upon receipt by the Paying Agent of the Non-U.S. Certificate thereof from Euroclear or Cedel, as applicable, in each case pursuant to the terms of Section 315(c)(i) hereof. On and after the Release Date, upon receipt by the Paying Agent of any Non-U.S. Certificate from Euroclear or Cedel described in the immediately preceding sentence, (i) with respect to the first such Non-U.S. Certificate the Bank shall execute and the Authenticating Agent shall authenticate, upon receipt of a Bank Order for the authentication, and deliver to the Custodian the applicable Regulation S Permanent Global Security and (ii) with respect to the first and all subsequent Non-U.S. Certificates, the custodian shall exchange on behalf of the applicable beneficial owners the portion of the applicable Regulation S TEMPORARY Global Security covered by such Non-U.S. Certificates for a comparable portion of the applicable Regulation S Permanent Global Security. Upon any exchange of a portion of a Regulation S TEMPORARY Global Security

for a comparable portion of a Regulation S Permanent Global Security, the Custodian shall endorse on the schedules affixed to each of such Regulation S Global Security (or on continuations of such schedules affixed to each of such Regulation S Global Security and made parts thereof) appropriate notations evidencing the date of transfer and (x) with respect to the applicable Regulation S TEMPORARY Global Security, a decrease in the principal amount thereof equal to the amount covered by the applicable certification and (y) with respect to the applicable Regulation S Permanent Global Security, an increase in the principal amount thereof equal to the principal amount of the decrease in the applicable Regulation S TEMPORARY Global Security pursuant to clause (x) above.

SECTION 316. Special Transfer Provisions.

At any time at the request of the beneficial holder of an interest in a Security in global form, such beneficial holder shall be entitled to obtain a definitive Security upon written request to the Trustee in accordance with the standing instructions and procedures existing between the Depositary and the Trustee for the issuance thereof. Upon receipt of any such request, the Trustee will cause the aggregate principal amount of the Security in global form to be reduced and, following such reduction, the Bank will execute and, upon receipt of a Bank Order for the authentication, the Trustee will authenticate and deliver to such beneficial holder (or its nominee) a Security or Securities in the appropriate aggregate principal amount in the name of such beneficial holder (or its nominee) and bearing such restrictive legends as may be required by this Indenture.

Any transfer of a beneficial interest in a Security in global form which cannot be effected through book-entry settlement must be effected by the delivery to the transferee (or its nominee) of a definitive Security or Securities registered in the name of the transferee (or its nominee) on the books maintained by the Trustee. With respect to any such transfer, the Trustee will cause, in accordance with the standing instructions and procedures existing between the Depositary and the Trustee, the aggregate principal amount of the Security in global form to be reduced and, following such reduction, the Bank will execute and the Trustee, upon receipt of a Bank Order for the authentication, will authenticate and deliver to the transferee (or such transferee's nominee, as the case may be), a

Security or Securities in the appropriate aggregate principal amount in the name of such transferee (or its nominee) and bearing such restrictive legends as may be required by this Indenture. In connection with any such transfer, the Trustee may request a certificate, upon which the Trustee may conclusively rely, containing such representations and agreements relating to the restrictions on transfer of such Security or Securities from such transferee (or such transferee's nominee) as the Trustee may reasonably require.

So long as the Securities are eligible for book-entry settlement, or unless otherwise required by law, upon any transfer of a definitive Security to a QIB in accordance with Rule 144A, unless otherwise requested by the transferor, and upon receipt of the definitive Security or Securities being so transferred, together with a certification from the transferor that the transferor reasonably believes that the transferee is a QIB, the Trustee shall make an endorsement on the Restricted Global Security to reflect an increase in the aggregate principal amount of the Securities represented by the Restricted Global Security, the Trustee shall cancel such definitive Security or Securities and cause, in accordance with the standing instructions and procedures existing between the Depositary and the Trustee, the aggregate principal amount of Securities represented by the Restricted Global Security to be increased accordingly.

So long as the Securities are eligible for book-entry settlement, or unless otherwise required by law, upon any transfer of a definitive Security in accordance with Regulation S, if requested by the transferor, and upon receipt of the definitive Security or Securities being so transferred, together with a certification from the transferor that the transfer was made in accordance with Rule 903 or 904 of Regulation S or Rule 144 under the Securities Act, the Trustee shall make or direct the Custodian to make, an endorsement on the Regulation S Global Security to reflect an increase in the aggregate principal amount of the Securities represented by the Regulation S Global Security, the Trustee shall cancel such definitive Security or Securities and cause, or direct the Custodian to cause, in accordance with the standing instructions and procedures existing between the Depositary and the Custodian, the aggregate principal amount of Securities represented by the Regulation S Global Security to be increased accordingly.

If a holder of a beneficial interest in the Restricted Global Security wishes at any time to exchange its interest in the Restricted Global Security for an interest in the Regulation S Global Security, or to transfer its interest in the Restricted Global Security to a person who wishes to take delivery thereof in the form of an interest in the Regulation S Global Security, such holder may, subject to the rules and procedures of the Depositary and to the requirements set forth in the following sentence, exchange or cause the exchange or transfer or cause the transfer of such interest for an equivalent beneficial interest in the Regulation S Global Security. Upon receipt by the Trustee, as transfer agent of (1) instructions given in accordance with the Depositary's procedures from or on behalf of a holder of a beneficial interest in the Restricted Global Security, directing the Trustee (via DWAC), as transfer agent, to credit or cause to be credited a beneficial interest in the Regulation S Global Security in an amount equal to the beneficial interest in the Restricted Global Security to be exchanged or transferred, (2) a written order given in accordance with the Depositary's procedures containing information regarding the Euroclear or Cedel account to be credited with such increase and the name of such account, and (3) a certificate given by the holder of such beneficial interest stating that the exchange or transfer of such interest has been made pursuant to and in accordance with Rule 903 or Rule 904 of Regulation S or Rule 144 under the Securities Act, the Trustee, as transfer agent, shall promptly deliver appropriate instructions to the Depositary (via DWAC), its nominee, or the custodian for the Depositary, as the case may be, to reduce or reflect on its records a reduction of the Restricted Global Security by the aggregate principal amount of the beneficial interest in such Restricted Global Security to be so exchanged or transferred from the relevant participant, and the Trustee, as transfer agent, shall promptly deliver appropriate instructions (via DWAC) to the Depositary, its nominee, or the custodian for the Depositary, as the case may be, concurrently with such reduction, to increase or reflect on its records an increase of the principal amount of such Regulation S Global Security by the aggregate principal amount of the beneficial interest in such Restricted Global Security to be so exchanged or transferred, and to credit or cause to be credited to the account of the person specified in such instructions (who may be Morgan Guaranty Trust Company of New York, Brussels office, as operator of Euroclear or Cedel or another agent member of Euroclear or Cedel, or both, as the case may be, acting for

and on behalf of them) a beneficial interest in such Regulation S Global Security equal to the reduction in the principal amount of such Restricted Global Security.

If a holder of a beneficial interest in the Regulation S Global Security wishes at any time to exchange its interest in the Regulation S Global Security for an interest in the Restricted Global Security, or to transfer its interest in the Regulation S Global Security to a person who wishes to take delivery thereof in the form of an interest in the Restricted Global Security, such holder may, subject to the rules and procedures of Euroclear or Cedel and the Depositary, as the case may be, and to the requirements set forth in the following sentence, exchange or cause the exchange or transfer or cause the transfer of such interest for an equivalent beneficial interest in such Restricted Global Security. Upon receipt by the Trustee, as transfer agent of (1) instructions given in accordance with the procedures of Euroclear or Cedel and the Depositary, as the case may be, from or on behalf of a beneficial owner of an interest in the Regulation S Global Security directing the Trustee, as transfer agent, to credit or cause to be credited a beneficial interest in the Restricted Global Security in an amount equal to the beneficial interest in the Regulation S Global Security to be exchanged or transferred, (2) a written order given in accordance with the procedures of Euroclear or Cedel and the Depositary, as the case may be, containing information regarding the account with the Depositary to be credited with such increase and the name of such account, and (3) prior to the expiration of the Restricted Period, a certificate, upon which the Trustee may conclusively rely, given by the holder of such beneficial interest and stating that the person transferring such interest in such Regulation S Global Security reasonably believes that the person acquiring such interest in the Restricted Global Security is a QIB and is obtaining such beneficial interest in a transaction meeting the requirements of Rule 144A and any applicable securities laws of any state of the United States or any other jurisdiction, the Trustee, as transfer agent, shall promptly deliver (via

DWAC) appropriate instructions to the Depositary, its nominee, or the custodian for the Depositary, as the case may be, to reduce or reflect on its records a reduction of the Regulation S Global Security by the aggregate principal amount of the beneficial interest in such Regulation S Global Security to be exchanged or transferred, and the Trustee, as transfer agent, shall promptly deliver (via DWAC) appropriate instructions to the Depositary, its nominee, or the custodian for the Depositary, as the case may be, concurrently with such reduction, to increase or reflect on its records an increase of the principal amount of the Restricted Global Security by the aggregate principal amount of the beneficial interest in the Regulation S Global Security to be so exchanged or transferred, and to credit or cause to be credited to the account of the person specified in such instructions a beneficial interest in the Restricted Global Security equal to the reduction in the principal amount of the Regulation S Global Security. After the expiration of the Restricted Period (as defined below), the certification requirement set forth in clause (3) of the second sentence of the above paragraph will no longer apply to such exchanges and transfers.

If a holder of a definitive Security wishes at any time to exchange its Security for a beneficial interest in any Global Security (or vice versa), or to transfer its definitive Security to a person who wishes to take delivery thereof in the form of a beneficial interest in a Global Security (or vice versa), such Securities and beneficial interests may be exchanged or transferred for one another only in accordance with such procedures as are substantially consistent with the provisions of the two preceding paragraphs (including the certification requirements intended to ensure that such exchanges or transfers comply with Rule 144, Rule 144A or Regulation S, as the case may be) and as may be from time to time adopted by the Bank and the Trustee.

Any beneficial interest in one of the Global Securities that is transferred to a person who takes delivery in the form of an interest in the other Global Security will, upon transfer, cease to be an interest in such Global Security and become an interest in the other Global Security and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in such other Global Security for as long as it remains such an interest.

Prior to or on the 40th day after the later of the commencement of the offering of the Capital Securities and the Closing Date (the "Restricted Period"), beneficial interests in a Regulation S Global Security may only be held through Morgan Guaranty Trust Company of New York, Brussels Office, as operator of Euroclear or Cedel or another agent member of Euroclear and

Cedel acting for and on behalf of them, unless delivery is made through the Restricted Global Security in accordance with the certification requirements hereof. During the Restricted Period, interests in the Regulation S Global Security, if any, may be exchanged for interests in the Restricted Global Security or for definitive Securities only in accordance with the certification requirements described above.

Until the later of the Release Date and the provision of the certifications required by Section 315, beneficial interests in any Regulation S TEMPORARY Global Security may be held only through members acting for and on behalf of Euroclear and Cedel.

SECTION 317. Shortening of Stated Maturity.

The Bank shall have the right to shorten the Stated Maturity of the principal of the Securities of such series at any time to any date not earlier than the first date on which the Bank has the right to redeem the Securities. In the event the Bank elects to shorten the Stated Maturity Junior Subordinated Debentures, it shall give written notice to the Trustee, and the Trustee shall give notice of such shortening to the Holders, no less than 30 and no more than 60 days prior to the effectiveness thereof. The Bank's right to shorten the Stated Maturity of the principal of the Securities pursuant to the preceding sentence is subject to the Bank having received any necessary prior regulatory approval.

ARTICLE FOUR

SATISFACTION AND DISCHARGE; DEFEASANCE

SECTION 401. Satisfaction and Discharge of Indenture.

This Indenture shall cease to be of further effect (except as to any surviving rights of registration of transfer or exchange of Securities herein expressly provided for), and the Trustee, on written demand of and at the expense of the Bank, shall execute instruments supplied by the Bank acknowledging satisfaction and discharge of this Indenture, when (1) either (A) all Securities theretofore authenticated and delivered (other than (i) Securities which have been destroyed, lost or stolen and

which have been replaced or paid as provided in Section 306 and (ii) Securities for whose payment money has theretofore been deposited in trust or segregated and held in trust by the Bank and thereafter repaid to the Bank or discharged from such trust, as provided in Section 1003) have been delivered to the Trustee for cancellation; or (B) all such Securities not theretofore delivered to the Trustee for cancellation (i) have become due and payable, or (ii) will become due and payable at their Maturity within one year, or (iii) if redeemable at the option of the Bank, are to be called for redemption within one year under arrangements satisfactory to the Trustee for the giving of notice of redemption by the Trustee in the name, and of the expense, of the Bank and the Bank, in the case of (i), (ii) or (iii) above, has deposited or caused to be deposited with the Trustee as funds in trust for the purpose an amount sufficient to pay and discharge the entire indebtedness on such Securities not theretofore delivered to the Trustee for cancellation, for principal and interest to the date of such deposit (in the case of Securities which have become due and payable) or to the Maturity or Redemption Date, as the case may be; (2) the Bank has paid or caused to be paid all other sums payable hereunder by the Bank; and (3) the Bank has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent herein provided for relating to the satisfaction and discharge of this Indenture have been complied with. Notwithstanding the satisfaction and discharge of this Indenture, the obligations of the Bank to the Trustee under Section 607 and, if money shall have been deposited with the Trustee pursuant to subclause (B) of clause (1) of this Section, the obligations of the Trustee under Section 402 and the last paragraph of Section 1003 shall survive.

SECTION 402. Legal Defeasance.

In addition to discharge of this Indenture pursuant to Section 401, in the case of any Securities with respect to which the exact amount described in subparagraph (a) of Section 404 can be determined at the time of making the deposit referred to in such subparagraph (a), the Bank shall be deemed to have paid and discharged the entire indebtedness on all the Securities as provided in this Section on and after the date the conditions set forth in Section 404 are satisfied, and the provisions of this Indenture with respect to the Securities shall no longer be in effect (except as to (i) rights of registration of transfer and

exchange of Securities, (ii) substitution of mutilated, defaced, destroyed, lost or stolen Securities, (iii) maintenance of a Paying Agent, (iv) rights of Holders of Securities to receive, solely from the trust fund described in subparagraph (a) of Section 404, payments of principal thereof and interest, if any, thereon upon the original stated due dates therefor (but not upon acceleration), (v) the rights, obligations, duties and immunities of the Trustee hereunder, (vi) this Section 402 and (vii) the rights of the Holders of Securities as beneficiaries hereof with respect to the property so deposited with the Trustee payable to all or any of them) (hereinafter called "Legal Defeasance"), and the Trustee, at the cost and expense of the Bank, shall acknowledge the same.

SECTION 403. Covenant Defeasance.

In the case of any Securities with respect to which the exact amount described in subparagraph (a) of Section 404 can be determined at the time of making the deposit referred to in such subparagraph (a), (x) the Bank shall be released from its obligations under any covenants specified in or pursuant to this Indenture (except as to (i) rights of registration of transfer and exchange of Securities, (ii) substitution of mutilated, defaced, destroyed, lost or stolen Securities, (iii) maintenance of a Paying Agent, (iv) rights of Holders of Securities to receive, from the Bank pursuant to Section 1001, payments of principal thereof and interest, if any, thereon upon the original stated due dates therefor (but not upon acceleration), (v) the rights, obligations, duties and immunities of the Trustee hereunder and (vi) the rights of the Holders of Securities as beneficiaries hereof with respect to the property so deposited with the Trustee payable to all or any of them), and (y) the occurrence of any event specified in Section 501(3) (with respect to any of the covenants specified in or pursuant to this Indenture) shall be deemed not to be or result in an Event of Default, in each case with respect to the Outstanding Securities as provided in this Section on and after the date the conditions set forth in Section 404 are satisfied (hereinafter called "Covenant Defeasance"), and the Trustee, at the cost and expense of the Bank, shall acknowledge the same. For this purpose, such Covenant Defeasance means that the Bank may omit to comply with and shall have no liability in respect of any term, condition or limitation set forth in any such covenant (to the extent so specified in the case of Section 501(3)), whether directly or

indirectly by reason of any reference elsewhere herein to any such covenant or by reason of any reference in any such covenant to any other provision herein or in any other document, but the remainder of this Indenture and the Securities shall be unaffected thereby.

SECTION 404. Conditions to Legal Defeasance or Covenant Defeasance.

The following shall be the conditions to application of either Section 402 or 403 to the Outstanding Securities:

(a) with reference to Section 402 or 403, the Bank has irrevocably deposited or caused to be irrevocably deposited with the Trustee as funds in trust, specifically pledged as security for, and dedicated solely to, the benefit of the Holders of Securities (i) cash in an amount, (ii) direct obligations of the United States of America, backed by its full faith and credit ("U.S. Government Obligations"), maturing as to principal and interest, if any, at such times and in such amounts as will ensure the availability of cash, (iii) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States of America the timely payment of which is unconditionally guaranteed as a full faith and credit obligation by the United States of America, or (iv) a combination thereof, in each case sufficient, in the opinion of a nationally recognized firm of independent public accountants expressed in a written certification thereof delivered to the Trustee, to pay and discharge the principal of and interest, if any, on all Securities on each date that such principal or interest, if any, is due and payable;

(b) in the case of Legal Defeasance under Section 402, the Bank has delivered to the Trustee an Opinion of Counsel based on the fact that (x) the Bank has received from, or there has been published by, the Internal Revenue Service a ruling or (y), since the date hereof, there has been a change in the applicable United States federal income tax law, in either case to the effect that, and such opinion shall confirm that, the Holders of the Securities of such series will not recognize income, gain or loss for federal income tax purposes as a result of such deposit and Legal Defeasance and will be subject to federal income tax on the

same amount and in the same manner and at the same times as would have been the case if such deposit and Legal Defeasance had not occurred;

(c) in the case of Covenant Defeasance under Section 403, the Bank has delivered to the Trustee an Opinion of Counsel to the effect that, and such opinion shall confirm that, the Holders of the Securities will not recognize income, gain or loss for federal income tax purposes as a result of such deposit and Covenant Defeasance and will be subject to federal income tax on the same amount in the same manner and at the same times as would have been the case if such deposit and Covenant Defeasance had not occurred;

(d) such Legal Defeasance or Covenant Defeasance will not result in a breach or violation of, or constitute a default under, any agreement or instrument to which the Bank is a party or by which it is bound; and

(e) the Bank shall have delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent contemplated by this provision have been complied with.

SECTION 405. Application of Trust Money.

Subject to the provisions of the last paragraph of Section 1003, all money and U.S. Government Obligations deposited with the Trustee pursuant to Section 401 shall be held in trust and such money and all money from such U.S. Government Obligations shall be applied by it, in accordance with the provisions of the Securities and this Indenture, to the payment, either directly or through any Paying Agent (including the Bank acting as its own Paying Agent), as the Trustee may determine in its sole discretion, to the Persons entitled thereto, of the principal and interest for whose payment such money and U.S. Government Obligations has been deposited with the Trustee.

SECTION 406. Indemnity for U.S. Government Obligations.

The Bank shall pay and indemnify the Trustee and its officers, directors, employees and agents against any tax, fee or other charge imposed on or assessed against the U.S. Government Obligations deposited pursuant to Section 404 or the principal or interest received in respect of such obligations other than any such tax, fee or other charge that by law is for the account of the Holders of Outstanding Securities.

ARTICLE FIVE

REMEDIES

SECTION 501. Events of Default.

"Event of Default" wherever used herein, means any one of the following events that has occurred and is continuing (whatever the reason for such Event of Default and whether it shall be occasioned by the provisions of Article Eleven or 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):

(1) failure for 30 days to pay any interest on the Securities when due (subject to the deferral of any due date in the case of an Extension Period); or

(2) failure to pay any principal on the Securities when due, whether at Maturity, upon redemption, by declaration of acceleration or otherwise;

(3) failure to observe or perform in any material respect any other covenant herein that continues 90 days after written notice to the Bank from the Trustee or the holders of at least 25% in aggregate principal amount of the Outstanding Securities; or

(4) 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 Federal or State insolvency, liquidation or other similar law or

(B) a decree or order requiring the appointment of a receiver with respect to the Bank or all or substantially all its property, or approving as properly filed a petition seeking arrangement, adjustment or composition of or in respect of the Bank under any applicable Federal or State law, at appointing a custodian, receiver, liquidator, assignee, trustee, sequestrator or other similar official of the Bank or of substantially all of the property of the Bank, or ordering the winding up or liquidation of its affairs, 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 90 consecutive days; or

(5) (A) the commencement by the Bank of a voluntary case or proceeding under any applicable Federal or State insolvency, liquidation or other similar law or of any other case or proceeding for the appointment of a receiver with respect to the Bank or all or substantially all its property, or (B) the consent by the Bank or to the entry of a decree or order for relief in respect of itself in an involuntary case or proceeding under any applicable Federal or State insolvency, liquidation or other similar law or to the commencement of any insolvency case or proceeding against the Bank for the appointment of a receiver with respect to the Bank or all or substantially all its property, or (C) the filing by the Bank of a petition or answer or consent seeking reorganization or relief under any applicable Federal or State law, or (D) 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 other similar official of the Bank or of all or substantially all of the property of the Bank, or (E) the making by the Bank of an assignment for the benefit of creditors.

SECTION 502. Acceleration of Maturity; Rescission and Annulment.

If an Event of Default occurs and is continuing, then and in every such case the Trustee or the Holders of not less than 25% in aggregate principal amount of the Outstanding Securities may declare the principal of and the interest on all the Securities and any other amounts payable hereunder to be due and payable immediately, provided, however, that if upon an Event of Default, the Trustee or the Holders of at least 25% in aggregate principal amount of the Outstanding Securities fail to declare the payment of all amounts on the Securities to be immediately due and payable, the holders of at least 25% in

aggregate liquidation amount of Capital Securities then outstanding shall have such right, by a notice in writing to the Bank (and to the Trustee if given by Holders or the holders of Capital Securities) and upon any such declaration such principal and all accrued interest shall become immediately due and payable.

At any time after such a declaration of acceleration has been made and before a judgment or decree for payment of the money due has been obtained by the Trustee as hereinafter provided in this Article, the Holders of a majority in aggregate principal amount of the Outstanding Securities, by written notice to the Bank and the Trustee, may rescind and annul such declaration and its consequences if (1) the Bank has paid or deposited with the Trustee a sum sufficient to pay (A) all overdue interest on all Securities, (B) the principal of (and premium, if any, on) any Securities which have become due otherwise than by such declaration of acceleration and interest thereon at the rate borne by the Securities, (C) to the extent that payment of such interest is lawful, interest upon overdue interest at the rate borne by the Securities, and (D) all sums paid or advanced by the Trustee hereunder and the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel; and (2) all Events of Default, other than the non-payment of the principal of Securities which have become due solely by such declaration of acceleration, have been cured or waived as provided in Section 513. Should the Holders of such Securities fail to annul such declaration and waive such default, the holders of a majority in aggregate liquidation amount of the Capital Securities then outstanding shall have such right. No such rescission shall affect any subsequent default or impair any right consequent thereon.

SECTION 503. Collection of Indebtedness and Suits for Enforcement by Trustee.

The Bank covenants that if

(1) default is made in the payment of any interest on any Security when such interest becomes due and payable and such default continues for a period of 30 days, or

(2) default is made in the payment of the principal of any Security at the Maturity thereof,

the Bank will, upon demand of the Trustee, pay to it, for the benefit of the Holders of such Securities, the whole amount then due and payable on such Securities for principal and interest, and, to the extent that payment thereof shall be legally enforceable, interest on any overdue principal and on any overdue interest, at the rate borne by the Securities, and, in addition thereto, such further amount as shall be sufficient to cover the costs and expenses of collection, including the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel.

If an Event of Default occurs and is continuing, the Trustee may in its discretion proceed to protect and enforce its rights and the rights of the Holders by such appropriate judicial proceedings as the Trustee shall deem most effectual to protect and enforce any such rights, whether for the specific enforcement of any covenant or agreement in this Indenture or in aid of the exercise of any power granted herein, or to enforce any other proper remedy.

SECTION 504. Trustee may File Proofs of Claim.

In case of any receivership, insolvency, liquidation, arrangement, adjustment, composition or other similar judicial proceeding relative to the Bank (or any other obligor upon the Securities), its property or its creditors, the Trustee shall be entitled and empowered, by intervention in such proceeding or otherwise, to take any and all actions authorized under the Trust Indenture Act in order to have claims of the Holders and the Trustee allowed in any such proceeding. In particular, the Trustee shall be authorized to collect and receive any moneys or other property payable or deliverable on any such claims and to distribute the same; and any custodian, receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such judicial proceeding is hereby authorized by each Holder to make such payments to the Trustee and, in the event that the Trustee shall consent to the making of such payments directly to the Holders, to pay to the Trustee any amount due it for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee under Section 607. No provision of this Indenture shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Holder any plan of reorganization, arrangement, adjustment or composition affecting

the Securities or the rights of any Holder thereof or to authorize the Trustee to vote in respect of the claim of any Holder in any such proceeding.

SECTION 505. Trustee may Enforce Claims Without Possession of Securities.

All rights of action and claims under this Indenture or the Securities may be prosecuted and enforced by the Trust without the possession of any of the Securities or the production thereof in any proceeding relating thereto, and any such proceeding instituted by the Trustee shall be brought in its own name as trustee of any express trust, and any recovery of judgment shall, after provision for the payment of the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, be for the ratable benefit of the Holders of the Securities in respect of which such judgment has been recovered.

SECTION 506. Application of Money Collected.

Subject to Article Eleven, any money collected by the Trustee pursuant to this Article shall be applied in the following order, at the date or dates fixed by the Trustee and, in case of the distribution of such money on account of principal, upon presentation of the Securities and the notation thereon of the payment, if only partially paid, and upon surrender thereof, if fully paid;

FIRST: To the payment of all amounts due the Trustee under Section 607; and

SECOND: To the payment of the amounts then due and unpaid for principal of and interest on the Securities in respect of which or for the benefit of which such money has been collected, ratably, without preference or priority of any kind, according to the amounts due and payable as such Securities for principal and interest, respectively.

THIRD: To the Bank, if any balance shall remain.

SECTION 507. Limitation on Suits.

No Holder of any Security shall have any right to institute any proceeding, judicial or otherwise, with respect to this Indenture, or for the appointment of a receiver or trustee, or for any other remedy hereunder, unless

(1) such Holder has previously given written notice to the Trustee of a continuing Event of Default;

(2) the Holders of not less than 25% in principal amount of the Outstanding Securities shall have made written request to the Trustee to institute proceedings in respect of such Event of Default in its own name as Trustee hereunder;

(3) such Holder or Holders have offered to the Trustee reasonable indemnity satisfactory to it against the costs, expenses and liabilities to be incurred in compliance with such request;

(4) the Trustee for 60 days after its receipt of such notice, request and offer of indemnity has failed to institute any such proceeding; and

(5) no direction inconsistent with such written request has been given to the Trustee during such 60-day period by the Holders of a majority in principal amount of the Outstanding Securities; it being understood and intended that no one or more Holders shall have any right in any manner whatever by virtue of, or by availing of, any provision of this Indenture to affect, disturb or prejudice the rights of any other Holders, or to obtain or to seek to obtain priority or preference over any other Holders or to enforce any right under this Indenture, except in the manner herein provided and for the equal and ratable benefit of all the Holders.

SECTION 508. Unconditional Right of Holders to Receive Principal and Interest; Capital Security Holders' Rights.

Notwithstanding any other provision in this Indenture, the Holder of any Security shall have the right, which is absolute and unconditional, to receive payment of the principal of and (subject to Section 307) interest on such Security on the Stated Maturity expressed in such Security (or, in the case of redemption, on the Redemption Date) and to institute suit for the

enforcement of any such payment, and such rights shall not be impaired without the consent of such Holder.

If an Event of Default constituting the failure to pay interest or principal on the Securities on the date such interest or principal is otherwise payable has occurred and is continuing, then a holder of Capital Securities may directly institute a proceeding for enforcement of payment to such holder directly of the principal of or interest on the Securities having a principal amount equal to the aggregate liquidation amount of the Capital Securities as such holder on or after the respective due date specified in the Securities. The Bank may not amend this Section without the prior written consent of the holders of all of the Capital Securities. Notwithstanding any payment made to such holder of Capital Securities by the Bank in connection with such a Direct Action, the Bank shall remain obligated to pay the principal of or interest on the Securities held by the Trust or the Property Trustee and the Bank shall be subrogated to the rights of the holder of such Capital Securities with respect to payments on the Capital Securities to the extent of any payments made by the Bank to such holder in any Direct Action. A holder of Capital Securities will not be able to exercise directly any other remedy available to the Holders of the Securities.

SECTION 509. Restoration of Rights and Remedies.

If the Trustee or any Holder has instituted any proceeding to enforce any right or remedy under this Indenture and such proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the Trustee or to such Holder, then and in every such case, subject to any determination in such proceeding, the Bank, the Trustee and the Holders shall be restored severally and respectively to their former positions hereunder and thereafter all rights and remedies of the Trustee and the Holders shall continue as though no such proceeding had been instituted.

SECTION 510. Rights and Remedies Cumulative.

Except as otherwise provided with respect to the replacement or payment of mutilated, destroyed, lost or stolen Securities in the last paragraph of Section 306, no right or remedy herein conferred upon or reserved to the Trustee or to the Holders is intended to be exclusive of any other right or remedy,

and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

SECTION 511. Delay or Omission not Waiver.

No delay or omission of the Trustee or of any Holder of any Security to exercise any right or remedy accruing upon any Event of Default shall impair any such right or remedy or constitute a waiver of any such Event of Default or an acquiescence therein. Every right and remedy given by this Article or by law to the Trustee or to the Holders may be exercised from time to time, and as often as may be deemed expedient, by the Trustee or by the Holders, as the case may be.

SECTION 512. Control by Holders.

The Holders of a majority in principal amount of the Outstanding Securities shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee, provided that

(1) such direction shall not be in conflict with any rule of law or with this Indenture; and

(2) the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction.

SECTION 513. Waiver of Past Defaults.

Subject to Sections 902 and 1008 hereof, the Holders of not less than a majority in principal amount of the Outstanding Securities may on behalf of the Holders of all the Securities waive any past default hereunder and its consequences, except a default

(1) in the payment of the principal of or interest on any Security (unless such default has been cured and a sum sufficient to pay all matured installments of interest and

principal due otherwise than by acceleration has been deposited with the Trustee); or

(2) in respect of a covenant or provision hereof which under Article Nine cannot be modified or amended without the consent of the Holder of each Outstanding Security affected;

provided, however, that should the Holders of such Outstanding Securities fail to waive such default, the Holders of a majority in aggregate liquidation amount of the Capital Securities shall have such right.

Upon any such waiver, such default shall cease to exist, effective as of the date specified in such waiver (and effective retroactively to the date of default, if so specified) and any Event of Default arising therefrom shall be deemed to have been cured, for every purpose of this Indenture; but no such waiver shall extend to any subsequent or other default or impair any right consequent thereon.

SECTION 514. Undertaking for Costs.

In any suit for the enforcement of any right or remedy under this Indenture, or in any suit against the Trustee for any action taken, suffered or omitted by it as Trustee, a court may require any party litigant in such suit to file an undertaking to pay the costs of such suit, and may assess costs against any such party litigant, in the manner and to the extent provided in the Trust Indenture Act; provided, that neither this Section nor the Trust Indenture Act shall be deemed to authorize any court to require such an undertaking or to make such an assessment in any suit instituted by the Bank or the Trustee or in any suit for the enforcement of the right to receive the principal of and interest on any Security.

SECTION 515. Waiver of Stay or Extension Laws.

The Bank covenants (to the extent that it may lawfully do so) that it will not at any time insist upon, or plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay or extension law wherever enacted, now or at any time hereafter in force, which may affect the covenants or the performance of this Indenture; and the Bank (to the extent that it may lawfully do so) hereby expressly waives all benefit or

advantage of any such law and covenants that it will not hinder, delay or impede the execution of any power herein granted to the Trustee, but will suffer and permit the execution of every such power as though no such law had been enacted.

ARTICLE SIX

TRUSTEE

SECTION 601. Certain Duties and Responsibilities.

The duties and responsibilities of the Trustee shall be as provided by the Trust Indenture Act. Notwithstanding the foregoing, no provision of this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity satisfactory to it against such risk or liability is not reasonably assured to it. Whether or not therein expressly so provided, every provision of this Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this Section.

The Trustee shall not be liable for any error or judgment made in good faith by a Responsible Officer, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts.

The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Holders of a majority in principal amount of the Outstanding Securities, relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under this Indenture with respect to the Securities.

SECTION 602. Notice of Defaults.

The Trustee shall give the Holders notice of any default known to it hereunder as and to the extent provided by the Trust Indenture Act; provided, however, that except in the case of a default in the payment of the principal of or interest on any Security, the Trustee shall be protected in withholding such notice if and so long as the board of directors, the executive committee or a trust committee of directors and/or Responsible Officers of the Trustee in good faith determine that the withholding of such notice is in the interests of the Holders of Securities; provided, further, that in the case of any default of the character specified in Section 501(3), no such notice to Holders shall be given until at least 30 days after the occurrence thereof. For the purpose of this Section, the term "default" means any event which is, or after notice or lapse of time or both would become, an Event of Default. For purposes of this Section, the Trustee shall not be deemed to have knowledge of a default unless a Responsible Officer of the Trustee has actual knowledge of such default or has received written notice of such default in the manner contemplated by Section 105.

SECTION 603. Certain Rights of Trustee.

Subject to the provisions of Section 601:

(a) the Trustee may conclusively rely and shall be fully protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties;

(b) any request or direction of the Bank mentioned herein shall be sufficiently evidenced by a Bank Request or Bank Order and any resolution of the Board of Directors shall be sufficiently evidenced by a Board Resolution;

(c) whenever in the administration of this Indenture the Trustee shall deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, the Trustee (unless other evidence be herein

specifically prescribed) may, in the absence of bad faith on its part, conclusively rely upon an Officers' Certificate;

(d) the Trustee may consult with counsel of its choice (and such counsel may be counsel to the Bank or any of its Affiliates and may include any of its employees) and the advice of such counsel or any Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon;

(e) the Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request or direction of any of the Holders pursuant to this Indenture, unless such Holders shall have offered to the Trustee reasonable security or indemnity satisfactory to it against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction;

(f) the Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document, but the Trustee, in its sole discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Trustee shall determine to make such further inquiry or investigation, it shall be entitled to examine the books, records and premises of the Bank, personally or by agent or attorney at the sole cost and expense of the Bank;

(g) the Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys and the Trustee shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care by it hereunder; and

(h) any application by the Trustee for written instructions from the Bank may, at the option of the Trustee, set forth in writing any action proposed to be taken or omitted by the Trustee under this Indenture and the date on and/or after which such action shall be taken or such omission shall be effective. The Trustee shall not be liable to the Bank for any

action taken by, or omission of, the Trustee in accordance with a proposal included in such application on or after the date specified in such application (which date shall not be less than five Business Days after the date any officer of the Bank actually receives such application, unless any such officer shall have consented in writing to any earlier date) unless prior to taking any such action (or the effective date in the case of an omission), the Trustee shall have received written instructions in response to such application specifying the action to be taken or omitted.

SECTION 604. Not Responsible for Recitals or Issuance of Securities.

The recitals contained herein and in the Securities, except the Trustee's certificates of authentication, shall be taken as the statements of the Bank, and the Trustee assumes no responsibility for their correctness. The Trustee makes no representations as to the validity or sufficiency of this Indenture or of the Securities, the Trustee shall not be accountable for the use or application by the Bank of Securities or the proceeds thereof.

SECTION 605. Trustee and Other Agents may Hold Securities.

The Trustee, any Paying Agent, any Security Registrar, or any other agent of the Bank, in its individual or any other capacity, may become the owner or pledgee of Securities and, subject to Sections 608 and 613, may otherwise deal with the Bank with the same rights it would have if it were not Trustee, Paying Agent, Security Registrar, or such other agent. Money held by the Trustee in trust hereunder shall not be invested by the Trustee pending distribution thereof to the holders of the Securities.

SECTION 606. Money Held in Trust.

Money held by the Trustee in trust hereunder need not be segregated from other funds except to the extent required by law. The Trustee shall be under no liability for interest on any money received by it hereunder except as otherwise agreed in writing with the Bank.

SECTION 607. Compensation; Reimbursement; and Indemnity.

The Bank, as issuer of the Securities, agrees

(1) to pay to the Trustee from time to time such compensation as the Bank and the Trustee shall from time to time agree in writing for all services rendered by it hereunder (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust);

(2) except as otherwise expressly provided herein, to reimburse the Trustee upon its request for all reasonable expenses, disbursements and advances incurred or made by the Trustee in accordance with any provision of this Indenture (including the reasonable compensation and the expenses and disbursements of its agents and counsel), except any such expense, disbursement or advance as may be attributable to its negligence or bad faith; and

(3) to indemnify each of the Trustee and any predecessor Trustee and their respective officers, directors, employees and agents, for, and to hold it harmless against, any and all loss, damage, claim, liability or expense, including taxes (other than taxes based on the income, revenues or gross receipts of the Trustee) incurred without negligence or bad faith on its part, arising out of or in connection with the acceptance or administration of this trust or the trusts hereunder, including the costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers or duties hereunder.

The obligations of the Bank under this Section to compensate the Trustee, to pay or reimburse the Trustee for expenses, disbursements and advances and to indemnify and hold harmless the Trustee shall constitute additional indebtedness hereunder and shall survive the satisfaction and discharge of this Indenture. As security for the performance of such obligations of the Bank, the Trustee shall have a lien prior to the Securities upon all property and lands held or collected by the Trustee as such, except funds held in trust for the payment of principal of (and premiums, if any, on) or interest on particular Securities.

When the Trustee incurs expenses or renders services in connection with an Event of Default specified in Section 501(4) or Section 501(5), the expenses (including the reasonable charges and expenses of its agents and counsel) and the compensation for the services are intended to constitute expenses of administration under any applicable Federal or state liquidation, insolvency or other similar law.

The provisions of this Section shall survive the termination of this Indenture or the resignation or removal of the Trustee.

SECTION 608. Disqualification; Conflicting Interests.

If the Trustee has or shall acquire a conflicting interest within the meaning of the Trust Indenture Act, the Trustee shall either eliminate such interest or resign, to the extent and in the manner provided by, and subject to the provisions of, the Trust Indenture Act and this Indenture.

SECTION 609. Corporate Trustee Required; Eligibility.

There shall at all times be a Trustee hereunder which shall be a Person that is eligible pursuant to the Trust Indenture Act to act as such and has a combined capital and surplus of at least $50,000,000 and has a Corporate Trust Office in New York, New York. If such Person publishes reports of condition at least annually, pursuant to law or to the requirements of said supervising or examining authority, then for the purposes of this Section, the combined capital and surplus of such Person shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time the Trustee shall cease to be eligible in accordance with the provisions of this Section, it shall resign immediately in the manner and with the effect hereinafter specified in this Article.

SECTION 610. Resignation and Removal; Appointment of Successor.

(a) No resignation or removal of the Trustee and no appointment of a successor Trustee pursuant to this Article shall become effective until the acceptance of appointment by the successor Trustee under Section 611.

(b) The Trustee may resign at any time by giving written notice thereof to the Bank. If an instrument of acceptance by a successor Trustee shall not have been delivered to the Trustee within 30 days after the giving of such notice of resignation, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee.

(c) The Trustee may be removed at any time by Act of the Holders of a majority in principal amount of the Outstanding Securities, delivered to the Trustee and to the Bank. If an instrument of acceptance by a successor Trustee shall not have been delivered to the Trustee within 30 days after the giving of such notice of removal, the removed Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee.

(d) If at any time:

(1) the Trustee shall fail to comply with Section 608 after written request therefor by the Bank or by any Holder who has been a bona fide Holder of a Security for at least six months, or

(2) the Trustee shall cease to be eligible under Section 609 and shall fail to resign after written request therefor by the Bank or by any such Holder, or

(3) the Trustee shall become incapable of acting or shall be adjudged a bankrupt or insolvent or a receiver of the Trustee or of its property shall be appointed or any public officer shall take charge or control of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation, then, in any such case, (i) the Bank by a Board Resolution may remove the Trustee, or (ii) subject to Section 514, any Holder who has been a bona fide Holder of a Security for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee.

(e) If the Trustee shall resign, be removed or become incapable of acting, or if a vacancy shall occur in the office of

Trustee for any cause, the Bank, by a Board Resolution, shall promptly appoint a successor Trustee. If, within one year after such resignation, removal or incapability, or the occurrence of such vacancy, a successor Trustee shall be appointed by Act of the Holders of a majority in principal amount of the Outstanding Securities delivered to the Bank and the Retiring Trustee, the successor Trustee so appointed shall, forthwith upon its acceptance of such appointment, become the successor Trustee and supersede the successor Trustee appointed by the Bank. If no successor Trustee shall have been so appointed by the Bank or the Holders and accepted appointment in the manner hereinafter provided, any Holder who has been a bona fide Holder of a Security for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the appointment of a successor Trustee.

(f) The Bank shall give notice of each resignation and each removal of the Trustee and each appointment of a successor Trustee to all Holders in the manner provided in Section 106. Each notice shall include the name of the successor Trustee and the address of its Corporate Trust Office.

SECTION 611. Acceptance of Appointment by Successor.

Every successor Trustee appointed hereunder shall execute, acknowledge and deliver to the Bank and to the retiring Trustee an instrument accepting such appointment, and thereupon the resignation or removal of the retiring Trustee shall become effective and such successor Trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts and duties of the retiring Trustee; provided that, on request of the Bank or the successor Trustee, such retiring Trustee shall, upon payment of its charges, execute and deliver an instrument transferring to such successor Trustee all the rights, powers and trusts of the retiring Trustee and shall duly assign, transfer and deliver to such successor Trustee all property and money held by such retiring Trustee hereunder. Upon acceptance of appointment by a successor Trustee as provided in this Section 611, the Bank shall mail notice of the succession of such Trustee hereunder to the Holders of the Securities as they appear on the Security Register. Upon request of any such successor Trustee, the Bank shall execute any and all instruments for more fully and certainly vesting in and confirming to such successor Trustee all such rights, powers and trusts.

No successor Trustee shall accept its appointment unless at the time of such acceptance such successor Trustee shall be qualified and eligible under this Article.

The Trustee shall not be liable for the acts or omissions of any successor Trustee. The Trustee shall be paid all amounts owed to it upon its removal.

SECTION 612. Merger, Conversion, Consolidation or Succession to Business.

Any corporation into which the Trustee may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Trustee shall be a party, or any corporation succeeding to all or substantially all the corporate trust business of the Trustee, shall be the successor of the Trustee hereunder, provided such corporation shall be otherwise qualified and eligible under this Article, without the execution or filing of any paper or any further act on the part of any of the parties hereto. In case any Securities shall have been authenticated, but not made available for delivery, by the Trustee then in office, any successor by merger, conversion or consolidation to such authenticating Trustee may adopt such authentication and make available for delivery the Securities so authenticated with the same effect as if such successor Trustee had itself authenticated such Securities.

SECTION 613. Preferential Collection of Claims Against Bank.

If and when the Trustee shall be or becomes a creditor of the Bank (or any other obligor upon the Securities), the Trustee shall be subject to the provisions of the Trust Indenture Act regarding the collection of claims against the Bank (or any such other obligor).

ARTICLE SEVEN

HOLDERS' LISTS AND REPORTS BY TRUSTEE AND BANK

SECTION 701. Bank to Furnish Trustee Names and Addresses of Holders.

The Bank will furnish or cause to be furnished to the Trustee (a) quarterly, not later than January 15, April 15, July 15 and October 15 in each year, a list, in such form as the Trustee may reasonably require, of the names and addresses of the Holders to the extent the Bank has knowledge thereof as of a date not more than 15 days prior to the delivery thereof, and (b) at such other times as the Trustee may request in writing, within 30 days after the receipt by the Bank of any such request, a list of similar form and content as of a date not more than 15 days prior to the time such list is furnished, excluding from any such list names and addresses received by the Trustee in its capacity as Security Registrar.

SECTION 702. Preservation of Information; Communications to Holders.

(a) The Trustee shall preserve, in as current a form as is reasonably practicable, the names and addresses of Holders contained in the most recent list furnished to the Trustee as provided in Section 701, and the names and addresses of Holders received by the Trustee in its capacity as Security Registrar. The Trustee may destroy any list furnished to it as provided in Section 701 upon receipt of a new list so furnished.

(b) The rights of Holders to communicate with other Holders with respect to their rights under this Indenture or under the Securities, and the corresponding rights and duties of the Trustee, shall be as provided by the Trust Indenture Act.

(c) Every Holder of Securities, by receiving and holding the same, agrees with the Bank and the Trustee that neither the Bank nor the Trustee nor any officer, director, employee or agent of either of them shall be held accountable by reason of any disclosure of information as to names and addresses of Holders made pursuant to the Trust Indenture Act.

SECTION 703. Reports by Trustee.

(a) The Trustee shall transmit to Holders no later than 60 days after May 15 of each year commencing in 1998 such reports concerning the Trustee and its actions under this Indenture as may be required pursuant to the Trust Indenture Act at the times and in the manner provided pursuant thereto.

(b) A copy of each such report shall, at the time of such transmission to Holders, be filed by the Trustee with each stock exchange upon which the Securities are listed, with the Commission and with the Bank. The Bank will notify the Trustee, in writing, when the Securities are listed on any stock exchange.

SECTION 704. Reports by Bank.

The Bank shall file with the Trustee and the Commission, and transmit to Holders, such information, documents and other reports, and such summaries thereof, as may be required pursuant to the Trust Indenture Act at the times and in the manner provided pursuant to such Act; provided that any such information, documents or reports required to be filed with the Commission pursuant to Section 13(a) or 15(d) of the Securities and Exchange Act of 1934 shall be filed with the Trustee within 15 days after the same is so required to be filed with the Commission. Delivery of such reports, information and documents to the Trustee is for informational purposes only and the Trustee's receipt of such shall not constitute constructive notice of any information contained therein or determinable from information contained therein, including the Bank's compliance with any of its covenants hereunder (as to which the Trustee is entitled to rely exclusively on Officers' Certificates).

ARTICLE EIGHT

CONSOLIDATION, MERGER, CONVEYANCE, TRANSFER OR LEASE

SECTION 801. Bank May Consolidate, Etc., Only on Certain Terms.

The Bank shall not consolidate with or merge into any other Person or convey, transfer or lease its properties and assets substantially as an entirety to any Person, unless:

(1) the Person formed by such consolidation or into which the Bank is merged or the Person that acquires by conveyance or transfer, or which leases, the properties and assets of the Bank substantially as an entirety shall be a corporation, partnership or trust, shall be organized and existing under the laws of the United States of America or any State or the District of Columbia, and shall expressly assume, by an indenture supplemental hereto, executed and delivered to the Trustee, in form satisfactory to the Trustee, the due and punctual payment of the principal of (and premium, if any) and interest (including any additional interest) on all the Securities and the performance of every covenant of this Indenture on the part of the Bank to be performed or observed;

(2) immediately after giving effect to such transaction, no Event of Default, and no event which, after notice or lapse of time, or both, would become an Event of Default, shall have happened and be continuing;

(3) for so long as Securities registered on the Securities Register in the name of the Trust (or the Property Trustee) are outstanding, such consolidation, merger, conveyance, transfer or lease is permitted under the Declaration and does not give rise to any breach or violation of the Declaration;

(4) any such lease shall provide that it will remain in effect so long as any Securities are Outstanding; and

(5) the Bank has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel each stating that such consolidation, merger, conveyance, transfer or lease and any such supplemental indenture complies with this Article and that all conditions precedent herein provided for relating to such transaction have been complied with; and the Trustee, subject to Section 601, may rely upon such Officers' Certificate and Opinion of Counsel as conclusive evidence that such transaction complies with this Section 801.

SECTION 802. Successor Person Substituted.

Upon any consolidation or merger by the Bank with or into any other Person, or any conveyance, transfer or lease by the Bank of its properties and assets substantially as an entirety to any Person in accordance with Section 801, the successor Person formed by such consolidation or into which the Bank is merged or to which such conveyance, transfer or lease is made shall succeed to, and be substituted for, and may exercise every right and power of, the Bank under this Indenture with the same effect as if such successor Person had been named as the Bank herein; and, in the event of any such conveyance, transfer or lease the Bank shall be discharged from all obligations and covenants under the Indenture and the Securities and may be dissolved and liquidated.

Such successor Person may cause to be signed, and may issue either in its own name or in the name of the Bank, any or all of the Securities issuable hereunder which theretofore shall not have been signed by the Bank and delivered to the Trustee; and, upon the order of such successor Person instead of the Bank and subject to all the terms, conditions and limitations in this Indenture prescribed, the Trustee shall authenticate, upon receipt of a Bank Order for the authentication, and shall make available for delivery any Securities which previously shall have been signed and delivered by the officers of the Bank to the Trustee for authentication pursuant to such provisions and any Securities which such successor Person thereafter shall cause to be signed and delivered to the Trustee on its behalf for the purpose pursuant to such provisions. All the Securities so issued shall in all respects have the same legal rank and benefit under this Indenture as the Securities theretofore or thereafter issued in accordance with the terms of this Indenture as though all of such Securities had been issued at the date of the execution hereof.

ARTICLE NINE

SUPPLEMENTAL INDENTURES

SECTION 901. Supplemental Indentures Without Consent of Holders.

Without the consent of any Holders, the Bank, when authorized by a Board Resolution, and the Trustee, at any time and from time to time, may enter into one or more indentures supplemental hereto, in form satisfactory to the Trustee, for any of the following purposes:

(1) to evidence the succession of another Person to the Bank and the assumption by any such successor of the covenants of the Bank herein and in the Securities; or

(2) to add to the covenants of the Bank for the benefit of the Holders, or to surrender any right or power herein conferred upon the Bank; or

(3) to cure any ambiguity or defect, to correct or supplement any provision herein which may be inconsistent with any other provision herein, or to make any other provisions with respect to matters or questions arising under this Indenture which shall not be inconsistent with the provisions of this Indenture, provided that such action pursuant to this clause (3) shall not adversely affect the interests of the Holders of the Securities or, so long as any of the Capital Securities shall remain outstanding, the holders of the Capital Securities; or

(4) to comply with any requirement of the Commission in order to effect or maintain the qualification of this Indenture under the Trust Indenture Act.

SECTION 902. Supplemental Indentures With Consent of Holders.

With the consent of the Holders of not less than a majority in principal amount of the Outstanding Securities, by Act of said Holders delivered to the Bank and the Trustee, the Bank, when authorized by a Board Resolution, and the Trustee may enter into an indenture or indentures supplemental hereto for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Indenture or of

modifying in any manner the rights of the Holders under this Indenture; provided, however, that no such supplemental indenture shall, without the consent of the Holder of each Outstanding Security affected thereby,

(1) change the Stated Maturity of, the principal of, or any installment of interest on, any Security, or reduce the principal amount thereof or the rate of interest thereon or extend the time of payment of interest thereon (except such extension as is contemplated hereby), or change the place of payment where, or the coin or currency in which, any Security or interest thereon is payable, or impair the right to institute suit for the enforcement of any such payment on or after the Stated Maturity thereof (or, in the case of redemption, on or after the Redemption Date), or modify the provisions of this Indenture with respect to the subordination of the Securities in a manner adverse to the Holders,

(2) reduce the percentage in principal amount of the Outstanding Securities, 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 this Indenture or certain defaults hereunder and their consequences) provided for in this Indenture, or

(3) modify any of the provisions of this Section, Section 513 or Section 1008, except to increase any such percentage or to provide that certain other provisions of this Indenture cannot be modified or waived without the consent of the Holder of each Outstanding Security affected thereby; provided, that, so long as any of the Capital Securities remains outstanding, no such amendment shall be made that adversely affects the holders of the Capital Securities, and no termination of this Indenture shall occur, and no waiver of any Event of Default or compliance with any covenant under this Indenture shall be effective, without the prior consent of the holders of at least a majority of the aggregate liquidation preference of the outstanding Capital Securities unless and until the principal of and any premium on the Securities and all accrued and unpaid interest thereon have been paid in full.

It shall not be necessary for any Act of Holders under this Section to approve the particular form of any proposed

supplemental indenture, but it shall be sufficient if such Act shall approve the substance thereof.

SECTION 903. Execution of Supplemental Indentures.

In executing, or accepting the additional trust created by, any supplemental indenture permitted by this Article or the modifications thereby of the trusts created by this Indenture, the Trustee shall be entitled to receive, and (subject to Section 601) shall be fully protected in relying upon, an Opinion of Counsel stating that the execution of such supplemental indenture is authorized or permitted by this Indenture. The Trustee may, but shall not be obligated to, enter into such supplemental indenture which affects the Trustee's own rights, duties or immunities under this Indenture or otherwise.

SECTION 904. Effect of Supplemental Indentures.

Upon the execution of any supplemental indenture under this Article, this Indenture shall be modified in accordance therewith, and such supplemental indenture shall form a part of this Indenture for all purposes; and every Holder of Securities theretofore or thereafter authenticated and delivered hereunder shall be bound thereby.

SECTION 905. Conformity With Trust Indenture Act.

Every supplemental indenture executed pursuant to this Article shall conform to the requirements of the Trust Indenture Act.

SECTION 906. Reference in Securities to Supplemental Indentures.

Securities authenticated and delivered after the execution of any supplemental indenture pursuant to this Article may, and shall if required by the Trustee, bear a notation in form approved by the Trustee as to any matter provided for in such supplemental indenture. If the Bank shall so determine, new Securities so modified as to conform, in the opinion of the Trustee and the Bank, to any such supplemental indenture may be prepared and executed by the Bank and authenticated, upon receipt of a Bank Order for the authentication, and made available for delivery by the Trustee in exchange for Outstanding Securities.

ARTICLE TEN

COVENANTS

SECTION 1001. Payment of Principal and Interest.

The Bank will duly and punctually pay the principal of and interest on the Securities in accordance with the terms of the Securities and this Indenture and comply with all other terms and conditions and agreements contained herein.

SECTION 1002. Maintenance of Office or Agency.

The Bank will maintain in The City of New York an office or agency where Securities may be presented or surrendered for registration of transfer or exchange, where Securities may be surrendered for conversion and where notices and demands to or upon the Bank in respect of the Securities and this Indenture may be served. The Bank will give prompt written notice to the Trustee of the location, and any change in location, of such office or agency. If at any time the Bank shall fail to maintain any such required office or agency or shall fail to furnish the Trustee with the address thereof, such presentations, surrenders, notices and demands may be made or served at the Corporate Trust Office of the Trustee, and the Bank hereby appoints the Trustee as its agent to receive all such presentations, surrenders, notices and demands.

The Bank may also from time to time designate one or more other offices or agencies in the United States where the Securities may be presented or surrendered for any or all such purposes and may from time to time rescind such designations; provided, however, that no such designation or rescission shall in any manner relieve the Bank of its obligation to maintain an office or agency in the United States for such purposes. The Bank will give prompt written notice to the Trustee of any such designation or rescission and of any change in the location of any such other office or agency.

SECTION 1003. Money for Security Payments to be Held in Trust.

If the Bank shall at any time act as its own Paying Agent, it will, on, or at the option of the Bank, before each due date of the principal of or interest on any of the Securities, segregate and hold in trust for the benefit of the Persons entitled thereto a sum sufficient to pay the principal or interest so becoming due until such sums shall be paid to such Persons or otherwise disposed of as herein provided and will promptly notify the Trustee, in writing, of its action or failure so to act. In such case the Bank shall not invest the amount so segregated and held in trust pending the distribution thereof.

Whenever the Bank shall have one or more Paying Agents, it will, on or prior to each due date of the principal of or interest on any Securities, deposit with a Paying Agent a sum sufficient to pay such amount, such sum to be held as provided by the Trust Indenture Act, and (unless such Paying Agent is the Trustee) the Bank will promptly notify the Trustee, in writing, of its action or failure so to act; provided, however, that any such deposit on a due date shall be initiated no later than 12:00 noon (New York time) on a Business Day prior to the due date in same-day funds.

The Bank will cause each Paying Agent other than the Trustee to execute and deliver to the Trustee an instrument in which such Paying Agent shall agree with the Trustee, subject to the provisions of this Section, that such Paying Agent will (i) comply with the provisions of the Trust Indenture Act applicable to it as a Paying Agent and (ii) during the continuance of any default by the Bank (or any other obligor upon the Securities) in the making of any payment in respect of the Securities, upon the written request of the Trustee, forthwith pay to the Trustee all sums held in trust by such Paying Agent as such.

The Bank may at any time, for the purpose of obtaining the satisfaction and discharge of this Indenture or for any other purpose, pay, or by Bank Order direct any Paying Agent to pay, to the Trustee all sums held in the trust by the Bank or such Paying Agent, such sums to be held by the Trustee upon the same trusts as those upon which such sums were held by the Bank or such Paying Agent; and, upon such payment by any Paying Agent to the Trustee, such Paying Agent shall be released from all further liability with respect to such money.

Any money deposited with the Trustee or any Paying Agent, or then held by the Bank, in trust for the payment of the principal or interest that has become due and payable shall be paid to the Bank on Bank Request, or (if then held by the Bank) shall be discharged from such trust, if such principal or interest has not been claimed by the Holder of the Security upon which such payments are due with in one year of the date such principal and interest became due and payable; and the Holder of such Security shall thereafter, as an unsecured general creditor, look only to the Bank for payment thereof, and all liability of the Trustee and its officers, directors, employees, and agents or such Paying Agent and its officers, directors, employees, and agents with respect to such trust money, and all liability of the Bank as trustee thereof, shall thereupon cease.

SECTION 1004. Statements by Officers as to Default.

The Bank will deliver to the Trustee, within 120 days after the end of each fiscal year of the Bank ending after the date hereof, an Officers' Certificate, stating whether or not to the best knowledge of the signers thereof the Bank is in default in the performance and observance of any of the material terms, provisions and conditions of this Indenture (without regard to any period of grace or requirement of notice provided hereunder) and, if the Bank shall be in default, specifying all such defaults and the nature and status thereof of which they may have knowledge.

SECTION 1005. Existence.

Subject to Article Eight, the Bank will do or cause to be done all things necessary to preserve and keep in full force and effect its existence, rights (charter and statutory) and franchises; provided, however, that the Bank shall not be required to preserve any such right or franchise if the Board of Directors shall determine that the preservation thereof is no longer desirable in the conduct of the business of the Bank and that the loss thereof is not disadvantageous in any material respect to the Holders and, while any Capital Securities are outstanding, the holders of the Capital Securities.

SECTION 1006. Maintenance of Properties.

The Bank will cause all properties used or useful in the conduct of its business or the business of any Subsidiary to be maintained and kept in good condition, repair and working order and supplied with all necessary equipment and will cause to be made all necessary repairs, renewals, replacements, betterment and improvements thereof, all as in the judgment of the Bank may be necessary so that the business carried on in connection therewith may be properly and advantageously conducted at all times; provided, however, that nothing in this Section shall prevent the Bank from discontinuing the operation or maintenance of any such properties if such discontinuance is, in the judgment of the Bank, desirable in the conduct of its business or the business of any Subsidiary and not disadvantageous in any material respect to the Holders.

SECTION 1007. Payment of Taxes and Other Claims.

The Bank will pay or discharge or cause to be paid or discharged, before the same shall become delinquent, (1) all taxes, assessments and governmental charges levied or imposed upon the Bank or any Subsidiary or upon the income, profits or property of the Bank or any Subsidiary, and (2) all lawful claims for labor, materials and supplies which, if unpaid, might by law become a lien upon the property of the Bank or any Subsidiary that comprise more than 10% of the assets of the Bank and its Subsidiaries, taken as a whole; provided, however, that the Bank shall not be required to pay or discharge or cause to be paid or discharged any such tax, assessment, charge or claim whose amount, applicability or validity is being contested in good faith by appropriate proceedings.

SECTION 1008. Waiver of Certain Covenants.

Except as otherwise specified or as contemplated by Section 301 for Securities, the Bank may, with respect to the Securities, omit in any particular instance to comply with any term, provision or condition set forth in any covenant provided pursuant to Section 901(2) for the benefit of the Holders if before the time for such compliance the Holders of at least a majority in principal amount of the Outstanding Securities shall, by Act of such Holders, either waive such compliance in such instance or generally waive compliance with such term, provision or condition, but no 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 Bank and the duties of the Trustee in respect of any such term, provision or condition shall remain in full force and effect.

SECTION 1009. Payment of the Trust's Costs and Expenses.

Since the Trust is being formed solely to facilitate an investment in the Securities, the Bank, as borrower, hereby covenants to pay all debts and obligations (other than with respect to the Capital Securities and Common Securities) and all costs and expenses of the Trust (including, but not limited to, all costs and expenses relating to the organization of the Trust, the fees and expenses of the Trustees and their agents and counsel and all costs and expenses relating to the operation of the Trust) and to pay any and all taxes, duties, assessments or governmental charges of whatever nature (other than withholding taxes) imposed on the Trust by the United States, or any other taxing authority, so that the net amounts received and retained by the Trust and the Property Trustee after paying such expenses will be equal to the amounts the Trust and the Property Trustee would have received had no such costs or expenses been incurred by or imposed on the Trust, provided that the Trust is the holder of the Junior Subordinated Debentures. The foregoing obligations of the Bank are for the benefit of, and shall be enforceable by, any person to whom any such debts, obligations, costs, expenses and taxes are owed (each, a "Creditor") whether or not such Creditor has received notice thereof. Any such Creditor may enforce such obligations of the Bank directly against the Bank, and the Bank irrevocably waives any right or remedy to require that any such Creditor take any action against the Trust or any other person before proceeding against the Bank. The Bank shall execute such additional agreements as may be necessary or desirable to give full effect to the foregoing.

SECTION 1010. Restrictions on Payments and Distributions.

The Bank will not, and will not permit any Subsidiary to, (i) declare or pay any dividends or distributions on, or redeem, purchase, acquire, or make a liquidation payment with respect to, any of the Bank's capital stock or (ii) make any payment of principal, interest or premium, if any, on or repay or repurchase or redeem any debt securities of the Bank that rank pari passu with or junior in interest to the Securities or make

any guarantee payments with respect to any guarantee by the Bank of the debt securities of any Subsidiary if such guarantee ranks pari passu with or junior in interest to the Securities (other than (a) repurchases, redemptions or other acquisitions of shares of capital stock of the Bank in connection with any employment contract, benefit plan or other similar arrangement with or for the benefit of any one or more employees, officers, directors or consultants or in connection with a dividend reinvestment or stockholder stock purchase plan, (b) as a result of an exchange or conversion of any class or series of the Bank's capital stock (or any capital stock of a subsidiary of the Bank) for any class or series of the Bank's capital stock or of any class or series of the Bank's indebtedness for any class or series of the Bank's capital stock, (c) the purchase of fractional interests in shares of the Bank's capital stock pursuant to the conversion or exchange provisions of such capital stock or the security being converted or exchanged, (d) any declaration of a dividend in connection with any stockholder's rights plan, or the issuance of rights, stock or other property under any stockholder's rights plan, or the redemption or repurchase of rights pursuant thereto, or (e) any dividend in the form of stock, warrants, options or other rights where the exercise of such warrants, options, or other rights is the same stock as that on which the dividend is being paid (or ranks pari passu with or junior to such stock) if at such time (x) there shall have occurred any event of which the Bank has actual knowledge that (I) with the giving of notice or the lapse of time, or both, would constitute an Event of Default and (II) in respect of which the Bank shall not have taken reasonable steps to cure, (y) the Corporation shall be in default with respect to its payment of any obligations under the Guarantee or (z) the Bank shall have given notice of its election of an Extension Period as provided herein and shall not have rescinded such notice, or such Extension Period, or any extension thereof, shall be continuing.

ARTICLE ELEVEN

SUBORDINATION OF SECURITIES

SECTION 1101. Securities Subordinate to Indebtedness.

The Bank covenants and agrees, and each Holder of a Security, by his acceptance thereof, likewise covenants and agrees, that, to the extent and in the manner hereinafter set forth in this Article (subject to Article Four), the payment of the principal of and interest on each and all of the Securities are hereby expressly made subordinate and subject in right of payment to the prior payment in full in cash of all Indebtedness.

The provisions of this Article Eleven are made for the benefit of the holders of Indebtedness and such holders are made obligees hereunder and any one or more of them may enforce such provisions. Holders of Indebtedness need not prove reliance on the subordination provisions hereof.

SECTION 1102. Default on Indebtedness.

In the event and during the continuation of any default in the payment of principal, premium, interest or any other payment due on any Indebtedness, or in the event that any event of default with respect to any Indebtedness shall have occurred and be continuing and shall have resulted in such Indebtedness becoming or being declared due and payable prior to the date on which it would otherwise have become due and payable (unless and until such event of default shall have been cured or waived or shall have ceased to exist and such acceleration shall have been rescinded or annulled) or in the event any judicial proceeding shall be pending with respect to any such default in payment or such event of default, then no payment shall be made by the Bank with respect to the principal (including redemption payments) of, or interest on, the Securities.

In the event that, notwithstanding the foregoing, any payment shall be received by the Trustee or any Holder when such payment is prohibited by the preceding paragraph of this Section 1102, such payment shall be held in trust for the benefit of, and shall be paid over or delivered to, the holders of Indebtedness or their respective representatives, or to the trustee or trustees under any indenture pursuant to which any of such

Indebtedness may have been issued, as their respective interests may appear, but only to the extent that the holders of the Indebtedness (or their representative or representatives or a trustee) notify the Trustee, in writing, within 90 days of such payment of the amounts then due and owing on the Indebtedness and only the amounts specified in such notice to the Trustee shall be paid to the holders of Indebtedness.

SECTION 1103. Prior Payment of Indebtedness Upon Acceleration of Securities.

In the event that the Securities are declared due and payable before their Stated Maturity, then and in such event the holders of the Indebtedness outstanding at the time such Securities so become due and payable shall be entitled to receive payment in full of all amounts then due on or in respect of such Indebtedness (including any amounts due upon acceleration), or provision shall be made for such payment in cash or cash equivalents or otherwise in a manner satisfactory to the holders of Indebtedness, before the Holders of the Securities are entitled to receive any payment or distribution of any kind or character, whether in cash, properties or securities, by the Bank on account of the principal of or interest on the Securities or on account of the purchase or other acquisition of Securities by the Bank or any Subsidiary; provided, however, that holders of Indebtedness shall not be entitled to receive payment of any such amounts to the extent that such holders would be required by the subordination provisions of such Indebtedness to pay such amounts over to the obligees on trade accounts payable or other liabilities arising in the ordinary course of the Bank's business.

In the event that, notwithstanding the foregoing, any payment shall be received by the Trustee or any Holder when such payment is prohibited by the preceding paragraph of this Section 1103, such payment shall be held in trust for the benefit of, and shall be paid over or delivered to, the holders of Indebtedness or their respective representatives, or to the trustee or trustees under any indenture pursuant to which any of such Indebtedness may have been issued, as their respective interests may appear, but only to the extent that the holders of the Indebtedness (or their representative or representatives or a trustee) notify the Trustee, in writing, within 90 days of such payment of the amounts then due and owing on the Indebtedness and

only the amounts specified in such notice to the Trustee shall be paid to the holders of Indebtedness.

SECTION 1104. Liquidation; Dissolution.

Upon any payment by the Bank, or distribution of assets of the Bank of any kind or character, whether in cash, property or securities, to creditors upon any dissolution or winding-up or liquidation or reorganization of the Bank, whether voluntary or involuntary or in insolvency, receivership or other proceedings, all principal of, and premium, if any, and interest due or to become due upon all Indebtedness (including interest after the commencement of any insolvency, receivership or other proceedings at the rate specified in the applicable Indebtedness, whether or not such interest is an allowable claim in any such proceeding) shall first be paid in full, or payment thereof provided for in money in accordance with its terms, before any payment is made on account of the principal or interest on the Securities; and upon any such dissolution or winding-up or liquidation or reorganization any payment by the Bank, or distribution of substantially all of the assets of the Bank of any kind or character, whether in cash, property or securities, to which the Holders of the Securities or the Trustee would be entitled, except for the provisions of this Article Eleven, shall be paid by the Bank or by any receiver, liquidating trustee, agent or other Person making such payment or distribution, or by the Holders of the Securities or by the Trustee under this Indenture if received by them or it, directly to the holders of Indebtedness (pro rata to such holders on the basis of the respective amounts of Indebtedness held by such holders, as calculated by the Bank) or their representative or representatives, or to the trustee or trustees under any indenture pursuant to which any instruments evidencing any Indebtedness may have been issued, as their respective interests may appear, to the extent necessary to pay all Indebtedness in full (including interest after the commencement of any insolvency, receivership or other proceedings at the rate specified in the applicable Indebtedness, whether or not such interest is in an allowable claim in any such proceeding) or to provide for such payment in money in accordance with its terms, after giving effect to any concurrent payment or distribution to or for the holders of Indebtedness, before any payment or distribution is made to the Holders of Securities or to the Trustee or the Property Trustee on behalf of the Holders of

Capital Securities; provided, however, that such holders of Indebtedness shall not be entitled to receive payment of any such amounts to the extent that such holders would be required by the subordination provisions of such Indebtedness to pay such amounts over to the obligees on trade accounts payable or other liabilities arising in the ordinary course of the Bank's business.

In the event that, notwithstanding the foregoing, any payment or distribution of assets of the Bank of any kind or character, whether in cash, property or securities, prohibited by the foregoing, shall be received by the Trustee or the Holders of the Securities before all Indebtedness is paid in full (including interest after commencement of any insolvency, receivership or other proceedings at the rate specified in the applicable Indebtedness, whether or not such interest is an allowable claim in any such proceeding), or provision is made for such payment in money in accordance with its terms, such payment or distribution shall be held in trust for the benefit of and shall be paid over or delivered to the holders of Indebtedness or their representative or representatives, or to the trustee or trustees under any indenture pursuant to which any instruments evidencing any Indebtedness may have been issued, as their respective interests may appear, as calculated by the Bank, for application to the payment of all Indebtedness remaining unpaid to the extent necessary to pay all Indebtedness in full in money in accordance with its terms, after giving effect to any concurrent payment or distribution to or for the holders of such Indebtedness.

Any holder of Indebtedness may file any proof of claim or similar instrument on behalf of the Trustee and the Holders if such instrument has not been filed by the date which is 30 days prior to the date specified for filing thereof.

For purposes of this Article Eleven, the words "cash, property or securities" shall not be deemed to include shares of stock of the Bank as reorganized or readjusted, or securities of the Bank or any other corporation provided for by a plan of reorganization or readjustment, the payment of which is subordinated at least to the extent provided in this Article Eleven with respect to the Securities to the payment of all Indebtedness that may at the time be outstanding, provided, however, that (i) the Indebtedness is assumed by the new corporation, if any, resulting from any such reorganization or

readjustment, and (ii) the rights of the holders of the Indebtedness are not, without the consent of such holders, altered by such reorganization or readjustment. The consolidation of the Bank with, or merger of the Bank into, another corporation or the liquidation or dissolution of the Bank following the conveyance or transfer of its property as an entirety, or substantially as an entirety, to another corporation upon the terms and conditions provided for in Article Eight hereof shall not be deemed a dissolution, winding-up, liquidation or reorganization for the purposes of this Section 1104 if such other corporation shall, as a part of such consolidation, merger, conveyance or transfer, comply with the conditions stated in Article Eight hereof. Nothing in Section 1103 or in this Section 1104 shall apply to claims of, or payments to, the Trustee under or pursuant to Section 607.

SECTION 1105. Subrogation.

Subject to the payment in full of all Indebtedness to the extent provided in Sections 1103 and 1104, the rights of the Holders of the Securities shall be subrogated to the rights of the holders of Indebtedness to receive payments or distributions of cash, property or securities of the Bank applicable to the Indebtedness until the principal of (and premium, if any) and interest on the Securities shall be paid in full; and, for the purposes of such subrogation, no payments or distributions to the holders of the Indebtedness of any cash, property or securities to which the Holders of the Securities or the Trustee would be entitled except for the provisions of this Article Eleven, shall, as between the Bank, its creditors other than holders of Indebtedness, and the Holders of the Securities, be deemed to be a payment by the Bank to or on account of the Indebtedness. It is understood that the provisions of this Article Eleven are and are intended solely for the purposes of defining the relative rights of the Holders of the Securities, on the one hand, and the holders of the Indebtedness on the other hand.

Nothing contained in this Article Eleven or elsewhere in this Indenture or in the Securities is intended to or shall impair, as between the Bank, its creditors other than the holders of Indebtedness, and the Holders of the Securities, the obligation of the Bank, which is absolute and unconditional, to pay to the Holders of the Securities the principal of (and premium, if any) and interest on the Securities as and when the

same shall become due and payable in accordance with their terms, or is intended to or shall affect the relative rights of the Holders of the Securities and creditors of the Bank other than the holders of the Indebtedness, nor shall anything herein or therein prevent the Trustee or the Holder of any Security from exercising all remedies otherwise permitted by applicable law upon default under this Indenture, subject to the rights, if any, under this Article Eleven of the holders of Indebtedness in respect of cash, property or securities of the Bank received upon the exercise of any such remedy.

Upon any payment or distribution of assets of the Bank referred to in this Article Eleven, the Trustee, subject to the provisions of Section 601, and the Holders of the Securities, shall be entitled to rely conclusively upon any order or decree made by any court of competent jurisdiction in which such dissolution, winding-up, liquidation or reorganization proceedings are pending, or a certificate of the receiver, liquidation trustee, agent or other Person making such payment or distribution, delivered to the Trustee or to the Holders of the Securities, for the purposes of ascertaining the Persons entitled to participate in such distribution, the holders of the Indebtedness and other indebtedness of the Bank, the amount thereof or payable thereon, the amount or amounts paid or distributed thereon and all other facts pertinent thereto or to this Article Eleven.

SECTION 1106. Trustee to Effectuate Subordination.

Each Holder of a Security by acceptance thereof authorizes and directs the Trustee on such Holder's behalf to take such action as may be necessary or appropriate in the sole and absolute discretion of the Trustee to effectuate the subordination provided in this Article Eleven and appoints the Trustee such Holder's attorney-in-fact for any and all such purposes.

SECTION 1107. Notice by the Bank.

The Bank shall give prompt written notice to a Responsible Officer of the Trustee of any fact known to the Bank that would prohibit the making of any payment of monies to or by the Trustee in respect of the Securities pursuant to the provisions of this Article Eleven. Notwithstanding the

provisions of this Article Eleven or any other provision of this Indenture, the Trustee shall not be charged with knowledge of the existence of any facts that would prohibit the making of any payment of monies to or by the Trustee in respect of the Securities pursuant to the provisions of this Article Eleven, unless and until a Responsible Officer of the Trustee shall have received written notice thereof at the Corporate Trust Office of the Trustee from the Bank or a holder or holders of Indebtedness or from any trustee therefor; and before the receipt of any such written notice, the Trustee, subject to the provisions of Section 601, shall be entitled in all respects to assume that no such facts exist; provided, however, that if the Trustee shall not have received the notice provided for in this Section 1107 at least three Business Days prior to the date upon which by the terms hereof any money may become payable for any purpose (including, without limitation, the payment of the principal of (or premium, if any) or interest on any Security), then, anything herein contained to the contrary notwithstanding, the Trustee shall have full power and authority to receive such money and to apply the same to the purposes for which they were received, and shall not be affected by any notice to the contrary that may be received by it within three Business Days prior to such date.

The Trustee, subject to the provisions of Section 601, shall be entitled to rely conclusively on the delivery to it of a written notice by a Person representing himself to be a holder of Indebtedness (or a trustee on behalf of such holder) to establish that such notice has been given by a holder of Indebtedness or a trustee on behalf of any such holder or holders. In the event that the Trustee determines in good faith that further evidence is required with respect to the right of any Person as a holder of Indebtedness to participate in any payment or distribution pursuant to this Article Eleven, the Trustee may request such Person to furnish evidence to the reasonable satisfaction of the Trustee as to the amount of Indebtedness held by such Person, the extent to which such Person is entitled to participate in such payment or distribution and any other facts pertinent to the rights of such Person under this Article Eleven, and if such evidence is not furnished the Trustee may defer any payment to such Person pending judicial determination as to the right of such Person to receive such payment.

SECTION 1108. Rights of the Trustee; Holders of Indebtedness.

The Trustee in its individual capacity shall be entitled to all the rights set forth in this Article Eleven in respect of any Indebtedness at any time held by it, to the same extent as any other holder of Indebtedness, and nothing in this Indenture shall deprive the Trustee of any of its rights as such holder.

With respect to the holders of Indebtedness, the Trustee undertakes to perform or to observe only such of its covenants and obligations as are specifically set forth in this Article Eleven, and no implied covenants or obligations with respect to the holders of Indebtedness shall be read into this Indenture against the Trustee. The Trustee shall not be deemed to owe any fiduciary duty to the holders of Indebtedness and, subject to the provisions of Section 601, the Trustee shall not be liable to any holder of Indebtedness if it shall pay over or deliver to holders of Securities, the Bank or any other Person money or assets to which any holder of Indebtedness shall be entitled by virtue of this Article Eleven or otherwise.

SECTION 1109. Subordination May Not Be Impaired.

No right of any present or future holder of any Indebtedness to enforce subordination as herein provided shall at any time in any way be prejudiced or impaired by any act or failure to act on the part of the Bank or by any act or failure to act, in good faith, by any such holder, or by any noncompliance by the Bank with the terms, provisions and covenants of this Indenture, regardless of any knowledge thereof that any such holder may have or otherwise be charged with.

Without in any way limiting the generality of the foregoing paragraph, the holders of Indebtedness may, at any time and from time to time, without the consent of or notice to the Trustee or the Holders of the Securities, without incurring responsibility to the Holders of the Securities and without impairing or releasing the subordination provided in this Article or the obligations hereunder of the Holders of the Securities to the holders of Indebtedness, do any one or more of the following: (i) change the manner, place or terms of payment or extend the time of payment of, or renew or alter, Indebtedness or otherwise amend or supplement in any manner Indebtedness or any instrument

evidencing the same or any agreement under which Indebtedness is outstanding; (ii) sell, exchange, release or otherwise deal with any property pledged, mortgaged or otherwise securing Indebtedness; (iii) release any Person liable in any manner for the collection of Indebtedness; and (iv) exercise or refrain from exercising any rights against the Bank and any other Person.

ARTICLE TWELVE

REDEMPTION OF SECURITIES

SECTION 1201. Optional Redemption; Conditions to Optional Redemption; Conditional Right to Shorten Maturity.

At any time on or after February 1, 2007, the Bank shall have the right, subject to the last paragraph of Section 307 and to the receipt of any necessary prior approval of the Board of Governors of the Federal Reserve System (the "Federal Reserve Board"), to redeem the Securities, in whole or in part, from time to time, at a Redemption Price equal to 100% of the principal amount of Securities to be redeemed plus any accrued but unpaid interest to the Redemption Date.

If a Special Event occurs and either (i) in the opinion of counsel to the Bank experienced in such matters, there would in all cases, after effecting the termination of the Trust and the distribution of the Junior Subordinated Debentures to the holders of the Capital Securities in exchange therefor upon liquidation of the Trust, be more than an insubstantial risk that an Adverse Tax Consequence would continue to exist, (ii) in the reasonable determination of the Bank, there would in all cases, after effecting the termination of the Trust and the distribution of the Junior Subordinated Debentures to the holders of the Capital Securities in exchange therefor upon liquidation of the Trust, be more than an insubstantial risk that the Capital Securities do not, or within 90 days of such date of determination will not, constitute (x) either Tier 1 capital (or its then equivalent) or Tier 2 capital (or its then equivalent) of the Bank for purposes of the capital adequacy guidelines of the Federal Reserve Board, as then in effect and applicable to the Bank or (y) Tier 1 capital in the case of the Corporation if, but only if, at such time (A) the Corporation is subject to or

otherwise required to comply with the capital guidelines of the Federal Reserve Board or (B) instruments such as the Capital Securities no longer qualify generally as Tier 1 capital for bank holding companies under the Federal Reserve Board's capital guidelines, or (iii) the Junior Subordinated Debentures are not held by the Trust, then the Bank shall have the right (a) to shorten the Stated Maturity of the Junior Subordinated Debentures to the minimum extent required, but in any event to a date not earlier than January 30, 2017 (the action referred to in this clause (a) being referred to herein as a "Maturity Advancement"), such that, in the opinion of counsel to the Bank experienced in such matters, after advancing the Stated Maturity, interest paid on the Junior Subordinated Debentures will be deductible for federal income tax purposes, or (b) if either (x) in the opinion of counsel to the Bank experienced in such matters, there would in all cases, after effecting a Maturity Advancement, be more than an insubstantial risk that an Adverse Tax Consequence would continue to exist or (y) in the reasonable determination of the Bank, there would in all cases, after effecting a Maturity Advancement be more than an insubstantial risk that the Capital Securities do not, or within 90 days of such date of determination will not, constitute (a) either Tier 1 capital (or its then equivalent) or Tier 2 capital (or its then equivalent) of the Bank for purposes of the capital adequacy guidelines of the Federal Reserve Board, as then in effect and applicable to the Bank or (b) Tier 1 capital in the case of the Corporation if, but only if, at such time (i) the Corporation is subject to or otherwise required to comply with the capital guidelines of the Federal Reserve Board or (ii) instruments such as the Capital Securities no longer qualify generally as Tier 1 capital for bank holding companies under the Federal Reserve Board's capital guidelines, to redeem the Junior Subordinated Debentures, in whole but not in part, at any time within 90 days following the occurrence of a Special Event at a Redemption Price equal to 100% of the principal amount thereof plus accrued and unpaid interest to the Redemption Date.

For so long as the Trust is the Holder of all Securities Outstanding, the proceeds of any redemption described in this Section 1201 shall be used by the Trust to redeem Common Securities and Capital Securities in accordance with their terms. The Bank shall not redeem the Securities in part unless all accrued and unpaid interest has been paid in full on all

Securities outstanding for all quarterly interest periods terminating on or prior to the Redemption Date.

SECTION 1202. Applicability of Article.

Redemption of Securities at the election of the Bank, as permitted by Section 1201, shall be made in accordance with such provision and this Article.

SECTION 1203. Election to Redeem; Notice to Trustee.

The election of the Bank to redeem Securities pursuant to Section 1201 shall be evidenced by a Board Resolution. In case of any redemption at the election of the Bank, the Bank shall, at least 45 days and no more than 60 days prior to the Redemption Date fixed by the Bank, notify the Trustee, in writing, of such Redemption Date and of the principal amount of Securities to be redeemed and provide a copy of the notice of redemption given to Holders of Securities to be redeemed pursuant to Section 1205.

SECTION 1204. Selection by Trustee of Securities to be Redeemed.

If less than all the Securities are to be redeemed (unless such redemption affects only a single Security), the particular Securities to be redeemed shall be selected by lot (or such other method of selection as the Trustee may customarily employ) not more than 60 days prior to the Redemption Date by the Trustee, from the Outstanding Securities not previously called for redemption.

The Trustee shall promptly notify the Bank in writing of the Securities selected for redemption as aforesaid and, in case of any Securities selected for partial redemption as aforesaid, the principal amount thereof to be redeemed.

The provisions of the two preceding paragraphs shall not apply with respect to any redemption affecting only a single Security, whether such Security is to be redeemed in whole or in part. In the case of any such redemption in part, the unredeemed portion of the principal amount of the Security shall be in an authorized denomination (which shall not be less than the minimum authorized denomination) for such Security.

For all purposes of this Indenture, unless the context otherwise requires, all provisions relating to the redemption of Securities shall relate, in the case of any Securities redeemed or to be redeemed only in part, to the portion of the principal amount of such Securities which has been or is to be redeemed.

SECTION 1205. Notice of Redemption.

Notice of redemption shall be given by first-class mail, postage prepaid, mailed not less than 30 (provided that the Trustee shall itself have received notice not less than 45 days prior to the Redemption Date) nor more than 60 days prior to the Redemption Date, to each Holder of Securities to be redeemed, at his address appearing in the Security Register.

All notices of redemption shall identify the Securities to be redeemed (including CUSIP number) and shall state:

(1) the Redemption Date,

(2) the Redemption Price,

(3) that on the Redemption Date the Redemption Price will become due and payable upon each such Security to be redeemed and that interest thereon will cease to accrue on and after said date, and

(4) the place or places where such Securities are to be surrendered for payment of the Redemption Price.

Notice of redemption of Securities to be redeemed at the election of the Bank shall be given by the Bank or, at the Bank's request, by the Trustee in the name and at the expense of the Bank.

SECTION 1206. Deposit of Redemption Price.

On or prior to any Redemption Date, the Bank shall deposit with the Trustee or with a Paying Agent (or, if the Bank is acting as its own Paying Agent, segregate and hold in trust as provided in Section 1003) an amount of money sufficient to pay the Redemption Price of, and (except if the Redemption Date shall be an Interest Payment Date) accrued interest on, all the Securities which are to be redeemed on that date; provided,

however, that any such deposit on a Redemption Date shall be initiated no later than 12:00 noon (New York time) in same-day funds.

SECTION 1207. Securities Payable on Redemption Date.

Notice of redemption having been given as aforesaid, the Securities so to be redeemed shall, on the Redemption Date, become due and payable at the Redemption Price therein specified, and from and after such date (unless the Bank shall default in the payment of the Redemption Price and accrued interest) such Securities shall cease to bear interest. Upon surrender of any such Security for redemption in accordance with said notice, such Security shall be paid by the Bank at the Redemption Price, together with accrued interest to the Redemption Date; provided, however, that installments of interest whose Stated Maturity is on or prior to the Redemption Date shall be payable to the Holders of such Securities, or one or more Predecessor Securities, registered as such at the close of business on the relevant Record Dates according to their terms and the provisions of Section 307.

If any Security called for redemption shall not be so paid upon surrender thereof for redemption, the principal shall, until paid, bear interest from the Redemption Date at the rate borne by the Security.

SECTION 1208. Securities Redeemed in Part.

Any Security which is to be redeemed only in part shall be surrendered at a place of payment therefor (with, if the Bank or the Trustee so requires, due endorsement by, or a written instrument of transfer in form satisfactory to the Bank and the Trustee duly executed by, the Holder therefor or his attorney duly authorized in writing), and the Bank shall execute, and the Trustee shall authenticate, upon receipt of a Bank Order for the authentication, and deliver to the Holder of such Security without service charge, a new Security or Securities, of any authorized denomination as requested by such Holder, in aggregate principal amount equal to and in exchange for the unredeemed portion of the principal of the Security so surrendered.

This instrument may be executed in any number of counterparts, each of which so executed shall be deemed to be an

original, but all such counterparts shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Indenture to be duly executed, all as of the day and year first above written.

CAPITAL ONE BANK

By:

Name:
Title:

THE FIRST NATIONAL BANK OF CHICAGO, not in its individual capacity, but solely as Trustee

By:

Name:
Title:

EXHIBIT A

CAPITAL ONE BANK

Floating Rate Junior Subordinated Debenture due 2027

$

No.

CUSIP No.

CAPITAL ONE BANK, a Virginia state chartered bank (herein called the "Bank", which term includes any successor corporation under the Indenture hereinafter referred to), for value received, hereby promises to pay to The First National Bank of Chicago, as Trustee, or registered assigns, the principal sum of _____ ($_____) on _____ __, ____; provided that the Bank may, subject to certain conditions set forth in Sections 317 and 1201 of the Indenture, shorten the Stated Maturity (as defined in the Indenture) of the principal of this Security to a date not earlier than _____. The Bank further promises to pay interest on said principal sum from _____ __, ____ or from the most recent interest payment date (each such date, an "Interest Payment Date") to which interest has been paid or duly provided for, quarterly (subject to deferral as set forth herein) in arrears on the ____ day of February, May, August and November of each year, commencing _____ __, ____, at a variable per annum rate equal to LIBOR (as defined in the Indenture) plus ___% until the principal hereof shall have become due and payable, and on any overdue principal and (without duplication and to the extent that payment of such interest is enforceable under applicable law) on any overdue installment of interest at the same rate per annum. The amount of interest payable will be computed on the basis of the actual number of days elapsed in a year of twelve 30-day months. The amount of interest payable for any period shorter than a full quarterly period for which interest is computed, will be computed on the basis of actual number of days elapsed in such 90-day quarterly period. In the event that any date on which interest is payable on this Security is not a Business Day, then a payment of the interest payable on such date will be made on the next succeeding day which is a Business Day (and without any interest or other payment in respect of any such delay), except that, if such Business Day is the next succeeding calendar year, such payment of the interest payable shall be on the immediately proceeding Business Day, with the same force and effect as if made on the date the payment was originally payable. A "Business Day" shall mean any day other than a Saturday or a Sunday or a day on which banking institutions in the City of New York, are

authorized or required by law or executive order to remain closed or a day on which the Corporate Trust Office of the Trustee, or the principal office of the Property Trustee under the Declaration, is closed for business. The interest installment so payable, and punctually paid or duly provided for, on any Interest Payment Date will, as provided in the Indenture, be paid to the Person in whose name the Securities (or one or more Predecessor Securities, as defined in the Indenture) is registered at the close of business on the Regular Record Date for such interest installment, which shall be the first day of the month of such Interest Payment Date. Any such interest installment not so punctually paid or duly provided for shall forthwith cease to be payable to the Holder on such Regular Record Date and may either be paid to the Person in whose name the Securities for one or more Predecessor Securities is registered at the close of business on a Special Record Date for the payment of such Defaulted Interest to be fixed by the Trustee, notice whereof shall be given to Holders of Securities not less than 10 days prior to such Special Record Date, or be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Securities may be listed, and upon such notice as may be required by such exchange, all as more fully provided in said Indenture.

The Bank shall have the right at any time during the term of this Security, from time to time, to defer payment of interest on such Security for up to 20 quarterly periods (an "Extension Period"), provided that no Extension Period may extend past the Maturity of this Security. There may be multiple Extension Periods of varying lengths during the term of this Security. At the end of each Extension Period, if any, the Bank shall pay all interest then accrued and unpaid, together with interest thereon, compounded quarterly at the rate specified on this Security to the extent permitted by applicable law. During any such Extension Period, the Bank may not, and may not permit any subsidiary of the Bank to, (i) declare or pay any dividends or distributions on, or redeem, purchase, acquire, or make a liquidation payment with respect to, any of the Bank's capital stock or (ii) make any payment of principal, interest or premium, if any, on or repay, repurchase or redeem any debt securities of the Bank that rank pari passu with or junior in interest to the Securities or make any guarantee payments with respect to any guarantee by the Bank of the debt securities of any subsidiary of the Bank if such guarantee ranks pari passu or junior in interest to the Securities (other than (a) repurchases, redemptions or other acquisitions of shares of capital stock of the Bank in

connection with any employment contract, benefit plan or other similar arrangement with or for the benefit of any one or more employees, officers, directors or consultants or in connection with a dividend reinvestment or stockholder stock purchase plan, (b) as a result of an exchange or conversion of any class or series of the Bank's capital stock (or any capital stock of a subsidiary of the Bank) for any class or series of the Bank's capital stock or of any class or series of the Bank's indebtedness for any class or series of the Bank's capital stock, (c) the purchase of fractional interests in shares of the Bank's capital stock pursuant to the conversion or exchange provisions of such capital stock or the security being converted or exchanged, (d) any declaration of a dividend in connection with any stockholder's rights plan, or the issuance of rights, stock or other property under any stockholder's rights plan, or the redemption or repurchase of rights pursuant thereto, or (e) any dividend in the form of stock, warrants, options or other rights where the exercise of such warrants, options, or other rights is the same stock as that on which the dividend is being paid or ranks pari passu with or junior to such stock). Prior to the termination of any such Extension Period, the Bank may further extend the interest payment period, provided that no Extension Period may exceed 20 consecutive quarterly periods or extend beyond the Stated Maturity of the Securities. Upon the termination of any such Extension Period and the payment of all amounts then due on any Interest Payment Date, the Bank may elect to begin a new Extension Period subject to the above requirements. No interest shall be due and payable during an Extension Period, except at the end thereof. The Bank shall give the Trustee notice of its election of such Extension Period at least one Business Day prior to the record date for the related interest payment.

Payment of the principal of and interest on this Security will be made at the office or agency of the Paying Agent maintained for that purpose, in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts; provided, however, that at the option of the Bank, payment of interest may be made (i) by check mailed to the address of the Person entitled thereto as such address shall appear in the Security Register or (ii) for Holders of Securities within an aggregate principal amount of at least $1,000,000, by wire transfer in immediately available funds at such place and to such account as may be designated by the Person entitled thereto as specified in the Security Register.

The indebtedness evidenced by this Security is, to the extent provided in the Indenture, subordinate and subject in right of payment to the prior payment in full of all Indebtedness, and this Security is issued subject to the provisions of the Indenture with respect thereto. Each Holder of this Security, by accepting the same, (a) agrees to and shall be bound by such provisions, (b) authorizes and directs the Trustee on his behalf to take such action as may be necessary or appropriate to effectuate the subordination so provided and (c) appoints the Trustee his attorney-in-fact for any and all such purposes. Each Holder hereof, by his acceptance hereof, waives all notice of the acceptance of the subordination provisions contained herein and in the Indenture by each holder of Indebtedness, whether now outstanding or hereafter incurred, and waives reliance by each such holder upon said provisions.

Reference is hereby made to the further provisions of the Indenture summarized on the reverse hereof, which further provisions shall for all purposes have the same effect as if set forth at this place.

Unless the certificate of authentication hereon has been executed by the Trustee referred to on the reverse hereof by manual signature, this Security shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, Capital One Bank has caused this instrument to be duly executed.

Dated: January , 1997

CAPITAL ONE BANK

By:

Name:
Title:

This Security is one of a duly authorized issue of Securities of Capital One Bank (the "Bank"), designated as its Floating Rate Junior Subordinated Debentures due 2027 (herein called the "Securities"), issued under an Indenture, dated as of January 31, 1997 (herein called the "Indenture"), between the Bank and The First National Bank of Chicago, a New York banking corporation, as Trustee (herein called the "Trustee," which term includes any successor trustee under the Indenture), to which Indenture and all indentures supplemental thereto reference is hereby made for a statement of the respective rights, limitations of rights, duties and immunities thereunder of the Trustee, the Bank and the Holders of the Securities, and of the terms upon which the Securities are, and are to be, authenticated and delivered.

All terms used in this Security which are defined in the Indenture shall have the meanings assigned to them in the Indenture.

At any time on or after February 1, 2007, the Bank shall have the right, subject to the terms and conditions of Article Twelve of the Indenture, to redeem this Security at the option of the Bank, in whole or in part, at a Redemption Price equal to the principal amount so redeemed plus accrued but unpaid interest to the Redemption Date.

If a Special Event occurs and either (i) in the opinion of Counsel to the Bank experienced in such matters, there would in all cases, after effecting the termination of Capital One Capital I and the distribution of this Security to the holders of the Capital Securities in exchange therefor upon liquidation of Capital One Capital I, be more than an insubstantial risk that any of the following would continue to exist:

(x) Capital One Capital I is, or will be within 90 days of the date of such opinion, subject to United States federal income tax with respect to income received or accrued on this Security;

(y) interest payable by the Bank on this Security is not, or within 90 days of the date of such opinion, will not be, deductible by the Bank, in whole or in part, for United States federal income tax purposes; or

(z) Capital One Capital I is, or will be within 90 days of the date of the opinion, subject to more than a de

minimis amount of other taxes, duties or other governmental charges (the events referred to in this clause (i) being referred to herein as an "Adverse Tax Consequence"),

(ii) in the reasonable determination of the Bank, there would in all cases, after effecting the termination of Capital One Capital I and the distribution of this Security to the holders of the Capital Securities in exchange therefor upon liquidation of Capital One Capital I, be more than an insubstantial risk that the Capital Securities do not, or within 90 days of such date of determination will not, constitute (x) either Tier 1 capital (or its then equivalent) or Tier 2 capital (or its then equivalent) of the Bank for purposes of the capital adequacy guidelines of the Federal Reserve Board, as then in effect and applicable to the Bank or (y) Tier 1 capital in the case of the Corporation if, but only if, at such time (A) the Corporation is subject to or otherwise required to comply with the capital guidelines of the Federal Reserve Board or (b) instruments such as the Capital Securities no longer qualify generally as Tier 1 capital for bank holding companies under the Federal Reserve Board's capital guidelines, or (iii) this Security is not held by Capital One Capital I, then the Bank shall have the right (a) to shorten the Stated Maturity of the principal of this Security to the minimum extent required, but in any event to a date not earlier than January 30, 2017 (the action referred to in this clause (a) being referred to herein as a "Maturity Advancement"), such that, in the opinion of counsel to the Bank experienced in such matters, after advancing the Stated Maturity, interest paid on this Security will be deductible for federal income tax purposes, or (b) if either (x) in the opinion of counsel to the Bank experienced in such matters, there would in all cases, after effecting a Maturity Advancement, be more than an insubstantial risk that an Adverse Tax Consequence would continue to exist or (y) in the reasonable determination of the Bank, there would in all cases, after effecting a Maturity Advancement, be more than an insubstantial risk that the Capital Securities do not, or within 90 days of such date of determination will not, constitute (a) either Tier 1 capital (or its then equivalent) or Tier 2 capital (or its then equivalent) of the Bank for purposes of the capital adequacy guidelines of the Federal Reserve Board, as then in effect and applicable to the Bank or (b) Tier 1 capital in the case of the Corporation if, but only if, at such time (i) the Corporation is subject to or otherwise required to comply with the capital guidelines of the Federal Reserve Board or (ii) instruments such as the Capital Securities no longer qualify generally as Tier 1 capital for bank holding companies under the

Federal Reserve Board's capital guidelines, to redeem this Security, subject to the terms and conditions of Article XII of the Indenture, in whole but not in part, at any time within 90 days following the occurrence of a Special Event at a Redemption Price equal to 100% of the principal amount of this Security plus accrued and unpaid interest to the Redemption Date.

If an Event of Default with respect to the Securities shall occur and be continuing, the principal of the Securities may be declared due and payable in the manner, with the effect and subject to the conditions provided in the Indenture.

The Indenture contains provisions for satisfaction and discharge or legal defeasance of the entire indebtedness of this Security and for the defeasance of certain covenants under the Indenture at any time upon compliance by the Bank with certain conditions set forth in the Indenture.

The Indenture contains provisions permitting the Bank and the Trustee, with the consent of Holders of not less than a majority in principal amount of the Outstanding Securities affected by such modification, to modify the Indenture in a manner affecting the rights of the Holders of the Securities; provided that so such modification may, without the consent of the Holder of each Outstanding Security affected thereby, (i) except to the extent permitted and subject to the conditions set forth in the Indenture with respect to the extension of the Maturity of the Security, change the maturity of, the principal of, or any installment of interest on, the Security or reduce the principal amount thereof, or the rate of payment of interest thereon, or change the place of payment where, or the coin or currency in which, this Security or interest thereon is payable, or impair the right to institute suit for the enforcement of such payment on or after the Maturity thereof (or, in the case of redemption, on or after the Redemption Date), or modify the provisions of the Indenture with respect to the subordination of the Securities in a manner adverse to the Holders, (ii) reduce the percentage in principal amount of the Outstanding Securities, the consent of whose Holders is required for such supplemental Indenture or the consent of whose Holders is required for any waiver (of compliance with certain provisions of the Indenture or certain defaults hereunder and their consequences) provided for in the Indenture, or (iii) modify any of the provisions of Section 513, Section 902 or Section 1008 of the Indenture, except to increase any such percentage or to provide that certain other provisions of the Indenture cannot be modified or waived without

the consent of the Holder of each Outstanding Security affected thereby, provided that, so long as any of the Capital Securities remains outstanding, no such amendment shall be made that adversely affects the holders of the Capital Securities, and no termination of the Indenture shall occur, and no waiver of an Event of Default or compliance with any covenant under this Indenture shall be effective, without the prior consent of the holders of at least a majority of the aggregate liquidation preference of the outstanding Capital Securities unless and until the principal of and any premium on the Securities and all accrued and unpaid interest thereon have been paid in full.

No reference herein to the Indenture and no provision of this Security or of the Indenture shall alter or impair the obligation of the Bank, which is absolute and unconditional, to pay the principal of and interest on this Security at the times, place and rate, and in the coin or currency, herein prescribed.

As provided in the Indenture and subject to certain limitations therein set forth, the transfer of this Security is registrable in the Security Register, upon surrender of this Security for registration of transfer at the office or agency of the Bank in New York, New York, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Bank and the Security Registrar duly executed by, the Holder hereof or his attorney duly authorized in writing, and thereupon one or more new Securities, of authorized denominations and for the same aggregate principal amount, will be issued to the designated transferee or transferees. No service charge shall be made for any such registration of transfer or exchange, but the Bank may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

Prior to due presentment of this Security for registration of transfer, the Bank, the Trustee and any agent of the Bank or the Trustee may treat the Person in whose name this Security is registered as the owner hereof for all purposes, whether or not this Security be overdue, and neither the Bank, the Trustee nor any such agent shall be affected by notice to the contrary.

The Securities are issuable only in registered form without coupons in denominations of $1,000 and any integral multiple thereof. As provided in the Indenture and subject to certain limitations therein set forth, Securities are exchangeable for a like aggregate principal amount of Securities

of a different authorized denomination, as requested by the Holder surrendering the same.

THE SECURITIES AND THE INDENTURE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

This is one of the Securities referred to in the within-mentioned Indenture.

The First National Bank of Chicago,
as Trustee

By:

Authorized Signatory

Dated: January , 1997

In connection with any transfer of this Security occurring prior to the date which is the earlier of (i) the date of the declaration by the Commission of the effectiveness of a registration statement under the Securities Act covering resales of this Security (which effectiveness shall not have been suspended or terminated at the date of the transfer) and (ii) three years after the later of the date of original issue and the last date on which the Bank or any affiliate of the Bank was the owner of such Security (or any predecessor thereto) (the "Resale Restriction Termination Date"), the undersigned confirms that it has not utilized any general solicitation or general advertising in connection with the transfer:

[CHECK ONE]

(1) --- to the Bank or a subsidiary thereof; or

(2) --- pursuant to and in compliance with Rule 144A under the Securities Act of 1933, as amended; or

(3) --- to an institutional "accredited investor" (as defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act of 1933, as amended) that has furnished to the Trustee a signed letter containing certain representations and agreements (the form of which letter can be obtained from the Trustee); or

(4) --- outside the United States to a "foreign person" in compliance with Rule 904 of Regulation S under the Securities Act of 1933, as amended; or

(5) --- pursuant to the exemption from registration provided by Rule 144 under the Securities Act of 1933, as amended; or

(6) --- pursuant to an effective registration statement under the Securities Act of 1933, as amended; or

(7) --- pursuant to another available exemption from the registration requirements of the Securities Act of 1933, as amended.

Unless one of the boxes is checked, the Trustee will refuse to register any of the Securities evidenced by this certificate in the name of any person other than the registered Holder thereof; provided, however, that if box (3), (4), (5) or (7) is checked,

the Bank or the Trustee may require, prior to registering any such transfer of the Securities, in its sole discretion, such written legal opinions, certifications (including an investment letter in the case of box (3) or (4)) and other information as the Trustee or the Bank has reasonably requested to confirm that such transfer is being made pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act of 1933, as amended.

If none of the foregoing boxes is checked, the Trustee or Registrar shall not be obligated to register this Security in the name of any person other than the Holder hereof unless and until the conditions to any such transfer of registration set forth herein and in Section 315 of the Indenture shall have been satisfied.

Dated: ----------

Signed: ----------
(Sign exactly as name appears on the other side of this Security)

Signature Guarantee: ----------

TO BE COMPLETED BY PURCHASER IF (2) ABOVE IS CHECKED

The undersigned represents and warrants that it is purchasing this Security for its own account or an account with respect to which it exercises sole investment discretion and that it and any such account is a "qualified institutional buyer" within the meaning of Rule 144A under the Securities Act and is aware that the sale to it is being made in reliance on Rule 144A and acknowledges that it has received such information regarding the Bank as the undersigned has requested pursuant to Rule 144A or has determined not to request such information and that it is aware that the transferor is relying upon the undersigned's foregoing representations in order to claim the exemption from registration provided by Rule 144A.

Dated: --------

NOTICE: To be executed by an executive officer

EXHIBIT B-1

[FORM OF EUROCLEAR AND CEDEL CERTIFICATE]
(Pursuant to Section 315 of the Indenture)

Re: Capital One Capital I, Floating Rate
Subordinated Capital Income Securities

, as Principal
- ------------------
Paying Agent
[Address of Principal Paying Agent]

This is to certify that, based solely on certifications we have received in writing, by tested telex or by electronic transmission from member organizations appearing in our records as persons being entitled to a portion of the principal amount of the Securities set forth below (our "Member Organizations") substantially to the effect set forth in the Indenture, dated as of January ___, 1997, between Capital One Bank and The First National Bank of Chicago, as Trustee, U.S. $_____ principal amount of the above-captioned Securities held by us or on our behalf are beneficially owned by non-U.S. person(s). As used in this paragraph, the term "U.S. person" has the meaning given to it by Regulation S under the United States Securities Act of 1933, as amended.

We further certify that as of the date hereof we have not received any notification from any of our Member Organizations to the effect that the statements made by such Member Organizations with respect to any interest in the Securities identified above are no longer true and cannot be relied upon as of the date hereof.

[On Release Date: We hereby acknowledge that no portion of the Regulation S TEMPORARY Global Security shall be exchanged for an interest in the Regulation S Permanent Global Security (as each such term is defined in the Declaration) with respect to the portion thereof for which we have not received the applicable certifications from our Member Organizations.]*/

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*/ Select as applicable.

[On _____ and upon any other payments under the Regulation S TEMPORARY Global Security: We hereby agree to hold (and return to the [ ] upon request) any payments received by us on the Regulation S TEMPORARY Global Security (as defined in the Declaration) with respect to the portion thereof for which we have not received the applicable certifications from our Member Organizations.]*

We understand that this certification is required in connection with certain securities laws of the United States of America. In connection therewith, if administrative or legal proceedings are commenced or threatened in connection with which this certification is or would be relevant, we irrevocably authorize you to produce this certification to any interested party in such proceedings.

Dated: **/

[MORGAN GUARANTY TRUST COMPANY OF NEW YORK, Brussels office, as operator of the Euroclear System

or

Cedel, societe anonyme]

By:

Name:
Title

- ---
**/ Insert Release Date or applicable Payment Date, as the case may be.

EXHIBIT B-2

[FORM OF CERTIFICATION TO BE GIVEN BY
HOLDER OF BENEFICIAL INTEREST IN A
REGULATION S TEMPORARY GLOBAL SECURITY]
(Pursuant to Section 315 of the Indenture)

Re: Capital One Capital I, Floating Rate
Subordinated Capital Income Securities

[Morgan Guaranty Trust Company of New York,
Brussels office, as operator of the Euroclear
System] [Cedel, societe anonyme]

Securities, [CINS No.] [ISIN No.]
------ ----

Reference is hereby made to the Indenture, dated as of January ___, 1997 (the "Indenture"), between Capital One Bank and The First National Bank of Chicago, as Trustee. Capitalized terms used herein and not otherwise defined have the meanings set forth in the Indenture.

[For purposes of acquiring a beneficial interest in the Regulation S Permanent Global Security upon the expiration of the Restricted Period,][For purposes of receiving payments under the Regulation S TEMPORARY Global Security,*/ the undersigned holder of a beneficial interest in the Regulation S TEMPORARY Global Security issued under the Declaration certifies that it is not a U.S. Persons as defined by Regulation S under the Securities Act of 1933, as amended.

We undertake to advise you promptly by telex on or prior to the date on which you intend to submit your corresponding certification relating to the Securities held by you if any applicable statement herein is not correct on such date, and in the absence of any such notification it may be assumed that this certificate applies as of such date.

We understand that this certificate is required in connection with certain securities laws of the United States. In

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*/ Select, as applicable.

connection therewith, if administrative or legal proceedings are commenced or threatened in connection with which this certificate is or would be relevant, we irrevocably authorize you to produce this certificate to any interested party in such proceeding. This certificate and the statements contained herein are made for your benefit and the health of the Trust and the Initial Purchaser.

Dated: ----------, ----

By: ----------

as, or as agent for, the holder of a beneficial interest in the Securities to which this certificate relates.

EXHIBIT 10.9

CAPITAL ONE FINANCIAL CORPORATION

1994 STOCK INCENTIVE PLAN

(AS AMENDED OCTOBER 24, 1996)

1. PURPOSE. The purpose of the Capital One Financial Corporation 1994 Stock Incentive Plan (the "Plan") is to further the long term stability and financial success of Capital One Financial Corporation (the "Company") by attracting and retaining key employees of the Company through the use of stock incentives. It is believed that ownership of Company Stock will stimulate the efforts of those employees of the Company upon whose judgment and interest the Company is and will be largely dependent for the successful conduct of its business. It is also believed that Awards granted to such employees under this Plan will strengthen their desire to remain with the Company and will further the identification of those employees' interests with those of the Company's shareholders. The Plan was adopted by the Board of Directors and approved by the Company's sole shareholder on October 28, 1994.

The Plan is intended to satisfy the requirements of Securities and Exchange Commission Rule 16b-3 ("Rule 16b-3").

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

(a) "Award" means, collectively, the award of an Option, Stock Appreciation Right, Restricted Stock or Incentive Stock under the Plan.

(b) "Board" means the board of directors of the Company.

(c) "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 constitute the Board as of September 1, 1995 (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 September 1, 1995 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.

(v) Neither the sale of Company common stock in an initial public offering, nor the distribution of Company common stock by Capital One Financial Corporation's parent corporation to its shareholders in a transaction to which Section 355 of the Internal Revenue Code applies, nor any restructuring of the Company or its Board of Directors in contemplation of or as the result of either of such events, shall constitute a Change of Control.

(d) "Code" means the Internal Revenue Code of 1986, as amended.

(e) "Company" means Capital One Financial Corporation, a Delaware corporation.

(f) "Company Stock" means Common Stock of the Company. If the par value of the Company Stock is changed, or in the event of a change in the capital structure of the Company (as provided in Section 15), the shares resulting from such a change shall be deemed to be Company Stock within the meaning of the Plan.

(g) "Date of Grant" means the date on which an Award is granted by the Committee or such later date specified by the Committee as the date as of which the Award is to be effective.

(h) "Disability" or "Disabled" means, as to an Incentive Stock Option, a Disability within the meaning of Code section 22(e)(3). As to all other Awards, the Committee shall determine whether a Disability exists and such determination shall be conclusive.

(i) "Distribution" means the distribution of the Company's common stock to shareholders of the Company's parent corporation in a transaction to which Code Section 355 applies.

(j) "Distribution Date" means the date on which the Distribution occurs.

(k) "Fair Market Value" means, on the date shares of the Company Stock are offered in an initial public offering, the offering price, and on any given date thereafter, the average of the high and low price on such date as reported on The New York Stock Exchange-Composite Transactions Tape. 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 Committee using any reasonable method in good faith.

(l) "Incentive Stock" means Company Stock awarded when performance goals are achieved pursuant to an incentive plan as provided in Section 9.

(m) "Incentive Stock Option" means an Option intended to meet the requirements of, and qualify for favorable Federal income tax treatment under, Code section 422.

(n) "Insider" means a person subject to Section 16(b) of the Securities Exchange Act of 1934.

(o) "Nonstatutory Stock Option" means an Option, which does not meet the requirements of Code section 422, or even if meeting the requirements of Code section 422, is not intended to be an Incentive Stock Option and is so designated.

(p) "Option" means a right to purchase Company Stock granted under the Plan, at a price determined in accordance with the Plan.

(q) "Parent" means, with respect to any corporation, a "parent corporation" of that corporation within the meaning of Code section 424(e).

(r) "Participant" means any employee who receives an Award under the Plan.

(s) "Reload Feature" means a feature of an Option described in an employee's stock option agreement that provides for the automatic grant of a Reload Option in accordance with the provisions described in Section 10(d).

(t) "Reload Option" means an Option granted to an employee equal to the number of shares of already owned

Company Stock delivered by the employee to exercise an Option described in Section 10(d).

(u) "Restricted Stock" means Company Stock awarded upon the terms and subject to the restrictions set forth in Section 8.

(v) "Restricted Stock Award" means an award of Restricted Stock granted under the Plan.

(w) "Rule 16b-3" means Rule 16b-3 of the Securities Exchange Act of 1934. A reference in the Plan to Rule 16b-3 shall include a reference to any corresponding rule (or number redesignation) of any amendments to Rule 16b-3 enacted after the effective date of the Plan's adoption.

(x) "Stock Appreciation Right" means a right granted under the Plan to receive from the Company amounts in cash or shares of Company Stock upon the surrender of an Option.

(y) "Stock Option Committee" or "Committee" means the committee appointed by the Board as described under Section 16.

(z) "Subsidiary" means, with respect to any corporation, a "subsidiary corporation" of that corporation within the meaning of Code section 424(f).

(aa) "10% Shareholder" means a person who owns, directly or indirectly, stock possessing more than 10% of the total combined voting power of all classes of stock of the Company or any Parent or Subsidiary of the Company. Indirect ownership of stock shall be determined in accordance with Code section 424(d).

3. GENERAL. The following types of Awards may be granted under the Plan: Options, Stock Appreciation Rights, Restricted Stock or Incentive Stock. Options granted under the Plan may be Incentive Stock Options or Nonstatutory Stock Options.

4. STOCK. Subject to Section 15 of the Plan, there shall be reserved for issuance under the Plan an aggregate of 7,370,880 shares of Company Stock, which shall be authorized, but unissued shares. Shares granted under the Plan that expire or otherwise terminate unexercised and shares forfeited pursuant to restrictions on Restricted Stock or Incentive Stock may again be subjected to an Award under the Plan. The Committee is expressly authorized to make an Award to a Participant conditioned upon the surrender for cancellation of an existing Award. For purposes of determining the number of shares that are available for Awards under the Plan, such number shall include the number of shares

surrendered by an optionee or retained by the Company in payment of federal and state income tax withholding liabilities upon exercise of a Nonstatutory Stock Option or a Stock Appreciation Right.

5. ELIGIBILITY.

(a) Any key employee of the Company (or Parent or Subsidiary of the Company) who, in the judgment of the Committee has contributed or can be expected to contribute to the profits or growth of the Company (or Parent or Subsidiary) shall be eligible to receive Awards under the Plan. Directors of the Company who are employees and are not members of the Committee are eligible to participate in the Plan. The Committee shall have the power and complete discretion, as provided in Section 16, to select eligible employees to receive Awards and to determine for each employee the terms and conditions, the nature of the award and the number of shares to be allocated to each employee as part of each Award.

(b) The grant of an Award shall not obligate the Company or any Parent or Subsidiary of the Company to pay an employee any particular amount of remuneration, to continue the

employment of the employee after the grant or to make further grants to the employee at any time thereafter.

6. STOCK OPTIONS.

(a) Whenever the Committee deems it appropriate to grant Options, notice shall be given to the eligible employee stating the number of shares for which Options are granted, the Option price per share, whether the Options are Incentive Stock Options or Nonstatutory Stock Options, the extent to which Stock Appreciation Rights are granted (as provided in Section 7), and the conditions to which the grant and exercise of the Options are subject. This notice, when duly accepted in writing by the eligible employee, shall become a stock option agreement between the Company and the eligible employee.

(b) The exercise price of shares of Company Stock covered by an Option shall be not less than 100% of the Fair Market Value of such shares on the Date of Grant. If the employee is a 10% Shareholder and the Option is an Incentive Stock Option, the exercise price shall be not less than 110% of the Fair Market Value of such shares on the Date of Grant.

(c) Options may be exercised in whole or in part at such times as may be specified by the Committee in the employee's

stock option agreement; provided that the exercise provisions for Incentive Stock Options shall in all events not be more liberal than the following provisions:

(i) No Incentive Stock Option may be exercised after the first to occur of (x) ten years (or, in the case of an Incentive Stock Option granted to a 10% Shareholder, five years) from the Date of Grant, (y) three months from the employee's retirement or termination of employment with the Company and its Parent and Subsidiary corporations for reasons other than Disability or death, or (z) one year from the employee's termination of employment on account of Disability or death.

(ii) Except as otherwise provided in this paragraph, no Incentive Stock Option may be exercised unless the employee is employed by the Company or a Parent or Subsidiary of the Company at the time of the exercise (or was so employed not more than three months before the time of the exercise) and has been employed by the Company or a Parent or Subsidiary of the Company at all times since the Date of Grant. If an employee's

employment is terminated other than by reason of his Disability or death at a time when the employee holds an Incentive Stock Option that is exercisable (in whole or in part), the employee may exercise any or all of the exercisable portion of the Incentive Stock Option (to the extent exercisable on the date of termination) within three months after the employee's termination of employment. If an employee's employment is terminated by reason of his Disability at a time when the employee holds an Incentive Stock Option that is exercisable (in whole or in part), the employee may exercise any or all of the exercisable portion of the Incentive Stock Option (to the extent exercisable on the date of Disability) within one year after the employee's termination of employment. If an employee's employment is terminated by reason of his death at a time when the employee holds an Incentive Stock Option that is exercisable (in whole or in part), the Incentive Stock Option may be exercised (to the extent exercisable on the date of death) within one year after the employee's death by the person to whom the employee's rights under

the Incentive Stock Option shall have passed by will or by the laws of descent and distribution.

(iii) An Incentive Stock Option by its terms, shall be exercisable in any calendar year only to the extent that the aggregate Fair Market Value (determined at the Date of Grant) of the Company Stock with respect to which incentive stock options are exercisable for the first time during the calendar year does not exceed $100,000 (the "Limitation Amount"). Incentive Stock Options granted under the Plan and similar incentive options granted after 1986 under all other plans of the Company and any Parent or Subsidiary of the Company shall be aggregated for purposes of determining whether the Limitation Amount has been exceeded. The Board may impose such conditions as it deems appropriate on an Incentive Stock Option to ensure that the foregoing requirement is met. If Incentive Stock Options that first become exercisable in a calendar year exceed the Limitation Amount, the excess Options will be treated as Nonstatutory Stock Options to the extent permitted by law.

(d) The Committee 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.

(e) The maximum number of shares with respect to which Nonstatutory Options or Stock Appreciation Rights may be granted in any calendar year to an employee eligible to participate in the Plan is as follows: the Chief Executive Officer, 1,500,000; each of the next four most highly compensated employees, 1,000,000; each other eligible employee, 500,000.

(f) The Committee may, in its discretion, grant Options containing or amend Options previously granted to provide for a Reload Feature subject to the limitations of Section 10(d).

(g) Notwithstanding paragraph (c) above, the Committee may, in its discretion, amend a previously granted Incentive Stock Option to provide for more liberal exercise provisions; provided however if the Incentive Stock Option as amended no longer meets the requirements of Code section 422, and as a result such Option no longer qualifies for favorable Federal income tax treatment under Code section 422, the amendments shall not become effective without the written consent of the

Participant and provided further that no Incentive Stock Option may be exercised after ten (10) years (or, in the case of an Incentive Stock Option granted to a 10% Shareholder, five (5) years) from the Date of Grant.

7. STOCK APPRECIATION RIGHTS.

(a) Whenever the Committee deems it appropriate, Stock Appreciation Rights may be granted in connection with all or any part of an Incentive Stock Option. At the discretion of the Committee, Stock Appreciation Rights may also be granted in connection with all or any part of a Nonstatutory Stock Option, either concurrently with the grant of the Nonstatutory Stock Option or at any time thereafter during the term of the Nonstatutory Stock Option. The following provisions apply to all Stock Appreciation Rights that are granted in connection with Options:

(i) Stock Appreciation Rights shall entitle the employee, upon exercise of all or any part of the Stock Appreciation Rights, to surrender to the Company unexercised that portion of the underlying Option relating to the same number of shares of Company Stock as is covered by the Stock Appreciation Rights (or the

portion of the Stock Appreciation Rights so exercised) and to receive in exchange from the Company an amount in cash or shares of Company Stock (as provided in the Stock Appreciation Right) equal to the excess of (x) the Fair Market Value on the date of exercise of the Company Stock covered by the surrendered portion of the underlying Option over (y) the exercise price of the Company Stock covered by the surrendered portion of the underlying Option. The Committee may limit the amount that the employee will be entitled to receive upon exercise of the Stock Appreciation Right.

(ii) Upon the exercise of a Stock Appreciation Right and surrender of the related portion of the underlying Option, the Option, to the extent surrendered, shall not thereafter be exercisable.

(iii) Subject to any further conditions upon exercise imposed by the Committee, a Stock Appreciation Right issued in tandem with an Option shall be exercisable only to the extent that the related Option is exercisable and shall expire no later than the date on which the related Option expires.

(iv) A Stock Appreciation Right may only be exercised at a time when the Fair Market Value of the Company Stock covered by the Stock Appreciation Right exceeds the exercise price of the Company Stock covered by the underlying Option.

(b) The manner in which the Company's obligation arising upon the exercise of a Stock Appreciation Right shall be paid shall be determined by the Committee and shall be set forth in the employee's Option or the related Stock Appreciation Rights agreement. The Committee may provide for payment in Company Stock or cash, or a fixed combination of Company Stock or cash, or the Committee may reserve the right to determine the manner of payment at the time the Stock Appreciation Right is exercised. Shares of Company Stock issued upon the exercise of a Stock Appreciation Right shall be valued at their Fair Market Value on the date of exercise.

8. RESTRICTED STOCK AWARDS.

(a) Whenever the Committee deems it appropriate to grant a Restricted Stock Award, notice shall be given to the Participant stating the number of shares of Restricted Stock for which the Restricted Stock Award is granted and the terms and

conditions to which the Restricted Stock Award is subject. This notice, when accepted in writing by the Participant shall become an award agreement between the Company and the Participant and certificates representing the shares shall be issued and delivered to the Participant. A Restricted Stock Award may be made by the Committee in its discretion without cash consideration.

(b) Restricted Stock issued pursuant to the Plan shall be subject to the following restrictions:

(i) Unless otherwise provided by the Committee, Restricted Stock may not be sold, assigned, transferred or disposed of within a six-month period beginning on the Date of Grant.

(ii) None of such shares may be sold, assigned, transferred, pledged, hypothecated, or otherwise encumbered or disposed of until the restrictions on such shares shall have lapsed or shall have been removed pursuant to paragraph (d) or (e) below.

(iii) If a Participant ceases to be employed by the Company or a Parent or Subsidiary of the Company, the Participant shall forfeit to the Company any shares of

Restricted Stock, the restrictions on which shall not have lapsed or shall not have been removed pursuant to paragraph (d) or (e) below, on the date such Participant ceases to be so employed.

(c) Upon the acceptance by a Participant of a Restricted Stock Award, such Participant shall, subject to the restrictions set forth in paragraph (b) above, have all the rights of a shareholder with respect to the shares of Restricted Stock subject to such Restricted Stock Award, including, but not limited to, the right to vote such shares of Restricted Stock and the right to receive all dividends and other distributions paid thereon. Certificates representing Restricted Stock shall bear a legend referring to the restrictions set forth in the Plan and the Participant's award agreement.

(d) The Committee shall establish as to each Restricted Stock Award the terms and conditions upon which the restrictions set forth in paragraph (b) above shall lapse. Such terms and conditions may include, without limitation, the passage of time, the meeting of performance goals, the lapsing of such restrictions as a result of the Disability, death or retirement of the Participant, or the occurrence of a Change of Control.

(e) Notwithstanding the forfeiture provisions of paragraph (b)(iii) above, the Committee may at any time, in its sole discretion, accelerate the time at which any or all restrictions will lapse or remove any and all such restrictions.

(f) Each Participant shall agree at the time his Restricted Stock Award is granted, and as a condition thereof, to pay to the Company, or make arrangements satisfactory to the Company regarding the payment to the Company of, the aggregate amount of any Federal, state or local taxes of any kind required by law to be withheld with respect to the shares of Restricted Stock subject to the Restricted Stock Award. Until such amount has been paid or arrangements satisfactory to the Company have been made, no stock certificate free of a legend reflecting the restrictions set forth in paragraph (b) above shall be issued to such Participant.

(g) The Company may place on any certificate representing Company Stock issued in connection with an Incentive Award any legend deemed desirable by the Company's counsel to comply with Federal or state securities laws, and the Company may require a customary written indication of the Participant's investment intent.

9. INCENTIVE STOCK AWARDS.

(a) Incentive Stock may be issued pursuant to the Plan in connection with incentive programs established from time to time by the Committee when performance criteria established by the Committee as part of the incentive program have been achieved. If the objectives established by the Committee as a prerequisite to the receipt of Incentive Stock have not been achieved, no stock will be issued, except as provided in (c). A Participant eligible for the receipt or issuance of incentive shares will have no rights as a stockholder before actual receipt of the Incentive Stock.

(b) Whenever the Committee deems it appropriate, the Committee may establish an incentive program and notify Participants of their participation in and the terms of the incentive program. More than one incentive program may be established by the Committee and they may operate concurrently or for varied periods of time and a Participant may be permitted to participate in more than one incentive program at the same time. Incentive Stock will be issued only subject to the incentive program and the Plan and consistent with meeting the performance

goals set by the Committee. Incentive Stock may be issued without cash consideration.

(c) The Committee may provide in the incentive program, or subsequently, that Incentive Stock will be issued if a Change of Control occurs even though the performance goals set by the Committee have not been met.

(d) A Participant's interest in an incentive program may not be sold, assigned, transferred, pledged, hypothecated, or otherwise encumbered.

(e) Each Participant shall agree as a condition of his participation in an incentive program and the receipt of Incentive Stock, to pay to the Company, or make arrangements satisfactory to the Company regarding the payment to the Company of, the aggregate amount of any Federal, state or local taxes of any kind required by law to be withheld with respect to the shares of Incentive Stock received. Until such amount has been paid or arrangements satisfactory to the Company have been made, no stock certificate free of a legend reflecting the restrictions set forth in paragraph (b) above shall be issued to such Participant.

(f) The Company may place on any certificate representing Company Stock issued in connection with an Incentive Award any legend deemed desirable by the Company's counsel to comply with Federal or state securities laws, and the Company may require a customary written indication of the Participant's investment intent.

10. METHOD OF EXERCISE OF OPTIONS AND STOCK APPRECIATION RIGHTS.

(a) Options and Stock Appreciation Rights may be exercised by the employee giving written notice of the exercise to the Company, stating the number of shares the employee has elected to purchase under the Option or the number of Stock Appreciation Rights he has elected to exercise. In the case of the purchase of shares under an Option, such notice shall be effective only if accompanied by the exercise price in full in cash; provided that if the terms of an Option so permit, the employee may (i) deliver Company Stock that the Participant has owned for at least six (6) months (valued at Fair Market Value on the date of exercise) in satisfaction of all or any part of the exercise price, (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, or (iii) deliver an interest bearing promissory note, payable to the Company, in payment of all or part of the exercise price together with such collateral as may be required by the Committee at the time of exercise. The interest rate under any such promissory note shall be equal to the minimum interest rate required at the time to avoid imputed interest to the Participant under the Code.

(b) Options and Stock Appreciation Rights may also be exercised by the employee in accordance with any other method or methods of exercise as may be approved from time to time by the Committee;

(c) The Company may place on any certificate representing Company Stock issued upon the exercise of an Option or Stock Appreciation Right any legend deemed desirable by the Company's counsel to comply with Federal or state securities laws, and the Company may require of the employee a customary written indication of his investment intent. Until the employee has made any required payment, including any applicable Federal, state and local withholding taxes, and has had issued to him a

certificate for the shares of Company Stock acquired, he shall possess no shareholder rights with respect to the shares.

(d) If an employee exercises an Option that has a Reload Feature by delivering already owned shares of Company Stock, the employee shall automatically be granted a Reload Option. The Reload Option shall be subject to the following provisions:

(i) The Reload Option shall cover the number of shares of Company Stock delivered by the employee to the Company to exercise the Option with the Reload Feature;

(ii) The Reload Option will not have a Reload Feature;

(iii) The exercise price of shares of Company Stock covered by a Reload Option shall be 100% of the Fair Market Value of such shares on the date the employee delivers shares of Company Stock to the Company to exercise the Option that has a Reload Feature;

(iv) The Reload Option shall be subject to the same restrictions on exercisability as those imposed on the underlying Option (possessing the Reload Feature);

(v) The Reload Option shall not be exercisable until the expiration of any retention holding period imposed on the disposition of any shares of Company Stock covered by the underlying Option (possessing the Reload Feature).

The Committee may, in its discretion, cause the Company to place on any certificate representing Company Stock issued to a Participant upon the exercise of an underlying Option (possessing a Reload Feature as evidenced by the stock option agreement for such Option) delivered pursuant to this subsection (d), a legend restricting the sale or other disposition of such Company Stock.

(e) Notwithstanding anything herein to the contrary, Awards shall always be granted and exercised in such a manner as to conform to the provisions of Rule 16b-3, or any replacement rule adopted, as the same now exists or may, from time to time, be amended.

11. APPLICABLE WITHHOLDING TAXES. As an alternative to making a cash payment to the Company to satisfy tax withholding obligations, the Committee may establish procedures permitting the Participant to elect to (a) deliver shares of already owned Company Stock or (b) have the Company retain that number of

shares of Company Stock that would satisfy all or a specified portion of the Federal, state and local tax liabilities of the Participant arising in the year the Award becomes subject to tax. Any such election shall be made only in accordance with procedures established by the Committee.

12. TRANSFERABILITY OF AWARDS AND OPTIONS. To the extent required by the Code, Awards, by their terms, shall not be transferable by the Participant except by will or by the laws of descent and distribution and shall be exercisable, during the Participant's lifetime, only by the Participant or by his guardian or legal representative. The Committee is expressly authorized, in its discretion, to provide that all or a portion of a Nonstatutory Stock Option or Stock Appreciation Right may be granted to a Participant upon terms that permit transfer of the Nonstatutory Stock Option or Stock Appreciation Right in a form and manner determined by the Committee.

13. EFFECTIVE DATE OF THE PLAN. This Plan having been adopted by the Company's Board and approved by the Company's sole shareholder shall be effective on October 28, 1994. Until the requirements of any applicable federal and state securities laws have been met, no Option or Stock Appreciation Right shall be

exercisable and no award of Restricted Stock or Incentive Stock shall be made.

14. TERMINATION, MODIFICATION, CHANGE. If not sooner terminated by the Board, this Plan shall terminate at the close of business on October 27, 2004. No Awards shall be made 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; provided, that, if and to the extent required by the Code, no change shall be made that materially increases the total number of shares of Company Stock reserved for issuance pursuant to Awards granted under the Plan (except pursuant to Section 15), materially expands the class of persons eligible to receive Awards, or materially increases the benefits accruing to Participants under the Plan, unless such change is authorized by the shareholders of the Company. Notwithstanding the foregoing, the Board may amend the Plan and unilaterally amend Awards as it deems appropriate to ensure compliance with Rule 16b-3 and to cause Incentive Stock Options to meet the requirements of the Code and regulations thereunder. Except as provided in the preceding sentence, a termination or amendment of the Plan shall

not, without the consent of the Participant, detrimentally affect a Participant's rights under an Award previously granted to him.

15. CHANGE 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 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 number and kind of shares of stock or securities of the Company to be subject to the Plan and to Awards 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 other relevant provisions shall be appropriately adjusted by the Committee, whose determination shall be binding on all persons. If the adjustment would produce fractional shares with respect to any unexercised Option, the Committee may adjust appropriately the number of shares covered by the Option so as to eliminate the fractional shares.

(b) If the Company is a party to 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, the Committee may take such actions with respect to outstanding Incentive Awards as the Committee deems appropriate.

(c) Notwithstanding anything in the Plan to the contrary, the Committee may take the foregoing actions without the consent of any Participant, and the Committee's determination shall be conclusive and binding on all persons for all purposes.

16. ADMINISTRATION OF THE PLAN. The Plan shall be administered by the Committee consisting solely of two or more nonemployee directors of the Company (within the meaning of Rule 16b-3), who shall be appointed by the Board. The Committee shall have general authority to impose any limitation or condition upon an Award the Committee deems appropriate to achieve the objectives of the Award and the Plan and, in addition, and without limitation and in addition to powers set forth elsewhere in the Plan, shall have the following specific authority:

(a) The Committee shall have the power and complete discretion to determine (i) which eligible employees shall receive an Award and the nature of the Award, (ii) the

number of shares of Company Stock to be covered by each Award, (iii) whether Options shall be Incentive Stock Options or Nonstatutory Stock Options, (iv) when, whether and to what extent Stock Appreciation Rights shall be granted in connection with Options, (v) whether to include a Reload Feature in an Option and to impose limitations on the use of shares acquired through the exercise of a Reload Option to exercise Options, (vi) the fair market value of Company Stock, (vii) the time or times when an Award shall be granted, (viii) whether an Award shall become vested over a period of time and when it shall be fully vested, (ix) conditions relating to the length of time before disposition of Company Stock received in connection with an Award is permitted, (x) the terms and conditions on which restrictions upon Restricted Stock shall lapse, (xi) whether to accelerate the time of receipt of Incentive Stock or the time when any or all restrictions with respect to Restricted Stock will lapse or be removed, (xii) the terms of incentive programs, performance criteria and other factors relevant to the issuance of Incentive Stock or the lapse of restrictions on Restricted Stock, (xiii) when Options and Stock

Appreciation Rights may be exercised, (xiv) whether a Disability exists, (xv) the manner in which payment will be made upon the exercise of Options or Stock Appreciation Rights, (xvi) whether to approve a Participant's election (x) to deliver shares of already owned Company Stock to satisfy tax liabilities arising upon the exercise of a Nonstatutory Stock Option or Stock Appreciation Right or (y) to have the Company withhold from the shares to be issued upon the exercise or receipt of an Award that number of shares necessary to satisfy tax liabilities arising from such exercise or receipt, (xvii) notice provisions relating to the sale of Company Stock acquired under the Plan, and (xviii) any additional requirements relating to Awards that the Committee deems appropriate. Notwithstanding the foregoing, no "tandem stock options" (where two stock options are issued together and the exercise of one option affects the right to exercise the other option) may be issued in connection with Incentive Stock Options. The Committee shall also have the power to amend the terms of previously granted Awards so long as the terms as amended are consistent with the terms of the Plan and provided that

the consent of the Participant is obtained with respect to any amendment that would be detrimental to him, except that such consent will not be required if such amendment is for the purpose of complying with Rule 16b-3 or any requirement of the Code applicable to the Award.

(b) The Committee may adopt rules and regulations for carrying out the Plan. The interpretation and construction of any provision of the Plan by the Committee shall be final and conclusive. The Committee may consult with counsel, who may be counsel to the Company, and shall not incur any liability for any action taken in good faith in reliance upon the advice of counsel.

(c) A majority of the members of the Committee shall constitute a quorum, and all actions of the Committee shall be taken by a majority of the members present. Any action may be taken by a written instrument signed by all of the members, and any action so taken shall be fully effective as if it had been taken at a meeting.

(d) The Board of Directors from time to time may appoint members previously appointed and may fill vacancies, however caused, in the Committee.

17. NOTICE. All notices and other communications required or permitted to be given under this 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 Company's Director of Human Resources; (b) if to any Participant - at the last address of the Participant known to the sender at the time the notice or other communication is sent.

18. INTERPRETATION. The terms of this Plan are subject to all present and future regulations and rulings of the Secretary of the Treasury or his delegate relating to the qualification of Incentive Stock Options under the Code. If any provision of the Plan conflicts with any such regulation or ruling, then that provision of the Plan shall be void and of no effect.

19. FOREIGN EQUITY INCENTIVE PLANS. The Committee may authorize any foreign Subsidiary or any foreign unincorporated division of the Company or of a Subsidiary to adopt a plan for granting Awards (a "Foreign Equity Incentive Plan"). All Awards granted under a Foreign Equity Incentive Plan shall be treated as grants under this Plan. A Foreign Equity Incentive Plan shall have such terms as the Committee permits; provided that such

terms are not inconsistent with the provisions of this Plan; and provided further that such terms may be more restrictive than those in this Plan. Awards granted under a Foreign Equity Incentive Plan shall be governed by the terms of this Plan except to the extent that the terms of the Foreign Equity Incentive Plan are more restrictive than the terms of this Plan, in which case such terms of the Foreign Equity Incentive Plan shall control.

EXHIBIT 10.20.3

SECOND AMENDMENT TO OPERATIVE AGREEMENTS

THIS SECOND AMENDMENT TO OPERATIVE AGREEMENTS dated as of October 11, 1996 (the "Second Amendment") is among CAPITAL ONE BANK, a Virginia banking corporation (the "Lessee" or the "Construction Agent", as appropriate), FIRST SECURITY BANK, NATIONAL ASSOCIATION (f/k/a First Security Bank of Utah, N.A.), a national banking association, not individually but solely as Owner Trustee under the COB Real Estate Trust 1995-1 (the "Owner Trustee", the "Borrower" or the "Lessor", as appropriate), NATIONSBANK OF TEXAS, N.A., a national banking association, as a Lender (in such capacity, the "Lender"), NATIONSBANK OF TEXAS, N.A., a national banking association, as Administrative Agent for the Lenders (in such capacity, the "Agent") and NATIONSBANK OF TEXAS, N.A., a national banking association, as Holder of the Certificates issued with respect to the COB Real Estate Trust 1995-1 (in such capacity, the "Holder") and is a second amendment to: (a) that certain Participation Agreement dated as of January 5, 1996 (as amended by that certain First Amendment to Operative Agreements dated as of June 21, 1996 (the "First Amendment"), the "Participation Agreement") among the Construction Agent, the Lessee, the Owner Trustee, the Agent, the Lender and the Holder; (b) that certain Lease Agreement (Tax Retention Operating Lease) dated as of January 5, 1996 (as amended by the First Amendment, the "Lease") between the Lessor and the Lessee; and (c) that certain Credit Agreement dated as of January 5, 1996 (as amended by the First Amendment, the "Credit Agreement") among the Borrower, the Lender and the Agent.

W I T N E S S E T H:

WHEREAS, the Lessee has requested that certain amendments and modifications be made to the Participation Agreement and the Lease; and

WHEREAS, the Lessor, the Lender, the Agent and the Holder have agreed to the modifications requested by the Lessee.

NOW, THEREFORE, in consideration of the premises set forth herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

A. Capitalized terms used but not otherwise defined in this Second Amendment shall have the meanings set forth in Appendix A to the Participation Agreement.

B. The Participation Agreement is amended in the following respects:

1. The terms set forth below and defined in Appendix A to the Participation Agreement shall be added to or amended to read as follows:

"Incorporated Events of Default" shall have the meaning given to such term in Section 28.2 of the Lease.

"Overdue Rate" shall mean (i) with respect to Basic Rent, and any other amount owed under or with respect to the Credit Agreement or the Security Documents, the rate specified in Section 2.8(b) of the Credit Agreement, (ii) with respect to Lessor Basic Rent, the Holder Yield and any other amount owed under or with respect to the Trust Agreement, the applicable rate specified in the Trust Agreement, and (iii) with respect to any other amount, the amount referred to in clause (y) of Section 2.8(b) of the Credit Agreement.

2. A parenthesis is inserted in Section 5.4(a) after the term "Incorporated Representations and Warranties."

3. The parenthetical in Section 11.1(a) referring to Section 5.7 is hereby deleted.

C. The Lease is amended in the following respects:

1. The word "insurers" in the third sentence of Section 14.1 of the Lease is amended to refer to "insureds."

2. Section 17.1(m) of the Lease is deleted in its entirety and replaced with the following:

"(m) An Incorporated Event of Default shall have occurred and be continuing;"

3. Article XXVIII is amended by adding the following as Section 28.2:

"28.2 Incorporation of Events of Default. Reference is made to the events of default set forth in Section 9 of the Capital One Credit Agreement (hereinafter referred to as the "Incorporated Events of Default"). The Lessee agrees with the Lessor that the Incorporated Events of Default (and all other relevant provisions of the Capital One Credit Agreement related thereto, including specifically without limitation the defined terms contained in Section 1 thereof which are used in the Incorporated Events of Default) are hereby incorporated by reference into this Lease to the same extent and with the same effect as if set forth fully herein and shall inure to the benefit of the Lessor, without giving effect to any waiver, amendment, modification or replacement of the Capital One Credit Agreement or any term or provision of the Incorporated Events of Default occurring subsequent to the date of this Lease, except to the extent otherwise specifically provided in the following provisions of this paragraph. In the event a waiver is granted under the Capital One Credit Agreement or an amendment or modification is executed with respect to the Capital One Credit

Agreement, and such waiver, amendment and/or modification affects the Incorporated Events of Defaults, then such waiver, amendment or modification shall be effective with respect to the Incorporated Events of Default as incorporated by reference into this Lease only if consented to in writing by the Majority Lenders. In the event of any replacement of the Capital One Credit Agreement with a New Facility, the events of default contained in the New Facility which correspond to the events of default contained in Section 9 of the Capital One Credit Agreement shall become the Incorporated Events of Default hereunder only if consented to in writing by the Lessor and the Majority Lenders and, if such consent is not granted or if the Capital One Credit Agreement is terminated and not replaced, then the events of default contained in Section 9 of the Capital One Credit Agreement (together with any modifications or amendments approved in accordance with this paragraph) shall continue to be the Incorporated Events of Default hereunder."

D. The Credit Agreement is amended in the following respects:

1. The reference to "10:00 a.m. Dallas, Texas time" in subsection 2.3(a)(ii) is amended to refer to "12:00 Noon, Dallas, Texas time."

2. The parenthesis following the term "Lease" in Section 2.11 is deleted.

3. The first paragraph of Section 9.1 is amended by deleting the following proviso from the end of the third sentence:

"provided, however, that so long as the Administrative Agent has no actual knowledge of the existence of an Event of Default the Administrative Agent may grant waivers and/or consents with respect to the terms and requirements of the Participation Agreement without the prior consent of the Lenders (as such authority of the Administrative Agent is more specifically described in Section 7.1 hereof)"

E. Each of the parties hereto hereby represent and warrant that as of the date hereof (i) the representations and warranties of such party contained in Section 7 and Section 8 of the Participation Agreement are true and correct in all material respects and (ii) no Default or Event of Default currently exists and is continuing with respect to any such party.

F. The effectiveness of this Second Amendment is contingent upon the receipt by the Agent of the following items, each in form and substance satisfactory to the Agent: (i) this Second Amendment duly executed by the parties hereto and (ii) such other certificates, resolutions and opinions as deemed necessary or advisable by the Agent.

G. This Second Amendment may be executed in any number of counterparts, each of which when executed and delivered shall be deemed to be an original and it shall not be necessary in making proof of this Second Amendment to produce or account for more than one such counterpart.

H. Except as modified hereby, all of the terms and conditions of the Operative Agreements shall remain in full force and effect.

I. This Second Amendment shall be governed by, and construed in accordance with, the laws of the Commonwealth of Virginia.

IN WITNESS WHEREOF, each of the parties hereto has caused this Second Amendment to be duly executed and delivered as of the date first above written.

CAPITAL ONE BANK,
as Construction Agent and as Lessee

By: /s/ MURRAY P. ABRAMS
Name: MURRAY P. ABRAMS
Title: ASSISTANT TREASURER

FIRST SECURITY BANK, NATIONAL ASSOCIATION (f/k/a First Security Bank of Utah, N.A.), not individually, except as expressly stated herein, but solely as Owner Trustee under the COB Real Estate Trust 1995-1

By: /s/ VAL T. ORTON
Name: VAL T. ORTON
Title: VICE PRESIDENT

NATIONSBANK OF TEXAS, N.A.,
as Holder, as a Lender and as Administrative Agent

By: /s/ PATRICK K. DOYLE
Name: PATRICK K. DOYLE
Title: SENIOR VICE PRESIDENT

EXHIBIT 10.20.4

ASSIGNMENT, CONSENT AND THIRD AMENDMENT TO OPERATIVE AGREEMENTS

THIS ASSIGNMENT, CONSENT AND THIRD AMENDMENT TO OPERATIVE AGREEMENTS Dated as of November 8, 1996 (this "Assignment, Consent and Third Amendment") is by and among CAPITAL ONE BANK, a Virginia banking corporation ("COB"), CAPITAL ONE REALTY, INC., a Delaware corporation ("CORI"), FIRST SECURITY BANK, NATIONAL ASSOCIATION (f/k/a First Security Bank of Utah, N.A.), a national banking association, not individually but solely as Owner Trustee under the COB Real Estate Trust 1995-1 (the "Owner Trustee", the "Borrower" or the "Lessor", as appropriate), NATIONSBANK OF TEXAS, N.A., a national banking association, as Administrative Agent for the Lenders (in such capacity, the "Agent"), as a Lender (together with the other Lenders party to the Credit Agreement, the "Lenders") and as a Holder.

All defined terms used herein but not otherwise defined shall have the meaning set forth in Appendix A to the Participation Agreement dated as of January 5, 1996 by and among COB, the Owner Trustee, the Agent, the Lenders and the Holder (as amended pursuant to the First Amendment to Operative Agreements dated as of June 21, 1996 and as amended hereby, the "Participation Agreement).

W I T N E S S E T H:

WHEREAS, COB, the Owner Trustee, the Agent, the Lenders and the Holders are parties to the Participation Agreement.

WHEREAS, the Owner Trustee and COB entered into (a) the Lease Agreement (Tax Retention Operating Lease) dated as of January 5, 1996 (as amended pursuant to the First Amendment to Operative Agreements dated as of June 21, 1996 and as amended hereby, the "Lease Agreement") between the Owner Trustee, as lessor, and COB, as lessee and (b) the Agency Agreement dated as of January 5, 1996 (as amended pursuant to the First Amendment to Operative Agreements dated as of June 21, 1996 and as amended hereby, the "Agency Agreement") between the Owner Trustee, as lessor, and COB, as construction agent.

WHEREAS, COB wishes to assign all of its right, title, interests and obligations in, to and under the Operative Agreements to CORI and CORI wishes to accept such assignment (CORI, in its capacity as successor construction agent and as successor lessee under the Operative Agreements, may be referred to herein as the "Replacement Construction Agent" or the "Replacement Lessee", as appropriate).

WHEREAS, the Borrower wishes to increase the Lender Commitments and the Holder Commitments, in the aggregate, from $90,000,000 to an amount not to exceed $125,000,000.

WHEREAS, the parties hereto have entered into this Assignment, Consent and Third Amendment, among other things, to (a) acknowledge and consent to the assignment from COB

to CORI, (b) amend the Operative Agreements to reflect the assignment from COB to CORI and (c) increase the Lender Commitments and the Holder Commitments, in the aggregate, from $90,000,000 to an amount not to exceed $125,000,000.

A G R E E M E N T

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

A. Assignment and Assumption. COB, in its capacity as Construction Agent and/or Lessee under the Operative Agreements, hereby assigns all of its right, title, interests and obligations in, to and under the Agency Agreement, the Lease Agreement and all other Operative Agreements to CORI effective as of the Effective Date. CORI hereby accepts such assignment, and CORI hereby agrees that from and after the Effective Date CORI shall be a party to and the Construction Agent and Lessee under all Operative Agreements and agrees to be bound by all of the terms of, and to assume and undertake all the obligations and liabilities of the Construction Agent and the Lessee contained in, the Agency Agreement, the Lease Agreement and all other Operative Agreements.

B. Consent to Assignment of Construction Agent and Lessee Rights and Obligations. The Lenders hereby consent to the assignment by COB of all of its right, title, interests and obligations under the Agency Agreement, the Lease Agreement and all other Operative Agreements to CORI. The Agent and the Owner Trustee, pursuant to Section 25.1(a) of the Lease Agreement, hereby consent to the transfer by COB of all of its right, title, interests and obligations under the Lease Agreement to CORI.

C. Participation Agreement. The Participation Agreement is amended in the following respects:

1. The terms set forth below and defined in Appendix A to the Participation Agreement shall be amended or added to read as follows:

"Approved State" means Virginia and Florida.

"Capital One Credit Agreement" shall have the meaning given to such term in Article IV of the Guaranty Agreement.

"Construction Agent" shall mean Capital One Realty, Inc. a Delaware corporation, as construction agent under the Agency Agreement.

"Event of Default" shall mean a Lease Event of Default, a Guaranty Event of Default, an Agency Agreement Event of Default or a Credit Agreement Event of Default.

"Guarantor" shall mean Capital One Bank, a Virginia banking corporation.

"Guaranty Agreement" shall mean the Guaranty Agreement dated November 8, 1996 pursuant to which the Guarantor guarantees the obligations of the Lessee under the Lease and the obligations of the Construction Agent under the Agency Agreement.

"Guaranty Event of Default" shall mean an Event of Default as defined in Section 2.05 of the Guaranty Agreement.

"Holder Commitments" shall mean $3,750,000, provided, that the Holder Commitment of each Holder shall be as set forth in the Trust Agreement.

"Holder Unused Fee" shall mean the fee payable by the Lessee and the Guarantor pursuant to Section 9.4 of the Participation Agreement.

"Incorporated Covenants" shall have the meaning given to such term in Article IV of the Guaranty Agreement.

"Incorporated Events of Default" shall have the meaning given to such term in Article IV of the Guaranty Agreement.

"Incorporated Representations and Warranties" shall have the meaning given to such term in Article IV of the Guaranty Agreement.

"Indemnity Provider" shall mean each of (i) Capital One Realty, Inc., a Delaware corporation and (ii) Capital One Bank, a Virginia banking corporation, with such entities acting on a joint and several basis.

"Lender Commitments" shall mean $121,250,000; provided if there shall be more than one Lender, the Lender Commitment of each Lender shall be as set forth in Schedule 1.1 to the Credit Agreement as such Schedule 1.1 may be amended and replaced from time to time.

"Lender Unused Fee" shall mean the fee payable by the Lessee and the Guarantor pursuant to Section 9.4 of the Participation Agreement.

"Material Adverse Effect" shall mean a material adverse effect on (a) the business, condition (financial or otherwise), assets, liabilities or operations of the Lessee, the Guarantor and their Subsidiaries, taken as a whole, (b) the ability of the Lessee, the Guarantor or any Subsidiary to perform its respective obligations under any Operative Agreement to which it is a party, (c) the validity or enforceability of any Operative Agreement or the rights and remedies of the Agent, the Lenders, the Holders, or the Lessor thereunder, (d) the validity, priority or enforceability of any Lien on any Property created by any of the Operative Agreements, or (e) the value, utility or useful life of any

Property or the use, or ability of the applicable Lessee to use, any Property for the purpose for which it was intended.

"New Facility" shall have the meaning given to such term in Article IV of the Guaranty Agreement.

"Operative Agreements" shall mean the following: the Participation Agreement, the Agency Agreement, the Trust Agreement, the Certificates, the Credit Agreement, the Notes, the Lease (and a memorandum thereof in a form reasonably acceptable to the Agent), each Lease Supplement (and a memorandum thereof in a form reasonably acceptable to the Agent), the Guaranty Agreement, the Security Agreement, the Mortgage Instrument and each Ground Lease.

"Permitted Facility" shall mean each of:

(i) The approximately 198,000 square foot operations center to be constructed on the real property comprising a part of the Trust Estate as of the Initial Closing Date and consisting of approximately 18 acres located north of Innsbrook Corporate Park in Henrico County, Virginia;

(ii) The existing office building on the real property consisting of approximately 9.75 acres located in the Innsbrook Corporate Center, which property is currently leased by Capital One Bank;

(iii) The approximately 155,000 square foot office building to be constructed on the real property subject to the Ground Lease between the Guarantor and the Lessor dated June 21, 1996 located in the Innsbrook Corporate Center; and

(iv) The approximately 110,000 square foot office building to be constructed on the real property subject to the Ground Lease between Capital One Services, Inc., a Delaware corporation, and the Lessor dated November 8, 1996 located in Tampa Campus - Phase I, Hillsborough County, Florida.

"Unused Fee" shall mean, collectively, the Lender Unused Fee and the Holder Unused Fee.

2. Sections 5.3(a), 5.4(a), 8.2(f), 14.10(a) and 14.14 of the Participation Agreement are hereby amended by adding ", the Guarantor" after each reference to the "Lessee."

3. Sections 8.1, 8.1(a), 8.2, 8.2(a), 8.3 and 8.3(a) of the Participation Agreement are hereby amended to add ", the Guarantor" after each reference to the "Construction Agent."

4. The last sentence of Section 9.1(a) of the Participation Agreement is deleted in its entirety and replaced with the following"

"The Lessee and the Guarantor jointly and severally agree to timely pay all amounts referred to in this Section 9.1(a) to the extent not paid by Lessor."

5. The last sentence of Section 9.1(b) of the Participation Agreement is deleted in its entirety and replaced with the following:

"The Lessee and the Guarantor jointly and severally agree to pay all amounts referred to in this Section 9.1(b) to the extent not paid by the Lessor."

6. Section 9.3 of the Participation Agreement is hereby amended by deleting the word "agrees" in the first line of the Section and replacing it with "and the Guarantor agree" in such line.

7. Section 9.4 of the Participation Agreement is hereby deleted in its entirety and replaced with the following:

"9.4 Unused Fee. The Guarantor and the Lessee jointly and severally agree to pay to the Agent for the account of each Lender an unused fee (the "Lender Unused Fee") computed at a rate per annum equal to Applicable Percentage for the Unused Fee multiplied by the Available Commitment of each Lender during the Commitment Period. The Guarantor and the Lessee jointly and severally agree to pay to the Agent for the account of each Holder an unused fee (the "Holder Unused Fee") computed at a rate per annum equal to Applicable Percentage for the Unused Fee multiplied by the Available Holder Commitment of each Holder during the Commitment Period. Such Lender Unused Fee and such Holder Unused Fee shall be calculated on the basis of 360-day year from the actual days elapsed and shall be payable quarterly in arrears on each Commitment Fee Payment Date. If all or a portion of any such Lender Unused Fee or Holder Unused Fee shall not be paid when due, such overdue amount shall bear interest, payable by the Lessee and the Guarantor on demand, at a rate per annum equal to the ABR plus three percent (3%) from the date of such non-payment until such amount is paid in full (as well as before judgment)."

8. Section 10.3 of the Participation Agreement is hereby retitled to "Lessee and Guarantor Covenants, Consent and Acknowledgement."

9. Section 10.3(a) of the Participation Agreement is hereby deleted in its entirety and replaced with the following:

"(a) Lessee and Guarantor hereby each acknowledge and agree that the Owner Trustee, pursuant to the terms and conditions of the Security Agreement and the Mortgage Instruments, shall create Liens respecting the various personal property,

fixtures and real property described therein in favor of the Agent (which property includes specifically without limitation all rights and claims of the Owner Trustee under the Guaranty Agreement). Lessee and Guarantor hereby each irrevocably consent to the creation, perfection and maintenance of such Liens. Each of the Construction Agent, the Lessee and the Guarantor shall, to the extent reasonably requested by any of the other parties hereto, cooperate with the other parties in connection with their covenants herein or in the other Operative Agreements and shall from time to time duly execute and deliver any and all such future instruments, documents and financing statements (and continuation statements related thereto) as any other party hereto may reasonably request."

10. Section 13.3 shall be added to the Participation Agreement to read as follows:

"13.3. Joint and Several Obligations of the Indemnity Provider. Notwithstanding any of the provisions of any other Operative Agreement, Capital One Realty, Inc. and Capital One Bank hereby acknowledge and agree that such entities have jointly and severally assumed and undertaken the indemnity obligations and other obligations under this Section 13."

11. Section 14.3 is hereby amended to provide that the notice address shall be applicable for the Lessee, the Construction Agent or the Guarantor.

12. Section 14.5 is hereby amended by deleting the last sentence of the Section and replacing it with the following:

"This Agreement may be terminated by an agreement signed in writing by the Owner Trustee, the Holders, the Lessee, the Guarantor and the Agent."

13. The parties hereto acknowledge and agree that all references to the "Construction Agent" or the "Lessee" shall be deemed as of the Effective Date to refer to Capital One Realty, Inc.

D. Lease Agreement. The Lease Agreement is hereby amended or modified in the following respects:

1. The parties hereto acknowledge and agree that all references to "Lessee" shall be deemed as of the Effective Date to refer to Capital One Realty, Inc.

2. Section 17.1(d) of the Lease Agreement is hereby amended by deleting the parentheticals referring to (a) Incorporated Covenants and (b) Incorporated Representations and Warranties.

3. Section 17.1 of the Lease Agreement is amended to add the following as subsection (f):

"(f) A Guaranty Agreement Event of Default;"

3. Sections 28.1 and 28.2 of the Lease Agreement are deleted in their entirety and replaced with the following:

"28.1 [Intentionally Omitted]."

"28.2 [Intentionally Omitted]."

E. Credit Agreement. The Credit Agreement is hereby amended and modified in the following respects:

1. Schedule 1.1 to the Credit Agreement is hereby replaced with Schedule 1.1 attached hereto and made a part of this Assignment, Consent and Third Amendment.

2. Section 9.1(a) is amended to add the following as subsection (vii) before the phrase "without the unanimous consent of the Lenders and the Holders":

"and (vii) modify the terms of the Guaranty Agreement"

F. The Trust Agreement is amended in the following respects:

1. The Certificates of the Owner Trustee issued to each Holder in the original aggregate amount of $2,700,000.00 shall be amended, restated and substituted with new Certificates in the aggregate amount of $3,750,000. The Holder Commitment of each Holder shall be as set forth on Schedule 1.2 attached hereto and made a part of this Assignment, Consent and Third Amendment and shall be deemed to be a part of the Trust Agreement.

G. Operative Agreements. The parties hereto acknowledge and agree that all references to the "Construction Agent" or the "Lessee" set forth in all other Operative Agreements shall be deemed to refer to Capital One Realty, Inc.

H. Each of the parties hereto hereby represent and warrant that as of the date hereof (i) the representations and warranties of such party contained in Section 7 and Section 8 of the Participation Agreement are true and correct in all material respects and (ii) no Default or Event of Default currently exists and is continuing with respect to any such party.

I. The effectiveness of this Assignment, Consent and Third Amendment is contingent upon the receipt by the Agent of the following items, each in form and substance satisfactory to the Agent: (i) this Assignment, Consent and Third Amendment duly executed by

the parties hereto; (ii) the Guaranty Agreement duly executed by the Guarantor; (iii) the Assumption and Modification to be recorded in each jurisdiction where an existing Permitted Facility is located; (iv) Amended, Restated and Substituted Tranche A Notes duly executed by the Borrower in favor of each Lender in the principal amounts as set forth in Schedule 1.1 attached hereto; (v) Amended, Restated and Substituted Tranche B Notes duly executed by the Borrower in favor of each Lender in the principal amounts as set forth in Schedule 1.1 attached hereto; (vi) Amended, Restated and Substituted Holder Certificates duly executed by the Owner Trustee in favor of each Holder in the principal amounts as set forth in Schedule 1.2 attached hereto; (vii) copies of the Articles of Incorporation, By-Laws and Resolutions of the Replacement Lessee certified by a Responsible Officer of the Replacement Lessee and authorizing the transactions contemplated by the Assignment, Consent and Third Amendment; (viii) copies of an Officer's Certificate of the Replacement Lessee substantially in the form of Exhibit D to the Participation Agreement; (ix) Good Standing Certificates from the Replacement Lessee's state of incorporation and each state where it is required to qualify in order to do business; (x) a legal opinion of counsel to the Replacement Lessee and the Guarantor in form and substance satisfactory to the Agent; and (xi) such other certificates, resolutions and opinions as deemed necessary or advisable by the Agent.

J. This Assignment, Consent and Third Amendment may be executed in any number of counterparts, each of which when executed and delivered shall be deemed to be an original and it shall not be necessary in making proof of this Assignment, Consent and Third Amendment to produce or account for more than one such counterpart.

K. Except as modified hereby, all of the terms and conditions of the Operative Agreements shall remain in full force and effect.

L. This Assignment, Consent and Third Amendment shall be governed by, and construed in accordance with, the laws of the Commonwealth of Virginia.

IN WITNESS WHEREOF, each of the parties hereto has caused this Third Amendment to be duly executed and delivered as of the date first above written.

CAPITAL ONE BANK,
as Construction Agent and as Lessee
and as Guarantor

By: /s/ MURRAY ABRAMS
Name: MURRAY ABRAMS
Title: ASSISTANT TREASURER

CAPITAL ONE REALTY, INC.
as Replacement Construction Agent
and as Replacement Lessee

By: /s/ MURRAY ABRAMS
Name: MURRAY ABRAMS
Title: ASSISTANT TREASURER

FIRST SECURITY BANK, NATIONAL ASSOCIATION (f/k/a First Security Bank of Utah, N.A.), not individually, except as expressly stated herein, but solely as Owner Trustee under the COB Real Estate Trust 1995-1

By: /s/ VAL T. ORTON
Name: VAL T. ORTON
Title: VICE PRESIDENT

NATIONSBANK OF TEXAS, N.A.,
as Holder, as a Lender and as Administrative Agent

By: /s/ PATRICK K. DOYLE
Name: PATRICK K. DOYLE
Title: SENIOR VICE PRESIDENT

FIRST UNION NATIONAL BANK OF
VIRGINIA, as a Lender and a Holder

By: /s/ ANDREW C. CALHOUN
Name: ANDREW C. CALHOUN
Title: SVP

THE FIRST NATIONAL BANK OF CHICAGO,
as a Lender

By: /s/ ROBERT E. O'CONNELL
Name: ROBERT E. O'CONNELL
Title: VICE PRESIDENT

THE BANK OF TOKYO - MITSUBISHI TRUST
COMPANY, as a Lender

By: /s/ CATHERINE MOESER
Name: C. A. MOESER
Title: AVP

UNION BANK OF SWITZERLAND, NEW
YORK BRANCH, as a Lender

By: /s/ DIDIER MAGLOIRE
Name: DIDIER MAGLOIRE
Title: VICE PRESIDENT

By: /s/ ROBERT MENDELES
Name: ROBERT MENDELES
Title: VICE PRESIDENT

BARCLAYS BANK PLC, as a Lender

By: /s/ KAREN M. WAGNER
Name: KAREN M. WAGNER
Title: ASSOCIATE DIRECTOR

BANK OF MONTREAL, as a Lender and a Holder

By: /s/ INBA PONNUSAMY
Name: INBA PONNUSAMY
Title: DIRECTOR

KREDIETBANK N.V., as a Lender

By: /s/ R. SNAUFFER
Name: ROBERT SNAUFFER
Title: VICE PRESIDENT

By: [SIG]
Name: [SIG]
Title: VICE PRESIDENT

SCHEDULE 1.1

Name and Address of Lender	Tranche A Commitment		Tranche B Commitment	
	Amount	Percentage	Amount	Percentage
NationsBank of Texas, N.A. 901 Main Street, 66th Floor Dallas, TX 75202	$18,688,747.22	17.385%	$2,390,421.16	17.385%
Union Bank of Switzerland, New York Branch 299 Park Avenue New York, NY 10171	$20,317,869.44	18.900%	$2,598,797.25	18.900%
The First National Bank of Chicago One First National Plaza Suite #0159, 16th Floor Chicago, IL 60670	$12,313,859.72	11.455%	$1,575,028.98	11.455%
The Bank of Tokyo - Mitsubishi Trust Company 1251 Avenue of the Americas New York, NY 10020-1104	$12,313,859.72	11.455%	$1,575,028.57	11.455%
Barclays Bank PLC 75 Wall Street 11th Floor New York, NY 10265	$12,313,859.72	11.455%	$1,575,028.57	11.455%
Bank of Montreal U.S. Corporate Banking 115 South LaSalle, 12th Fl. Chicago, IL 60603	$11,944,444.44	11.111%	$1,527,777.78	11.111%
First Union National Bank of Virginia P.O. Box 50101 (VA7564) Roanoke, VA 24040	$10,987,656.94	10.221%	$1,405,397.98	10.221%
Kredietbank N.V. 125 West 55th Street New York, NY 10019	$8,619,702.78	8.018%	$1,102,520.12	8.018%
Total:	$107,500,000.00	100.000%	$13,750,000.00	100.000%

SCHEDULE 1.2

Name and Address of Holder	Holder Commitment	Percentage
NationsBank of Texas, N.A. 901 Main Street, 66th Floor Dallas, Texas 75202	$1,837,500.00	49.000%
First Union National Bank of Virginia P.O. Box 50101 (VA7564) Roanoke, VA 24040	$1,495,833.30	39.889%
Bank of Montreal U.S. Corporate Banking 115 South LaSalle, 12th Fl. Chicago, IL 60603	$ 416,666.67	11.111%
Total:	$3,750,000.00	100.000%

EXHIBIT 10.21

[CONFORMED COPY]

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CAPITAL ONE FINANCIAL CORPORATION

CAPITAL ONE BANK

CAPITAL ONE, F.S.B.

$1,700,000,000

AMENDED AND RESTATED CREDIT AGREEMENT

Dated as of November 25, 1996

THE CHASE MANHATTAN BANK,
as Administrative Agent

MORGAN GUARANTY TRUST COMPANY OF NEW YORK,
as Documentation Agent
NATIONSBANC CAPITAL MARKETS, INC.,
as Syndication Agent

Bank of America, NT&SA
Deutsche Bank AG
The First National Bank of Chicago

Commerzbank AG
First Union National Bank of Virginia
The Industrial Bank of Japan, Ltd.
as Co-Agents

Credit Suisse
The Bank of New York
Union Bank of Switzerland

Fleet National Bank
as Lead Manager

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[Exhibits B-1, B-2 and C have been
conformed to appear as delivered]

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AMENDED AND RESTATED CREDIT AGREEMENT dated as of November 25, 1996 among:

CAPITAL ONE FINANCIAL CORPORATION, a corporation organized under the laws of the State of Delaware ("COFC");

CAPITAL ONE BANK, a bank organized under the laws of the Commonwealth of Virginia ("COB");

CAPITAL ONE, F.S.B., a Federal savings bank organized under the laws of the United States of America ("FSB"; each of COFC, COB and FSB is herein referred to as a "Borrower" and, collectively, as the "Borrowers");

each lender that is a signatory hereto identified under the caption "LENDERS" on the signature pages hereto and each lender that becomes a "Lender" after the date hereof pursuant to Section 11.06(b) hereof (individually, a "Lender" and, collectively, the "Lenders"); and

THE CHASE MANHATTAN BANK, as agent for the Lenders (in such capacity, together with its successors in such capacity, the "Administrative Agent").

COFC, COB, the Lenders and the Administrative Agent are party to a Credit Agreement dated as of November 17, 1995 (as modified and supplemented and in effect immediately prior to the Restatement Effective Date referred to below, the "Existing Credit Agreement"). The Borrowers have requested that the Lenders and the Administrative Agent agree to amend and restate the Existing Credit Agreement, and the Lenders and the Administrative Agent are willing to amend and restate the Existing Credit Agreement, all as provided herein.

Accordingly, the parties hereto agree to amend and restate the Existing Credit Agreement so that, as amended and restated, it reads in its entirety as provided herein.

Section 1. Definitions and Accounting Matters.

1.01 Certain Defined Terms. As used herein, the following terms shall have the following meanings (all terms defined in this Section 1.01 or in other provisions of this Agreement in the singular to have the same meanings when used in the plural and vice versa):

"Administrative Agent's Account" shall mean (a) in respect of (i) Dollars, the account of the Administrative Agent most recently designated by the Administrative Agent for such purpose by notice to the Lenders, (ii) Canadian Dollars, account number 219-442-1

maintained by Chase with Royal Bank of Canada, Toronto, Ontario, Canada, (iii) Pounds Sterling, account number 35718519 maintained by Chase with Midland Bank PLC, London, England, (iv) French Francs, account number 00203595411FRF maintained by Chase with Credit Commerciale de France, Paris, France, (v) Deutschemarks, account number 1080002101 maintained by Chase with The Chase Manhattan Bank, Frankfurt Branch, Frankfurt Germany, (vi) Japanese Yen, account number 3401211523550 maintained by Chase with The Chase Manhattan Bank, Tokyo Branch, Tokyo, Japan and (vii) Swiss Francs, account number PO 120487 maintained by Chase with Swiss Bank Corporation, Zurich, Switzerland or (b) any other account in respect of any Alternative Currency as the Administrative Agent shall designate in a notice to the Borrowers and the Lenders.

"Administrative Questionnaire" shall mean an Administrative Questionnaire in a form supplied by the Administrative Agent.

"Affiliate" shall mean, with respect to any specified Person, any other Person that directly or indirectly controls, or is under common control with, or is controlled by, the specified Person. As used in this definition, "control" (including, with its correlative meanings, "controlled by" and "under common control with") shall mean possession, directly or indirectly, of power to direct or cause the direction of management or policies (whether through ownership of securities or partnership or other ownership interests, by contract or otherwise). Notwithstanding the foregoing, (a) no individual shall be an Affiliate of a specified Person solely by reason of his or her being a director, officer or employee of such specified Person or any of its Subsidiaries and (b) a Person and its Subsidiaries shall not be Affiliates of one another.

"Agreed Alternative Currency" shall mean at any time any of Canadian Dollars, French Francs, Deutschemarks, Japanese Yen, Pounds Sterling and Swiss Francs, so long as at such time, (a) such currency is dealt with in the London interbank deposit market, (b) such currency is freely transferable and convertible into Dollars in the London foreign exchange market and (c) no central bank or other governmental authorization in the country of issue of such currency is required to permit use of such currency by any Lender for making any Loan hereunder and/or to permit the relevant Borrower to borrow and repay the principal thereof and to pay the interest thereon, unless such authorization has been obtained.

"Alternative Currency" shall mean at any time any Agreed Alternative Currency and any other currency (other than Dollars) so long as at such time, (a) such currency is dealt with in the London interbank deposit market, (b) such currency is freely transferable and convertible into Dollars in the London foreign exchange market and (c) no central bank or other governmental authorization in the country of issue of such currency is required to permit use of such currency by any Lender for making any Loan hereunder and/or to permit the relevant Borrower to borrow and repay the principal thereof and to pay the interest thereon, unless such authorization has been obtained.

"Applicable Borrower" shall mean (a) with respect to any Commitment, Loan or Note relating to Tranche A-($) or Tranche A-(MC), COB or FSB and (b) with respect to any Commitment, Loan or Note relating to Tranche B-($) or Tranche B-(MC), COFC, COB or FSB.

"Applicable Facility Fee Percentage", "Applicable Margin" with respect to Eurocurrency Loans and "Applicable Utilization Fee Percentage" shall mean, for any day, the respective rate per annum set forth in the table below opposite the Rating Level prevailing on such day under the caption "Applicable Facility Fee Percentage", "Applicable Margin" or "Applicable Utilization Fee Percentage", as the case may be:

Rating Level	Applicable Facility Fee Percentage	Applicable Margin	Applicable Utilization Fee Percentage
Rating Level 1	0.0850%	0.1650%	0.0500%
Rating Level 2	0.1000%	0.2000%	0.0500%
Rating Level 3	0.1250%	0.2250%	0.0500%
Rating Level 4	0.1500%	0.2500%	0.1000%
Rating Level 5	0.2000%	0.3750%	0.1000%
Rating Level 6	0.3500%	0.7500%	0.2500%

Each change in the Applicable Facility Fee Percentage, Applicable Margin with respect to Eurocurrency Loans and the Applicable Utilization Fee Percentage resulting from a change in the Debt Rating shall become effective on the date of announcement or publication by the respective Rating Agencies of a change in the Debt Rating or, in the absence of such announcement or publication, on the effective date of such change. The "Applicable Margin" with respect to Base Rate Loans shall mean, for any day, 0%.

With respect to any facility fee, utilization fee or interest payable under Sections 2.05(a), 2.05(b) and 3.02 hereof:

(a) the Applicable Facility Fee Percentage, Applicable Margin and Applicable Utilization Fee Percentage with respect to Tranche A-($) or Tranche A-(MC) shall be computed solely by reference to the Debt Rating of COB;

(b) the Applicable Facility Fee Percentage with respect to Tranche B-($) or Tranche B-(MC) on any date of determination shall be computed by reference to the Debt Rating of the Borrower that results in the accrual on such day under Section 2.05(a) hereof of the greatest amount of facility fee; and

(c) with respect to any utilization fee or interest payable by any Borrower under Tranche B-($) or Tranche B-(MC), the Applicable Utilization Fee Percentage and Applicable Margin shall be computed by reference to the Debt Rating of such Borrower.

"Applicable Lending Office" shall mean, for each Lender and for each Type and Currency of Loan, the "Lending Office" of such Lender (or of an affiliate of such Lender) designated for such Type and Currency of Loan on the signature pages hereof or such other office of such Lender (or of an affiliate of such Lender) as such Lender may from time to time specify to the Administrative Agent and the Borrowers as the office by which its Loans of such Type and Currency are to be made and maintained.

"Assignment and Acceptance" shall mean an assignment and acceptance entered into by a Lender and an assignee (with the consent of any Person whose consent is required by Section 11.06(b) hereof), and accepted by the Administrative Agent, in the form of Exhibit H or any other form approved by the Administrative Agent.

"Average", as used in Section 2.05 hereof with respect to the aggregate outstanding principal amount of any Loans or the aggregate amount of any Commitments, shall mean, for any Computation Period, the average aggregate outstanding principal amount of such Loans or the average aggregate amount of such Commitments, as the case may be, over such Computation Period (excluding the last day of such Computation Period).

"Bank Regulatory Authority" shall mean the Board of Governors of the Federal Reserve System, the Comptroller of the Currency, the Federal Deposit Insurance Corporation and all other relevant bank regulatory authorities (including, without limitation, relevant state bank regulatory authorities).

"Bankruptcy Code" shall mean the Federal Bankruptcy Code of 1978, as amended from time to time.

"Base Rate" shall mean, for any day, a rate per annum equal to the higher of (a) the Federal Funds Rate for such day plus 1/2 of 1% and (b) the Prime Rate for such day. Each change in any interest rate provided for herein based upon the Base Rate resulting from a change in the Base Rate shall take effect at the time of such change in the Base Rate.

"Base Rate Loans" shall mean Syndicated Loans that bear interest at rates based upon the Base Rate.

"Basic Documents" shall mean this Agreement and the Notes.

"Basle Accord" shall mean the proposals for risk-based capital framework described by the Basle Committee on Banking Regulations and Supervisory Practices in its paper entitled "International Convergence of Capital Measurement and Capital Standards" dated July 1988, as amended, modified and supplemented and in effect from time to time or any replacement thereof.

"Business Day" shall mean any day (a) on which commercial banks are not authorized or required to close in New York City, (b) if such day relates to the giving of notices or quotes in connection with a LIBOR Auction or to a borrowing of, a payment or prepayment of principal of or interest on, or the Interest Period for, a Eurocurrency Loan or a LIBOR Market Loan or a notice by a Borrower with respect to any such borrowing, payment, prepayment or Interest Period, that is also a day on which dealings in Dollar deposits are carried out in the London interbank market and (c) if such day relates to the giving of notices or quotes in connection with a LIBOR Auction in respect of a Loan denominated in an Alternative Currency or to a borrowing of, a payment or prepayment of principal of or interest on, or the Interest Period for, a Eurocurrency Loan or a LIBOR Market Loan denominated in an Alternative Currency or a notice by a Borrower with respect to any such borrowing, payment, prepayment or Interest Period, that is also a day on which commercial banks and foreign exchange markets settle payments in the Principal Financial Center for the Currency in which such Loan is denominated.

"Canadian Dollars" shall mean lawful money of Her Majesty in Right of Canada.

"Capital Lease Obligations" shall mean, for any Person, all obligations of such Person to pay rent or other amounts under a lease of (or other agreement conveying the right to use) Property to the extent such obligations are required to be classified and accounted for as a capital lease on a balance sheet of such Person under GAAP, and, for purposes of this Agreement, the amount of such obligations shall be the capitalized amount thereof, determined in accordance with GAAP.

"Chase" shall mean The Chase Manhattan Bank, in its individual capacity and not in its capacity as Administrative Agent.

"Code" shall mean the Internal Revenue Code of 1986, as amended from time to time.

"COFC Cumulative Equity Proceeds" shall mean, as of any date of determination, the aggregate amount of all cash received on or prior to such date of determination by COFC and its Subsidiaries in respect of any Equity Issuance effected after September 30, 1996, net of reasonable expenses incurred by COFC and its Subsidiaries in connection therewith.

"COFC Cumulative Net Income" shall mean, as of any date of determination, the aggregate net operating income of COFC and its consolidated Subsidiaries (determined on a consolidated basis without duplication in accordance with GAAP) for each fiscal quarter of

COFC (a) commencing with the fiscal quarter ended December 31, 1996 and (b) ending with the fiscal quarter most recently ended on or prior to such date of determination; provided that COFC Cumulative Net Income shall be determined exclusive of any fiscal quarter of COFC for which the net operating income of COFC and its consolidated Subsidiaries (determined on a consolidated basis without duplication in accordance with GAAP) is less than zero.

"Commitment" shall mean a Tranche A-($) Commitment, Tranche A-(MC) Commitment, Tranche B-($) Commitment or Tranche B-(MC) Commitment.

"Commitment Increase Date" shall have the meaning assigned to such term in Section 2.11(b) hereof.

"Commitment Increase Letter" shall have the meaning assigned to such term in Section 2.11(b) hereof.

"Commitment Termination Date" shall mean a Tranche A-($) Commitment Termination Date, Tranche A-(MC) Commitment Termination Date, Tranche B-($) Commitment Termination Date or Tranche B-(MC) Commitment Termination Date.

"Computation Period" shall mean, with respect to any utilization fee payable under Section 2.05 hereof, (a) the period from and including the date hereof to and including the first day on which such utilization fee is payable under Section 2.05(c) hereof and (b) thereafter, each period from and including the last day of the immediately preceding Computation Period to and including the next succeeding day on which such utilization fee is payable under Section 2.05(c) hereof.

"Currency" shall mean Dollars or any Alternative Currency.

"Debt Rating" shall mean, as of any date of determination thereof and with respect to any Borrower, the ratings most recently published by the Rating Agencies relating to the unsecured, unsupported senior long-term debt obligations of such Borrower; provided that (a) the Debt Rating on any date of determination with respect to FSB shall be deemed to be the Debt Rating on such date applicable to COB, (b) if a rating is not at any time assigned by a Rating Agency to the unsecured, unsupported senior long-term debt obligations of COFC, the rating assigned to such obligations by such Rating Agency shall be deemed to be one rating subcategory below the rating assigned by such Rating Agency to the unsecured, unsupported senior long-term debt obligations of COB and (c) if a rating is not at any time assigned by at least two Rating Agencies to the unsecured, unsupported senior long-term debt obligations of COB, the Debt Rating of COB will be deemed to fall in Rating Level 6.

"Default" shall mean an Event of Default or an event that with notice or lapse of time or both would become an Event of Default.

"Defaulting Lender" shall have the meaning assigned to such term in Section 11.04 hereof.

"Delinquency Ratio" shall mean, on any date and with respect to any Borrower, the ratio of (a) all Past Due Receivables with respect to such Borrower on such date to (b) the aggregate amount of all Managed Receivables with respect to such Borrower on such date; provided that "Delinquency Ratio" shall mean, on any date with respect to FSB, the ratio (computed with respect to COB and FSB on a combined basis, but without any intercompany eliminations) of (i) all Past Due Receivables of COB and FSB on such date to (ii) the aggregate amount of all Managed Receivables of COB and FSB on such date.

"Deutschemarks" shall mean lawful money of the Federal Republic of Germany.

"Dollar Equivalent" shall mean, with respect to any Loan denominated in an Alternative Currency, the amount of Dollars that would be required to purchase the amount of the Alternative Currency of such Loan on the date such Loan is requested (or, in the case of Money Market Loans, the date of the related Money Market Quote Request) or (with respect to any determination made under Section 2.01(f) hereof) on the date of any borrowing referred to in said Section, based upon the arithmetic mean (rounded upwards, if necessary, to the nearest 1/100 of 1%), as determined by the Administrative Agent, of the spot selling rate at which the Reference Lenders offer to sell such Alternative Currency for Dollars in the London foreign exchange market at approximately 11:00 a.m. London time for delivery two Business Days later (or, in the case of any Loan denominated in Canadian Dollars, one Business Day later).

"Dollars" and "$" shall mean lawful money of the United States of America.

"Double Leverage Ratio" shall mean, on any date, the ratio of (a) the sum of (i) Intangibles with respect to COFC on such date plus (ii) the aggregate investment of COFC on such date in the capital stock of its Subsidiaries as reported pursuant to Section 8.01(a) or 8.01(b) hereof (including COFC's interest in undistributed earnings of its Subsidiaries), to (b) Net Worth on such date.

"Environmental Laws" shall mean any and all present and future Federal, state, local and foreign laws, rules or regulations, and any orders or decrees, in each case as now or hereafter in effect, relating to the regulation or protection of the environment or to emissions, discharges, releases or threatened releases of pollutants, contaminants, chemicals or toxic or hazardous substances or wastes into the indoor or outdoor environment, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of pollutants, contaminants, chemicals or toxic or hazardous substances or wastes.

"Equity Issuance" shall mean (a) any issuance or sale by COFC or any of its Subsidiaries of (i) any of its capital stock, (ii) any warrants or options exercisable in respect of its capital stock (other than any warrants or options issued to directors, officers or employees of COFC or any of its Subsidiaries pursuant to employee benefit plans established in the ordinary

course of business and any capital stock of COFC issued upon the exercise of such warrants or options) or (iii) any other security or instrument representing an equity interest (or the right to obtain any equity interest) in COFC or any of its Subsidiaries or (b) the receipt by COFC or any of its Subsidiaries from any Person not a shareholder of COFC of any capital contribution (whether or not evidenced by any equity security issued by the recipient of such contribution); provided that Equity Issuance shall not include (i) any such issuance or sale by any Subsidiary of COFC to COFC or any Wholly Owned Subsidiary of COFC or (ii) any capital contribution by COFC or any Wholly Owned Subsidiary of COFC to any Subsidiary of COFC.

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended from time to time.

"ERISA Affiliate" shall mean any corporation or trade or business that is a member of any group of organizations (i) described in Section 414(b) or (c) of the Code of which any Borrower is a member and (ii) solely for purposes of potential liability under Section 302(c)(11) of ERISA and Section 412(c)(11) of the Code and the lien created under Section 302(f) of ERISA and Section 412(n) of the Code, described in Section 414(m) or (o) of the Code of which any Borrower is a member.

"Eurocurrency Loans" shall mean Syndicated Loans that bear interest at rates based on rates referred to in the definition of "Fixed Base Rate" in this Section 1.01.

"Eurocurrency Rate" shall mean, for any Eurocurrency Loan for the Interest Period therefor, a rate per annum (rounded upwards, if necessary, to the nearest 1/100 of 1%) determined by the Administrative Agent to be equal to the Fixed Base Rate for such Loan for such Interest Period.

"Event of Default" shall have the meaning assigned to such term in Section 9 hereof.

"Exchange Act" shall mean the Securities Exchange Act of 1934, as amended from time to time.

"Excluded Representations" shall mean the representations and warranties made in (a) the last sentence of Section 7.02 hereof and (b) Section 7.03 hereof (but only insofar as the representation and warranty in Section 7.03 hereof relates to proceedings that could have a Material Adverse Effect of the type referred to clause (a) of the definition thereof in this Section 1.01, but not of the type referred to in clause (b), (c), (d) or (e) of the definition thereof in this Section 1.01).

"Existing Credit Agreement" shall mean the Credit Agreement dated as of November 17, 1995 among COFC, COB, the lenders party thereto and The Chase Manhattan Bank (as successor by merger to The Chase Manhattan Bank (National Association)), as administrative agent.

"FDIA" shall mean the Federal Deposit Insurance Act, as amended from time to time.

"Federal Funds Rate" shall mean, for any day, the rate per annum (rounded upwards, if necessary, to the nearest 1/100 of 1%) equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers on such day, as published by the Federal Reserve Bank of New York on the Business Day next succeeding such day, provided that (a) if the day for which such rate is to be determined is not a Business Day, the Federal Funds Rate for such day shall be such rate on such transactions on the next preceding Business Day as so published on the next succeeding Business Day and (b) if such rate is not so published for any Business Day, the Federal Funds Rate for such Business Day shall be the average rate charged to Chase on such Business Day on such transactions as determined by the Administrative Agent.

"Fixed Base Rate" shall mean, with respect to any Fixed Rate Loan denominated in any Currency for the Interest Period therefor, the rate for deposits in such Currency for a period comparable to such Interest Period which appears on Telerate Page 3740 (if such Currency is Australian Dollars, Canadian Dollars, French Francs, Italian Lira or Spanish Pesetas) or on Telerate Page 3750 (otherwise) as of 11:00 a.m., London time, on the day that is two London Banking Days preceding the first day of such Interest Period; provided that, if such rate does not appear on the relevant Telerate Page, the "Fixed Base Rate" shall be the arithmetic mean (rounded upwards, if necessary, to the nearest 1/16 of 1%), as determined by the Administrative Agent, of the rates per annum quoted by the respective Reference Lenders at approximately 11:00 a.m. London time (or as soon thereafter as practicable) on the day that is two London Banking Days prior to the first day of such Interest Period for the offering by the respective Reference Lenders to leading banks in the London interbank market of deposits denominated in such Currency having a term comparable to such Interest Period and in an amount comparable to the principal amount of such Fixed Rate Loan to be made by the respective Reference Lenders. If any Reference Lender is not participating in any Fixed Rate Loans during the Interest Period therefor, the Fixed Base Rate for such Loans for such Interest Period shall be determined by reference to the amount of such Loans that such Reference Lender would have made or had outstanding had it been participating in such Loan; provided that in the case of any LIBOR Market Loan, the Fixed Base Rate for such Loan shall be determined with reference to deposits of $25,000,000 (or its equivalent in any Alternative Currency). If any Reference Lender does not timely furnish such information for determination of any Fixed Base Rate, the Administrative Agent shall determine such Fixed Base Rate on the basis of the information timely furnished by the remaining Reference Lenders.

"Fixed Rate Loans" shall mean Eurocurrency Loans and, for the purposes of the definition of "Fixed Base Rate" in this Section 1.01 and in Section 5 hereof, LIBOR Market Loans.

"Foreign Currency Equivalent" shall mean, with respect to any amount in Dollars, the amount of any Alternative Currency that could be purchased with such amount of Dollars using the reciprocal of the foreign exchange rate(s) specified in the definition of the term "Dollar Equivalent", as determined by the Administrative Agent.

"French Francs" shall mean lawful money of the Republic of France.

"FSB Borrowing Limit" shall mean (a) during the period from the date hereof to but excluding the first anniversary hereof, $500,000,000 and (b) thereafter, $750,000,000.

"FSB Facility Fee Amount" shall mean, with respect to Tranche A-($) or Tranche A-(MC) on any day, the sum of (a) the facility fee accrued under Section 2.05(a) hereof on such day in respect of a portion of the Commitments under such Tranche equal to the aggregate principal amount of all Loans made to FSB under such Tranche outstanding on such day plus (b) the facility fee accrued under Section 2.05(a) hereof on such day in respect of a portion of the Commitments under such Tranche equal to the lesser of (i) the aggregate unused amount of Commitments under such Tranche on such day and (ii) the FSB Borrowing Limit in effect on such day minus the aggregate principal amount of all Loans made to FSB under all Tranches outstanding on such day.

"GAAP" shall mean generally accepted accounting principles in the United States of America applied on a basis consistent with those that, in accordance with the second sentence of Section 1.02(a) hereof, are to be used in making the calculations for purposes of determining compliance with this Agreement.

"Guarantee" shall mean a guarantee, an endorsement, a contingent agreement to purchase or to furnish funds for the payment or maintenance of, or otherwise to be or become contingently liable under or with respect to, the Indebtedness, other obligations, net worth, working capital or earnings of any Person, or a guarantee of the payment of dividends or other distributions upon the stock or equity interests of any Person, or an agreement to purchase, sell or lease (as lessee or lessor) Property, products, materials, supplies or services primarily for the purpose of enabling a debtor to make payment of such debtor's obligations or an agreement to assure a creditor against loss, and including, without limitation, causing a bank or other financial institution to issue a letter of credit or other similar instrument for the benefit of another Person, but excluding endorsements for collection or deposit in the ordinary course of business. The terms "Guarantee" and "Guaranteed" used as a verb shall have a correlative meaning.

"Indebtedness" shall mean, for any Person: (a) obligations created, issued or incurred by such Person for borrowed money (whether by loan, the issuance and sale of debt securities or the sale of Property to another Person subject to an understanding or agreement, contingent or otherwise, to repurchase such Property from such Person); (b) obligations of such Person to pay the deferred purchase or acquisition price of Property or services, other than trade accounts payable (other than for borrowed money) arising, and accrued expenses incurred, in the ordinary course of business so long as such trade accounts payable are payable within 90 days of

the date the respective goods are delivered or the respective services are rendered; (c) Indebtedness of others secured by a Lien on the Property of such Person, whether or not the respective indebtedness so secured has been assumed by such Person; (d) non-contingent obligations of such Person (and, for the purposes of Sections 8.06 and 9(b) hereof, all contingent obligations of such Person) in respect of letters of credit, bankers' acceptances or similar instruments issued or accepted by banks and other financial institutions for account of such Person; (e) Capital Lease Obligations of such Person; and (f) Indebtedness of others Guaranteed by such Person.

"Insured Subsidiary" shall mean any insured depositary institution (as defined in 12 U.S.C. Section 1813(c) (or any successor provision), as amended, re-enacted or redesignated from time to time), that is controlled (within the meaning of 12 U.S.C. Section 1841 (or any successor provision), as amended, re-enacted or redesignated from time to time) by a Borrower.

"Intangibles" shall mean, as at any date and with respect to any Borrower, the aggregate amount (to the extent reflected in determining the consolidated stockholders' equity of such Borrower and its consolidated Subsidiaries) of (a) all write-ups (other than write-ups resulting from foreign currency translations and write-ups of assets of a going concern business made within 12 months after the acquisition of such business) subsequent to September 30, 1996 in the book value of any asset by such Borrower or any of its consolidated Subsidiaries, (b) all Investments in unconsolidated Subsidiaries and all equity investments in Persons that are not Subsidiaries and (c) all unamortized debt discount and expense, unamortized deferred charges, goodwill, patents, trademarks, service marks, trade names, anticipated future benefit of tax loss carry-forwards, copyrights, organization or developmental expenses and other intangible assets.

"Interest Period" shall mean:

(a) with respect to any Eurocurrency Loan, each period commencing on the date such Eurocurrency Loan is made and ending on the numerically corresponding day in the first, second, third or sixth calendar month thereafter, as a Borrower may select as provided in Section 4.05 hereof, except that each Interest Period that commences on the last Business Day of a calendar month (or on any day for which there is no numerically corresponding day in the appropriate subsequent calendar month) shall end on the last Business Day of the appropriate subsequent calendar month;

(b) with respect to any Set Rate Loan, the period commencing on the date such Set Rate Loan is made and ending on any Business Day not less than seven days thereafter, as a Borrower may select as provided in Section 2.03(b) hereof;

(c) with respect to any LIBOR Market Loan, the period commencing on the date such LIBOR Market Loan is made and ending on the numerically corresponding day in the first, second, third or sixth calendar month thereafter, as a Borrower may select as provided in Section 2.03(b) hereof, except that each Interest Period that commences on the last Business Day of a calendar month (or any day for which there is no numerically

corresponding day in the appropriate subsequent calendar month) shall end on the last Business Day of the appropriate subsequent calendar month; and

(d) with respect to any Base Rate Loan, the period commencing on the date such Base Rate Loan is made and ending on the earlier of the first Quarterly Date thereafter and the Commitment Termination Date for the Tranche under which such Loan is made.

Notwithstanding the foregoing: (i) if any Interest Period for any Loan would otherwise end after the Commitment Termination Date for the Tranche under which such Loan is made, such Interest Period shall end on such Commitment Termination Date; (ii) each Interest Period that would otherwise end on a day that is not a Business Day shall end on the next succeeding Business Day (or, in the case of an Interest Period for a Eurocurrency Loan or a LIBOR Market Loan, if such next succeeding Business Day falls in the next succeeding calendar month, on the next preceding Business Day); (iii) except as provided in clause (iv) below, no Interest Period for any Loan (other than a Base Rate Loan or a Set Rate Loan) shall have a duration of less than one month and, if the Interest Period for any Eurocurrency or LIBOR Market Loan would otherwise be a shorter period, such Loan shall not be available hereunder for such period; and (iv) if each Lender shall have notified the Administrative Agent that the requested Interest Period is available (but subject to the foregoing clauses (i) and (ii)), a Eurocurrency Loan or LIBOR Market Loan may be made available for a specified Interest Period of less than one month or for an Interest Period of nine or 12 months; provided that no Loan shall be made to FSB with an Interest Period in excess of six months.

"Investment" shall mean, for any Person: (a) the acquisition (whether for cash, Property, services or securities or otherwise) of capital stock, bonds, notes, debentures, partnership or other ownership interests or other securities of any other Person or any agreement to make any such acquisition (including, without limitation, any "short sale" or any sale of any securities at a time when such securities are not owned by the Person entering into such sale); (b) the making of any deposit with, or advance, loan or other extension of credit to, any other Person (including the purchase of Property from another Person subject to an understanding or agreement, contingent or otherwise, to resell such Property to such Person), but excluding any such advance, loan or extension of credit having a term not exceeding 90 days arising in connection with the sale of inventory or supplies by such Person in the ordinary course of business; or (c) the entering into of any Guarantee of, or other contingent obligation with respect to, Indebtedness or other liability of any other Person and (without duplication) any amount committed to be advanced, lent or extended to such Person.

"Japanese Yen" shall mean lawful money of Japan.

"Leverage Ratio" shall mean, on any date and with respect to any Borrower, the ratio of (a) the sum (determined for such Borrower and its consolidated Subsidiaries on a consolidated basis without duplication in accordance with GAAP) of (i) the aggregate amount of Indebtedness outstanding on such date minus (ii) the aggregate amount of all on-balance sheet

credit card loans held for securitization on such date to (b) Tangible Net Worth with respect to such Borrower on such date.

"LIBO Margin" shall have the meaning assigned to such term in Section 2.03(c)(ii)(C) hereof.

"LIBOR Auction" shall mean a solicitation of Money Market Quotes setting forth LIBO Margins based on the Eurocurrency Rate pursuant to Section 2.03 hereof.

"LIBOR Market Loans" shall mean Money Market Loans the interest rates on which are determined on the basis of Eurocurrency Rates pursuant to a LIBOR Auction.

"Lien" shall mean, with respect to any Property, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such Property. For purposes of this Agreement, a Person shall be deemed to own subject to a Lien any Property that it has acquired or holds subject to the interest of a vendor or lessor under any conditional sale agreement, capital lease or other title retention agreement (other than an operating lease) relating to such Property.

"Loans" shall mean Syndicated Loans and Money Market Loans.

"Local Time" shall mean, with respect to any Loan denominated in or any payment to be made in any Currency, the local time in the Principal Financial Center for the Currency in which such Loan is denominated or such payment is to be made.

"London Banking Day" shall mean any day on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) in London, England.

"Majority Lenders" shall mean, subject to the last paragraph of Section 11.04 hereof, Lenders having more than 50% of the aggregate amount of the Commitments or, if the Commitments shall have terminated, Lenders holding more than 50% of the aggregate unpaid principal amount of the Loans.

"Majority Tranche Lenders" with respect to any Tranche shall mean, subject to the last paragraph of Section 11.04 hereof, Lenders having more than 50% of the aggregate amount of the Commitments under such Tranche or, if the Commitments under such Tranche shall have terminated, Lenders holding more than 50% of the aggregate unpaid principal amount of the Loans under such Tranche.

"Majority Tranche B Lenders" shall mean the Majority Tranche Lenders with respect to Tranche B-($) and Majority Tranche Lenders with respect to Tranche B-(MC).

"Managed Receivables" shall mean, on any date and with respect to any Borrower, the sum for such Borrower and its consolidated Subsidiaries (determined on a consolidated basis without duplication in accordance with GAAP) of (a) all on-balance sheet credit card loans and other finance receivables plus (b) all on-balance sheet credit card loans and other finance receivables held for securitization plus (c) all securitized credit card loans and other finance receivables; provided that, as the term "Managed Receivables" is used in the definition of "Tier 1 Capital to Managed Receivables Ratio", clauses (a), (b) and (c) above shall be determined exclusive of securitized non-revolving finance receivables.

"Margin Stock" shall mean "margin stock" within the meaning of Regulations G, T, U and X.

"Material Adverse Effect" shall mean, with respect to a Borrower, a material adverse effect on (a) the Property, business, operations, financial condition, prospects or capitalization of such Borrower and its Subsidiaries taken as a whole, (b) the ability of such Borrower to perform its obligations under the Basic Documents, (c) the validity or enforceability of the obligations of such Borrower under the Basic Documents, (d) the rights and remedies of the Lenders and the Administrative Agent against such Borrower or (e) the timely payment of the principal of or interest on the Loans or other amounts payable by such Borrower in connection therewith.

"Money Market Borrowing" shall have the meaning assigned to such term in Section 2.03(b) hereof.

"Money Market Loan Limit" shall have the meaning assigned to such term in Section 2.03(c)(ii) hereof.

"Money Market Loans" shall mean the loans provided for by Section 2.03 hereof.

"Money Market Notes" shall mean the promissory notes provided for by Section 2.08(e) hereof and all promissory notes delivered in substitution or exchange therefor, in each case as the same shall be modified and supplemented and in effect from time to time.

"Money Market Quote" shall mean an offer in accordance with Section 2.03(c) hereof by a Lender to make a Money Market Loan with one single specified interest rate.

"Money Market Quote Request" shall have the meaning assigned to such term in Section 2.03(b) hereof.

"Multiemployer Plan" shall mean a multiemployer plan defined as such in Section 3(37) of ERISA to which contributions have been made by any Borrower or any ERISA Affiliate and that is covered by Title IV of ERISA.

"Net Worth" shall mean, on any date , the consolidated stockholders' equity of COFC and its consolidated Subsidiaries, all determined as of such date on a consolidated basis without duplication in accordance with GAAP.

"Notes" shall mean the Syndicated Notes and the Money Market Notes.

"Past-Due Receivables" shall mean, on any date with respect to any Borrower, the sum (determined with respect to such Borrower and its Subsidiaries on a consolidated basis without duplication in accordance with GAAP) of (a) all Managed Receivables the minimum payments on which are at least 90 days overdue on such date plus (b) all other non-performing assets; provided that, Managed Receivables that are credit card loans, whether or not at least 90 days overdue, shall not constitute "Past-Due Receivables" to the extent of any cash balance of the account debtor on such loan on deposit with the creditor (but only to the extent such creditor is entitled under an agreement governing such credit card loan to set-off such cash balances against the obligations of the account debtor under such loan and to the extent such cash balances are not subject to any other set-off or deduction by such creditor or any of its affiliates against a matured obligation owing by such debtor).

"PBGC" shall mean the Pension Benefit Guaranty Corporation or any entity succeeding to any or all of its functions under ERISA.

"Person" shall mean any individual, corporation, company, voluntary association, partnership, limited liability company, joint venture, trust, unincorporated organization or government (or any agency, instrumentality or political subdivision thereof).

"Plan" shall mean an employee benefit or other plan established or maintained by any Borrower or any ERISA Affiliate and that is covered by Title IV of ERISA, other than a Multiemployer Plan.

"Post-Default Rate" shall mean a rate per annum equal to 2% plus the Base Rate as in effect from time to time plus the Applicable Margin for Base Rate Loans, provided that, with respect to principal of a Eurocurrency Loan or a Money Market Loan that shall become due (whether at stated maturity, by acceleration, by optional or mandatory prepayment or otherwise) on a day other than the last day of the Interest Period therefor, the "Post-Default Rate" shall be, for the period from and including such due date to but excluding the last day of such Interest Period, 2% plus the interest rate for such Loan as provided in Section 3.02 hereof and, thereafter, the rate provided for above in this definition.

"Pounds Sterling" shall mean lawful money of England.

"Prime Rate" shall mean the rate of interest from time to time announced by Chase at the Principal Office as its prime commercial lending rate.

"Principal Financial Center" shall mean (a) in the case of each Currency identified in Section 1.4(a)(i)(A) of the 1991 ISDA Definitions published by the International Swaps and Derivatives Association, Inc., the financial center identified in said Section opposite such Currency and (b) in the case of any other Currency, the principal financial center of the country that issues such Currency, as determined by the Administrative Agent.

"Principal Office" shall mean the principal office of Chase, located on the date hereof at 270 Park Avenue, New York, New York 10017.

"Property" shall mean any right or interest in or to property of any kind whatsoever, whether real, personal or mixed and whether tangible or intangible.

"Quarterly Dates" shall mean the last Business Day of March, June, September and December in each year, the first of which shall be the first such day after the date hereof.

"Rating Agencies" shall mean Moody's Investors Service, Inc., Standard & Poor's Ratings Services and Fitch Investors Service, L.P. or, in each case, any successor nationally recognized statistical rating organization.

"Rating Levels" shall mean, on any date of determination, (a) Rating Level 1 if the Debt Rating by at least two Rating Agencies is at least equal to "A3" or higher or "A-" or higher, (b) Rating Level 2 if the Debt Rating by at least two Rating Agencies is at least equal to "Baa1" or "BBB+", but does not fall within Rating Level 1, (c) Rating Level 3 if the Debt Rating by at least two Rating Agencies is at least equal to "Baa2" or "BBB", but does not fall within Rating Level 1 or Rating Level 2, (d) Rating Level 4 if the Debt Rating by at least two Rating Agencies is at least equal to "Baa3" or "BBB-", but does not fall within Rating Level 1, Rating Level 2 or Rating Level 3, (e) Rating Level 5 if the Debt Rating by at least two Rating Agencies is at least equal to "Ba1" or "BB+", but does not fall within Rating Level 1, Rating Level 2, Rating Level 3 or Rating Level 4, and (f) if none of the foregoing is applicable, Rating Level 6. If the Debt Rating of any Rating Agency is below the Debt Rating of each of the two other Rating Agencies, the "Rating Level" will be determined without regard to the Debt Rating of such Rating Agency.

"Reference Lenders" shall mean Chase, Morgan Guaranty Trust Company of New York and NationsBank, N.A. (or their respective Applicable Lending Offices, as the case may be).

"Regulations A, D, G, T, U and X" shall mean, respectively, Regulations A, D, G, T, U and X of the Board of Governors of the Federal Reserve System (or any successor), as the same may be modified and supplemented and in effect from time to time.

"Regulatory Change" shall mean, with respect to any Lender, any change after the date hereof in Federal, state or foreign law or regulations (including, without limitation, Regulation D) or the adoption or making after such date of any interpretation, directive or request

applying to a class of banks including such Lender of or under any Federal, state or foreign law or regulations (whether or not having the force of law and whether or not failure to comply therewith would be unlawful) by any court or governmental or monetary authority charged with the interpretation or administration thereof.

"Requisite Lenders" shall mean Majority Tranche Lenders with respect to Tranche A-($), Majority Tranche Lenders with respect to Tranche A-(MC), Majority Tranche Lenders with respect to Tranche B-($) and Majority Tranche Lenders with respect to Tranche B-(MC).

"Reserve Requirement" shall mean, for the Interest Period for any Eurocurrency Loan or LIBOR Market Loan, the average maximum rate at which reserves (including, without limitation, any marginal, supplemental or emergency reserves) are required to be maintained during such Interest Period under Regulation D by member banks of the Federal Reserve System in New York City with deposits exceeding one billion Dollars against "Eurocurrency liabilities" (as such term is used in Regulation D). Without limiting the effect of the foregoing, the Reserve Requirement shall include any other reserves required to be maintained by such member banks by reason of any Regulatory Change with respect to (i) any category of liabilities that includes deposits by reference to which the Fixed Base Rate for Eurocurrency Loans or LIBOR Market Loans (as the case may be) is to be determined as provided in the definition of "Fixed Base Rate" in this Section 1.01 or (ii) any category of extensions of credit or other assets that includes Eurocurrency Loans or LIBOR Market Loans.

"Restatement Effective Date" shall mean the first date on which all of the conditions set forth in Section 6.01 hereof shall have been satisfied or waived by the Lenders and the Administrative Agent.

"Risk Adjusted Assets" shall mean, on any date and with respect to any Borrower, the amount, for such Borrower and its consolidated Subsidiaries (determined on a consolidated basis) on such date, of "weighted risk assets", within the meaning given to such term in the Capital Adequacy Guidelines for State Member Banks published by the Board of Governors of the Federal Reserve System (12 C.F.R. Part 208, Appendix A, as amended, modified and supplemented and in effect from time to time or any replacement thereof).

"SEC" shall mean the Securities and Exchange Commission, or any successor agency charged with the administration and enforcement of the Securities Act and the Exchange Act.

"Securities Act" shall mean the Securities Act of 1933, as amended from time to time.

"Set Rate" shall have the meaning assigned to such term in Section 2.03(c)(ii)(D) hereof.

"Set Rate Auction" shall mean a solicitation of Money Market Quotes setting forth Set Rates pursuant to Section 2.03 hereof.

"Set Rate Loans" shall mean Money Market Loans the interest rates on which are determined on the basis of Set Rates pursuant to a Set Rate Auction.

"Subsidiary" shall mean, with respect to any Person, any corporation, partnership or other entity of which at least a majority of the Voting Securities issued by such corporation, partnership or other entity is at the time directly or indirectly owned or controlled by such Person or one or more Subsidiaries of such Person or by such Person and one or more Subsidiaries of such Person.

"Swap Agreement" shall have the meaning given to such term in Section 101(53B) of the Bankruptcy Code (as in effect on the date hereof).

"Swiss Francs" shall mean lawful money of Switzerland.

"Syndicated Loans" shall mean the Tranche A-($) Loans, Tranche A-(MC) Loans, Tranche B-($) Loans and Tranche B-(MC) Loans.

"Syndicated Notes" shall mean the Tranche A-($) Notes, Tranche A-(MC) Notes, Tranche B-($) Notes and Tranche B-(MC) Notes.

"Tangible Net Worth" shall mean, on any date and with respect to any Borrower, the consolidated stockholders' equity of such Borrower and its consolidated Subsidiaries less Intangibles of such Borrower and its consolidated Subsidiaries, all determined as of such date on a consolidated basis without duplication in accordance with GAAP.

"Tier 1 Capital" shall mean, on any date and with respect to any Borrower, the amount, for such Borrower and its consolidated Subsidiaries (determined on a consolidated basis) on such date, of "Tier 1 capital", within the meaning given to such term in the Capital Adequacy Guidelines for State Member Banks published by the Board of Governors of the Federal Reserve System (12 C.F.R. Part 208, Appendix A, as amended, modified and supplemented and in effect from time to time or any replacement thereof).

"Tier 1 Capital to Managed Receivables Ratio" shall mean, on any date and with respect to any Borrower, the ratio of (a) Tier 1 Capital (determined, for the purposes of this definition, in accordance with GAAP) with respect to such Borrower on such date to (b) Managed Receivables with respect to such Borrower on such date.

"Tier 1 Capital to Risk Adjusted Assets Ratio" shall mean, on any date and with respect to COB or FSB, the ratio of (a) Tier 1 Capital with respect to such Borrower on such date to (b) Risk Adjusted Assets with respect to such Borrower on such date.

"Tier 1 Leverage Ratio" shall mean, on any date and with respect to COB or FSB, the ratio of (a) Tier 1 Capital with respect to such Borrower on such date to (b) Total Assets with respect to such Borrower on such date.

"Total Assets" shall mean, on any date and with respect to any Borrower, the amount, for such Borrower and its consolidated Subsidiaries (determined on a consolidated basis) on such date, of "average total consolidated assets", within the meaning given to such term in the Capital Adequacy Guidelines for State Member Banks published by the Board of Governors of the Federal Reserve System (12 C.F.R. Part 208, Appendix A, as amended, modified and supplemented and in effect from time to time or any replacement thereof).

"Total Capital" shall mean, on any date and with respect to any Borrower, the amount, for such Borrower and its consolidated Subsidiaries (determined on a consolidated basis) on such date, of "total capital", within the meaning given to such term in the Capital Adequacy Guidelines for State Member Banks published by the Board of Governors of the Federal Reserve System (12 C.F.R. Part 208, Appendix A, as amended, modified and supplemented and in effect from time to time or any replacement thereof).

"Total Capital to Risk Adjusted Assets Ratio" shall mean, on any date and with respect to COB or FSB, the ratio of (a) Total Capital with respect to such Borrower on such date to (b) Risk Adjusted Assets with respect to such Borrower on such date.

"Tranche" shall mean Tranche A-($), Tranche A-(MC), Tranche B-($) or Tranche B-(MC).

"Tranche A-($)" shall refer to a Tranche A-($) Commitment, Tranche A-($) Commitment Termination Date, Tranche A-($) Lender, Tranche A-($) Loan or Tranche A-($) Note or a Money Market Loan made by a Tranche A-($) Lender.

"Tranche A-($) Commitment" shall mean, as to each Tranche A-($) Lender, the obligation of such Lender to make Syndicated Loans pursuant to Section 2.01(a) hereof, as the same may be reduced or increased at any time or from time to time pursuant to Section 2.04, 2.11 or 11.06 hereof. The initial amount of each such Lender's Tranche A-($) Commitment is set forth on Schedule 2.01 or in the Assignment and Acceptance pursuant to which such Lender shall have assumed such Commitment, as applicable.

"Tranche A-($) Commitment Termination Date" shall mean November 24, 2000, subject to extension as provided in Section 2.10 hereof; provided that if any such day is not a Business Day, then the Tranche A-($) Commitment Termination Date shall be the immediately preceding Business Day.

"Tranche A-($) Lender" shall mean a Lender having a Tranche A-($) Commitment or holding Tranche A-($) Loans.

"Tranche A-($) Loans" shall mean the loans provided for by Section 2.01(a) hereof, which may be Base Rate Loans and/or Eurocurrency Loans.

"Tranche A-($) Notes" shall mean the promissory notes provided for by Section 2.08(a) hereof and all promissory notes delivered in substitution or exchange thereof, in each case as the same shall be modified and supplemented and in effect from time to time.

"Tranche A-(MC)" shall refer to a Tranche A-(MC) Commitment, Tranche A-(MC) Commitment Termination Date, Tranche A-(MC) Lender, Tranche A-(MC) Loan or Tranche A-(MC) Note or a Money Market Loan made by a Tranche A-(MC) Lender.

"Tranche A-(MC) Commitment" shall mean, as to each Tranche A-(MC) Lender, the obligation of such Lender to make Syndicated Loans pursuant to Section 2.01(b) hereof, as the same may be reduced or increased at any time or from time to time pursuant to Section 2.04, 2.11 or 11.06 hereof. The initial amount of each such Lender's Tranche A-(MC) Commitment is set forth on Schedule 2.01 or in the Assignment and Acceptance pursuant to which such Lender shall have assumed such Commitment, as applicable.

"Tranche A-(MC) Commitment Termination Date" shall mean November 24, 2000, subject to extension as provided in Section 2.10 hereof; provided that if any such day is not a Business Day, then the Tranche A-(MC) Commitment Termination Date shall be the immediately preceding Business Day.

"Tranche A-(MC) Lender" shall mean a Lender having a Tranche A-(MC) Commitment or holding Tranche A-(MC) Loans.

"Tranche A-(MC) Loans" shall mean the loans provided for by Section 2.01(b) hereof, which may be Base Rate Loans and/or Eurocurrency Loans.

"Tranche A-(MC) Notes" shall mean the promissory notes provided for by Section 2.08(b) hereof and all promissory notes delivered in substitution or exchange thereof, in each case as the same shall be modified and supplemented and in effect from time to time.

"Tranche B-($)" shall refer to a Tranche B-($) Commitment, Tranche B-($) Commitment Termination Date, Tranche B-($) Lender, Tranche B-($) Loan or Tranche B-($) Note or a Money Market Loan made by a Tranche B-($) Lender.

"Tranche B-($) Commitment" shall mean, as to each Tranche B-($) Lender, the obligation of such Lender to make Syndicated Loans pursuant to Section 2.01(c) hereof, as the same may be reduced or increased at any time or from time to time pursuant to Section 2.04, 2.11 or 11.06 hereof. The initial amount of each such Lender's Tranche B-($) Commitment is set forth on Schedule 2.01 or in the Assignment and Acceptance pursuant to which such Lender shall have assumed such Commitment, as applicable.

"Tranche B-($) Commitment Termination Date" shall mean November 24, 2000, subject to extension as provided in Section 2.10 hereof; provided that if any such day is not a Business Day, then the Tranche B-($) Commitment Termination Date shall be the immediately preceding Business Day.

"Tranche B-($) Lender" shall mean a Lender having a Tranche B-($) Commitment or holding Tranche B-($) Loans.

"Tranche B-($) Loans" shall mean the loans provided for by Section 2.01(c) hereof, which may be Base Rate Loans and/or Eurocurrency Loans.

"Tranche B-($) Notes" shall mean the promissory notes provided for by Section 2.08(c) hereof and all promissory notes delivered in substitution or exchange thereof, in each case as the same shall be modified and supplemented and in effect from time to time.

"Tranche B-(MC)" shall refer to a Tranche B-(MC) Commitment, Tranche B-(MC) Commitment Termination Date, Tranche B-(MC) Lender, Tranche B-(MC) Loan or Tranche B-(MC) Note or a Money Market Loan made by a Tranche B-(MC) Lender.

"Tranche B-(MC) Commitment" shall mean, as to each Tranche B-(MC) Lender, the obligation of such Lender to make Syndicated Loans pursuant to Section 2.01(d) hereof, as the same may be reduced or increased at any time or from time to time pursuant to Section 2.04, 2.11 or 11.06 hereof. The initial amount of each such Lender's Tranche B-(MC) Commitment is set forth on Schedule 2.01 or in the Assignment and Acceptance pursuant to which such Lender shall have assumed such Commitment, as applicable.

"Tranche B-(MC) Commitment Termination Date" shall mean November 24, 2000, subject to extension as provided in Section 2.10 hereof; provided that if any such day is not a Business Day, then the Tranche B-(MC) Commitment Termination Date shall be the immediately preceding Business Day.

"Tranche B-(MC) Lender" shall mean a Lender having a Tranche B-(MC) Commitment or holding Tranche B-(MC) Loans.

"Tranche B-(MC) Loans" shall mean the loans provided for by Section 2.01(d) hereof, which may be Base Rate Loans and/or Eurocurrency Loans.

"Tranche B-(MC) Notes" shall mean the promissory notes provided for by Section 2.08(d) hereof and all promissory notes delivered in substitution or exchange thereof, in each case as the same shall be modified and supplemented and in effect from time to time.

"Type" shall have the meaning assigned to such term in Section 1.03 hereof.

"Voting Securities" shall mean, with respect to any Person, securities or other ownership interests having by the terms thereof ordinary voting power to elect a majority of the board of directors or other persons performing similar functions of such Person (irrespective of whether or not at the time securities or other ownership interests of any other class or classes of such Person shall have or might have voting power by reason of the happening of any contingency).

"Wholly Owned Subsidiary" shall mean, with respect to any Person, any corporation, partnership or other entity of which all of the Voting Securities issued by such corporation, partnership or other entity (other than, in the case of a corporation, directors' qualifying shares) are directly or indirectly owned or controlled by such Person or one or more Wholly Owned Subsidiaries of such Person or by such Person and one or more Wholly Owned Subsidiaries of such Person.

1.02 Accounting Terms and Determinations.

(a) Except as otherwise expressly provided herein, all accounting terms used herein shall be interpreted, and all financial statements and certificates and reports as to financial matters required to be delivered to the Lenders hereunder shall (unless otherwise disclosed to the Lenders in writing at the time of delivery thereof in the manner described in subsection (b) below) be prepared, in accordance with generally accepted accounting principles in the United States of America applied on a basis consistent with those used in the preparation of the latest financial statements furnished to the Lenders hereunder (which, prior to the delivery of the first financial statements under Section 8.01(a) or (b) hereof, shall mean the audited financial statements as at December 31, 1995 referred to in Section 7.02 hereof). All calculations made for the purposes of determining compliance with this Agreement shall (except as otherwise expressly provided herein) be made by application of generally accepted accounting principles in the United States of America applied on a basis consistent with those used in the preparation of the latest annual or quarterly financial statements furnished to the Lenders pursuant to Section 8.01 hereof (or, prior to the delivery of the first financial statements under Section 8.01(a) or (b) hereof, used in the preparation of the audited financial statements as at December 31, 1995 referred to in Section 7.02 hereof) unless (i) any Borrower shall have objected to determining such compliance on such basis at the time of delivery of such financial statements or (ii) the Majority Lenders shall so object in writing within 30 days after delivery of such financial statements, in either of which events such calculations shall be made on a basis consistent with those used in the preparation of the latest financial statements as to which such objection shall not have been made (which, if objection is made in respect of the first financial statements delivered under Section 8.01(a) or (b) hereof, shall mean the audited financial statements referred to in Section 7.02 hereof). Notwithstanding the foregoing, the accounting terms "Risk-Adjusted Assets", "Tier 1 Capital", "Total Assets" and "Total Capital" defined in Section 1.01 hereof shall be interpreted by reference to the statutes or regulations referred to in said definitions, as such statutes or regulations are amended, modified, supplemented or replaced and in effect from time to time.

(b) COFC shall deliver to the Lenders at the same time as the delivery of any annual or quarterly financial statement under Section 8.01 hereof (i) a description in reasonable detail of any material variation between the application of accounting principles in the United States of America employed in the preparation of such statement and the application of accounting principles in the United States of America employed in the preparation of the next preceding annual or quarterly financial statements as to which no objection has been made in accordance with the last sentence of subsection (a) above and (ii) reasonable estimates of the difference between such statements arising as a consequence thereof.

(c) To enable the ready and consistent determination of compliance with the covenants set forth in Section 8 hereof, no Borrower will change the last day of its fiscal year from December 31 of each year, or the last days of the first three fiscal quarters in each of its fiscal years from March 31, June 30 and September 30 of each year, respectively.

1.03 Tranches, Currencies and Types of Loans. Loans hereunder are distinguished by "Tranche", by "Currency" and by "Type". The "Tranche" of a Loan refers to whether a Syndicated Loan is a Tranche A-($) Loan, Tranche A-(MC) Loan, Tranche B-($) Loan or Tranche B-(MC) Loan. The "Currency" of a Loan refers to the Currency in which such Loan is denominated. The "Type" of a Loan refers to whether such Loan is a Base Rate Loan, a Eurocurrency Loan, a Set Rate Loan or a LIBOR Market Loan, each of which constitutes a Type. Loans may be identified by one or more of their Tranche, Currency and Type.

Section 2. Commitments, Loans, Notes and Prepayments.

2.01 Syndicated Loans.

(a) Each Tranche A-($) Lender severally agrees, on the terms and conditions of this Agreement, to make loans to either Applicable Borrower in Dollars during the period from and including the date hereof to but not including the Tranche A-($) Commitment Termination Date in an aggregate principal amount at any one time outstanding up to but not exceeding the amount of the Tranche A-($) Commitment of such Tranche A-($) Lender as in effect from time to time. Subject to the terms and conditions of this Agreement, during such period either Applicable Borrower may borrow, repay and reborrow the amount of the Tranche A-($) Commitments; provided that (i) no more than 10 separate Interest Periods in respect of Eurocurrency Loans that are Tranche A-($) Loans may be outstanding at any one time, (ii) no more than 20 different Interest Periods for both Syndicated Loans and Money Market Loans may be outstanding under Tranche A-($) at the same time (for which purpose (x) Interest Periods described in different lettered clauses of the definition of the term "Interest Period" shall be deemed to be different Interest Periods even if they are coterminous and (y) Loans denominated in different Currencies shall be deemed to have different Interest Periods) and (iii) the aggregate principal amount of Loans under all Tranches made to FSB shall not exceed the FSB Borrowing Limit.

(b) Each Tranche A-(MC) Lender severally agrees, on the terms and conditions of this Agreement, to make loans to either Applicable Borrower in Dollars or any Agreed Alternative Currency during the period from and including the date hereof to but not including the Tranche A-(MC) Commitment Termination Date in an aggregate principal amount at any one time outstanding up to but not exceeding the amount of the Tranche A-(MC) Commitment of such Tranche A-(MC) Lender as in effect from time to time. Subject to the terms and conditions of this Agreement, during such period either Applicable Borrower may borrow, repay and reborrow the amount of the Tranche A-(MC) Commitments; provided that (i) no more than eight separate Interest Periods in respect of Eurocurrency Loans that are Tranche A-(MC) Loans may be outstanding at any one time, (ii) no more than 20 different Interest Periods for both Syndicated Loans and Money Market Loans may be outstanding under Tranche A-(MC) at the same time (for which purpose (x) Interest Periods described in different lettered clauses of the definition of the term "Interest Period" shall be deemed to be different Interest Periods even if they are coterminous and (y) Loans denominated in different Currencies shall be deemed to have different Interest Periods), (iii) no Tranche A-(MC) Loan denominated in Dollars shall be made on any date unless the aggregate principal amount of all Loans outstanding on such date made by Tranche A-($) Lenders equals the aggregate amount of all Tranche A-($) Commitments, (iv) no Tranche A-(MC) Loan denominated in an Agreed Alternative Currency may be outstanding as a Base Rate Loan and (v) the aggregate principal amount of Loans under all Tranches made to FSB shall not exceed the FSB Borrowing Limit.

(c) Each Tranche B-($) Lender severally agrees, on the terms and conditions of this Agreement, to make loans to any Applicable Borrower in Dollars during the period from and including the date hereof to but not including the Tranche B-($) Commitment Termination Date in an aggregate principal amount at any one time outstanding up to but not exceeding the amount of the Tranche B-($) Commitment of such Tranche B-($) Lender as in effect from time to time. Subject to the terms and conditions of this Agreement, during such period any Applicable Borrower may borrow, repay and reborrow the amount of the Tranche B-($) Commitments; provided that (i) no more than eight separate Interest Periods in respect of Eurocurrency Loans that are Tranche B-($) Loans may be outstanding at any one time, (ii) no more than 20 different Interest Periods for both Syndicated Loans and Money Market Loans may be outstanding under Tranche B-($) at the same time (for which purpose (x) Interest Periods described in different lettered clauses of the definition of the term "Interest Period" shall be deemed to be different Interest Periods even if they are coterminous and (y) Loans denominated in different Currencies shall be deemed to have different Interest Periods) and (iii) the aggregate principal amount of Loans under all Tranches borrowed by FSB shall not exceed the FSB Borrowing Limit.

(d) Each Tranche B-(MC) Lender severally agrees, on the terms and conditions of this Agreement, to make loans to any Applicable Borrower in Dollars or any Agreed Alternative Currency during the period from and including the date hereof to but not including the Tranche B-(MC) Commitment Termination Date in an aggregate principal amount at any one time outstanding up to but not exceeding the amount of the Tranche B-(MC) Commitment of such Tranche B-(MC) Lender as in effect from time to time. Subject to the terms and conditions of this Agreement, during such period any Applicable Borrower may borrow, repay and reborrow

the amount of the Tranche B-(MC) Commitments; provided that (i) no more than eight separate Interest Periods in respect of Eurocurrency Loans that are Tranche B-(MC) Loans may be outstanding at any one time, (ii) no more than 20 different Interest Periods for both Syndicated Loans and Money Market Loans may be outstanding under Tranche B-(MC) at the same time (for which purpose (x) Interest Periods described in different lettered clauses of the definition of the term "Interest Period" shall be deemed to be different Interest Periods even if they are coterminous and (y) Loans denominated in different Currencies shall be deemed to have different Interest Periods), (iii) no Tranche B-(MC) Loan denominated in Dollars shall be made on any date unless the aggregate principal amount of all Loans outstanding on such date made by Tranche B-($) Lenders equals the aggregate amount of all Tranche B-($) Commitments, (iv) no Tranche B-(MC) Loan denominated in an Agreed Alternative Currency may be outstanding as a Base Rate Loan and (v) the aggregate principal amount of Loans under all Tranches borrowed by FSB shall not exceed the FSB Borrowing Limit.

(e) No Syndicated Loan shall be made under any Tranche if, after giving effect to such Loan, the aggregate principal amount of all such Syndicated Loans, together with the aggregate amount of Money Market Loans made under such Tranche, would exceed the aggregate amount of Commitments then in effect under such Tranche.

(f) For purposes of determining whether the amount of any borrowing of Loans under any Tranche, together with all other Loans then outstanding under such Tranche, would exceed the aggregate amount of Commitments under such Tranche (including, without limitation, for the purposes of Sections 2.01(a), 2.01(b), 2.01(c), 2.01(d), 2.01(e) and 2.03(a) hereof), the amount of any Loan outstanding under such Tranche that is denominated in an Alternative Currency shall be deemed to be the Dollar Equivalent (determined as of the date of such borrowing of Loans under such Tranche) of the amount in the Alternative Currency of such Loan. For purposes of determining the unused portion of the Commitments under any Tranche under Section 2.04(b) hereof, the amount of any Loan outstanding under such Tranche that is denominated in an Alternative Currency shall be deemed to be the Dollar Equivalent (determined as of the date of determination of the unused portion of the Commitments under such Tranche) of the amount in the Alternative Currency of such Loan. For purposes of calculating the amount of any utilization fee payable under any Tranche under Section 2.05(b) hereof, the amount of any Loan outstanding on any date that is denominated in an Alternative Currency shall be deemed to be the Dollar Equivalent (determined as of the date of the most recent borrowing of Loans under such Tranche) of the amount in the Alternative Currency of such Loan.

(g) Until repaid as provided in Section 3.01 of the Existing Credit Agreement, the Tranche C Loans (as defined in the Existing Credit Agreement) referred to in Section 6.01(g) hereof (i) will be deemed to be Tranche B-($) Loans for the purposes of the limitations and computations provided for in Sections 2.01(c), 2.01(e), 2.03(a), 2.04(b) and 2.05(b) hereof, (ii) will be deemed to be Loans for purposes of Section 9 hereof and (iii) will otherwise be subject to the terms and conditions of the Existing Credit Agreement.

2.02 Borrowings of Syndicated Loans. The Applicable Borrower shall give the Administrative Agent notice of each borrowing of Syndicated Loans as provided in Section 4.05 hereof. Not later than 1:00 p.m. Local Time on the date specified for each borrowing of Syndicated Loans, each Lender under the relevant Tranche shall make available the amount of the Syndicated Loan or Loans under such Tranche to be made by it on such date to the Administrative Agent, at the Administrative Agent's Account for the Currency in which such Loan is denominated, in immediately available funds, for account of the Applicable Borrower. The amount so received by the Administrative Agent shall, subject to the terms and conditions of this Agreement, be made available to the Applicable Borrower by depositing the same, in immediately available funds, in an account of the Applicable Borrower designated by the Applicable Borrower.

2.03 Money Market Loans.

(a) In addition to borrowings of Syndicated Loans under any Tranche, at any time prior to the Commitment Termination Date for such Tranche an Applicable Borrower may, as set forth in this Section 2.03, request the Lenders under such Tranche to make offers to make Money Market Loans under such Tranche to such Borrower in Dollars or in any Alternative Currency. The Lenders under such Tranche may, but shall have no obligation to, make such offers and the Applicable Borrower may, but shall have no obligation to, accept any such offers in the manner set forth in this Section 2.03. Money Market Loans may be LIBOR Market Loans or Set Rate Loans (each a "Type" of Money Market Loan), provided that:

(i) there may be no more than 20 different Interest Periods for both Syndicated Loans and Money Market Loans outstanding under any Tranche at the same time (for which purpose (x) Interest Periods described in different lettered clauses of the definition of the term "Interest Period" shall be deemed to be different Interest Periods even if they are coterminous and (y) Loans denominated in different Currencies shall be deemed to have different Interest Periods); and

(ii) the aggregate principal amount of all Money Market Loans under such Tranche, together with the aggregate principal amount of all Syndicated Loans under such Tranche, at any one time outstanding shall not exceed the aggregate amount of the Commitments under such Tranche then in effect.

(b) When the Applicable Borrower wishes to request offers to make Money Market Loans, it shall give the Administrative Agent (which shall promptly notify the Lenders) notice (a "Money Market Quote Request") so as to be received no later than 11:00 a.m. New York time on (x) the fifth Business Day prior to the date of borrowing proposed therein, in the case of a LIBOR Auction, (y) the fourth Business Day prior to the date of borrowing proposed therein in the case of a Set Rate Auction in respect of Money Market Loans denominated in an Alternative Currency or (z) the Business Day next preceding the date of borrowing proposed therein in the case of a Set Rate Auction in respect of Money Market Loans denominated in Dollars. The Applicable Borrower may request offers to make Money Market Loans for up to

three different Interest Periods in a single notice (for which purpose (x) Interest Periods in different lettered clauses of the definition of the term "Interest Period" shall be deemed to be different Interest Periods even if they are coterminous and (y) Money Market Loans denominated in different Currencies shall be deemed to have different Interest Periods); provided that the request for each separate Interest Period or Currency shall be deemed to be a separate Money Market Quote Request for a separate borrowing (a "Money Market Borrowing"). Each such notice shall be substantially in the form of Exhibit E hereto and shall specify as to each Money Market Borrowing:

(i) the name of the Borrower, the Tranche under which such Borrowing is to be made, the Currency of such Borrowing and the proposed date of such borrowing, which shall be a Business Day;

(ii) the aggregate amount of such Money Market Borrowing, which shall be an integral multiple of $1,000,000 and not less than $5,000,000 (or, in the case of a Borrowing of Money Market Loans denominated in an Alternative Currency, the Foreign Currency Equivalent thereof (rounded to the nearest 1,000 units of such Alternative Currency)) but shall not cause the limits specified in Section 2.03(a) hereof to be violated;

(iii) the duration of the Interest Period applicable thereto;

(iv) whether the Money Market Quotes requested for a particular Interest Period are seeking quotes for LIBOR Market Loans or Set Rate Loans; and

(v) if the Money Market Quotes requested are seeking quotes for Set Rate Loans denominated in Dollars, the date on which the Money Market Quotes are to be submitted (the date on which such Money Market Quotes are to be submitted is called the "Quotation Date").

Except as otherwise provided in this Section 2.03(b), no Money Market Quote Request shall be given under any Tranche within five Business Days of any other Money Market Quote Request under such Tranche.

(c) (i) Each Lender under the relevant Tranche may submit one or more Money Market Quotes, each constituting an offer to make a Money Market Loan under such Tranche in response to any Money Market Quote Request under such Tranche; provided that, if the Applicable Borrower's request under Section 2.03(b) hereof specified more than one Interest Period, such Lender may make a single submission containing one or more Money Market Quotes for each such Interest Period. Each Money Market Quote must be submitted to the Administrative Agent not later than (x) 4:00 p.m. New York time on the fifth Business Day prior to the proposed date of borrowing, in the case of a LIBOR Auction, (y) 4:00 p.m. New York time on the fourth Business Day prior to the date of borrowing proposed therein in the case of a Set Rate Auction in respect of Money Market Loans denominated in an Alternative Currency or (z) 10:00 a.m. New York time on the Quotation Date in the case of a Set Rate Auction in respect of Money

Market Loans denominated in Dollars; provided that any Money Market Quote may be submitted by Chase (or its Applicable Lending Office) only if Chase (or such Applicable Lending Office) notifies such Applicable Borrower of the terms of the offer contained therein not later than (x) 3:45 p.m. New York time on the fifth Business Day prior to the proposed date of borrowing, in the case of a LIBOR Auction, (y) 3:45 p.m. New York time on the fourth Business Day prior to the date of borrowing proposed therein in the case of a Set Rate Auction in respect of Money Market Loans denominated in an Alternative Currency or (z) 9:45 a.m. New York time on the Quotation Date in the case of a Set Rate Auction in respect of Money Market Loans denominated in Dollars. Subject to Sections 5.02(b), 5.03, 6.02 and 9 hereof, any Money Market Quote so made shall be irrevocable except with the consent of the Administrative Agent given on the instructions of such Applicable Borrower.

(ii) Each Money Market Quote shall be substantially in the form of Exhibit F hereto and shall specify:

(A) the name of the Borrower, the Tranche under which such Borrowing is to be made, the Currency of such Borrowing and the proposed date of borrowing and the Interest Period therefor;

(B) the principal amount of the Money Market Loan for which each such offer is being made, which principal amount shall be an integral multiple of $1,000,000 and not less than $5,000,000 (or, in the case of a Borrowing of Money Market Loans denominated in an Alternative Currency, the Foreign Currency Equivalent thereof (rounded to the nearest 1,000 units of such Alternative Currency)); provided that the aggregate principal amount of all Money Market Loans for which a Lender submits Money Market Quotes (x) may be greater or less than the Commitment of such Lender under the Tranche under which such Loans are to be made but (y) may not exceed the principal amount of the Money Market Borrowing for a particular Interest Period for which offers were requested;

(C) in the case of a LIBOR Auction, the margin above or below the applicable Eurocurrency Rate (the "LIBO Margin") offered for each such Money Market Loan, expressed as a percentage (rounded upwards, if necessary, to the nearest 1/10,000th of 1%) to be added to or subtracted from the applicable Eurocurrency Rate;

(D) in the case of a Set Rate Auction, the rate of interest per annum (rounded upwards, if necessary, to the nearest 1/10,000th of 1%) offered for each such Money Market Loan (the "Set Rate"); and

(E) the identity of the quoting Lender.

Unless otherwise agreed by the Administrative Agent and the Applicable Borrower, no Money Market Quote shall contain qualifying, conditional or similar language or propose terms other than or in addition to those set forth in the applicable Money Market Quote Request and, in particular, no Money Market Quote may be conditioned upon acceptance by the Applicable Borrower of all (or some specified minimum) of the principal amount of the Money Market Loan for which such Money Market Quote is being made, provided that the submission by any Lender containing more than one Money Market Quote may be conditioned on the Applicable Borrower not accepting offers contained in such submission that would result in such Lender making Money Market Loans pursuant thereto in excess of a specified aggregate amount (the "Money Market Loan Limit").

(d) The Administrative Agent shall (x) in the case of a LIBOR Auction or a Set Rate Auction in respect of Money Market Loans denominated in an Alternative Currency, by 5:00 p.m. New York time on the day a Money Market Quote is submitted or (y) in the case of a Set Rate Auction in respect of Money Market Loans denominated in Dollars, as promptly as practicable after the Money Market Quote is submitted (but in any event not later than 10:15 a.m. New York time on the Quotation Date), notify the Applicable Borrower of the terms (i) of any Money Market Quote submitted by a Lender that is in accordance with Section 2.03(c) hereof and (ii) of any Money Market Quote that amends, modifies or is otherwise inconsistent with a previous Money Market Quote submitted by such Lender with respect to the same Money Market Quote Request. Any such subsequent Money Market Quote shall be disregarded by the Administrative Agent unless such subsequent Money Market Quote is submitted solely to correct a manifest error in such former Money Market Quote. The Administrative Agent's notice to the Applicable Borrower shall specify (A) the aggregate principal amount of the Money Market Borrowing for which offers have been received and (B) the respective principal amounts and LIBO Margins or Set Rates, as the case may be, so offered by each Lender (identifying the Lender that made each Money Market Quote).

(e) Not later than (x) 10:00 a.m. New York time on the fourth Business Day prior to the proposed date of borrowing in the case of a LIBOR Auction, (y) 10:00 a.m. New York time on the third Business Day prior to the proposed date of borrowing in the case of a Set Rate Auction in respect of Money Market Loans denominated in an Alternative Currency or (z) 11:00 a.m. New York time on the Quotation Date in the case of a Set Rate Auction in respect of Money Market Loans denominated in Dollars, the Applicable Borrower shall notify the Administrative Agent of its acceptance or nonacceptance of the offers so notified to it pursuant to Section 2.03(d) hereof (which notice shall specify the aggregate principal amount of offers from each Lender for each Interest Period that are accepted, it being understood that the failure of the Applicable Borrower to give such notice by such time shall constitute nonacceptance) and the Administrative Agent shall promptly notify each affected Lender. The notice from the Administrative Agent shall also specify the aggregate principal amount of offers for each Interest Period that were accepted and the lowest and highest LIBO Margins and Set Rates that were accepted for each Interest Period. The Applicable Borrower may accept any Money Market Quote in whole or in part; provided that:

(i) the aggregate principal amount of each Money Market Borrowing may not exceed the applicable amount set forth in the related Money Market Quote Request;

(ii) the aggregate principal amount of each Money Market Borrowing shall be an integral multiple of $1,000,000 and not less than $5,000,000 (or, in the case of a Borrowing of Money Market Loans denominated in an Alternative Currency, the Foreign Currency Equivalent thereof (rounded to the nearest 1,000 units of such Alternative Currency)) but shall not cause the limits specified in Section 2.03(a) hereof to be violated;

(iii) acceptance of offers may, subject to clause

(vi) below, be made only in ascending order of LIBO Margins or Set Rates, as the case may be, in each case beginning with the lowest rate so offered;

(iv) any Money Market Quote accepted in part shall be an integral multiple of $1,000,000 and not less than $5,000,000 (or, in the case of a Borrowing of Money Market Loans denominated in an Alternative Currency, the Foreign Currency Equivalent thereof (rounded to the nearest 1,000 units of such Alternative Currency));

(v) the Applicable Borrower may not accept any offer where the Administrative Agent has advised the Applicable Borrower that such offer fails to comply with Section 2.03(c)(ii) hereof or otherwise fails to comply with the requirements of this Agreement (including, without limitation, Section 2.03(a) hereof); and

(vi) the aggregate principal amount of each Money Market Borrowing from any Lender may not exceed any applicable Money Market Loan Limit of such Lender.

If offers are made by two or more Lenders with the same LIBO Margins or Set Rates, as the case may be, for a greater aggregate principal amount than the amount in respect of which offers are permitted to be accepted for the related Interest Period, the principal amount of Money Market Loans in respect of which such offers are accepted shall be allocated by the Applicable Borrower among such Lenders as nearly as possible (in an integral multiple of $1,000,000 and not less than $5,000,000 (or, in the case of a Borrowing of Money Market Loans denominated in an Alternative Currency, the Foreign Currency Equivalent thereof (rounded to the nearest 1,000 units of such Alternative Currency)) in proportion to the aggregate principal amount of such offers. Determinations by the Applicable Borrower of the amounts of Money Market Loans shall be conclusive in the absence of manifest error.

(f) Any Lender whose offer to make any Money Market Loan has been accepted in accordance with the terms and conditions of this Section 2.03 shall, not later than 11:00 a.m. Local Time (in the case of a LIBOR Auction or a Set Rate Auction in respect of Money Market Loans denominated in an Alternative Currency) or 1:00 p.m. New York time (in the case of a Set Rate Auction in respect of Money Market Loans denominated in Dollars) on the date specified

for the making of such Loan, make the amount of such Loan available to the Administrative Agent at the Administrative Agent's Account for the Currency in which such Loan is denominated in immediately available funds, for account of the Applicable Borrower. The amount so received by the Administrative Agent shall, subject to the terms and conditions of this Agreement, be made available to the Applicable Borrower on such date by depositing the same, in immediately available funds, in an account of the Applicable Borrower designated by the Applicable Borrower.

(g) Except for the purpose and to the extent expressly stated in Section 2.04(b) hereof, the amount of any Money Market Loan made by any Lender under any Tranche shall not constitute a utilization of such Lender's Commitment under such Tranche.

(h) The Applicable Borrower shall pay to the Administrative Agent a fee of $750 each time it gives a Money Market Quote Request to the Administrative Agent.

2.04 Changes of Commitments.

(a) The aggregate amount of the Commitments under each Tranche shall be automatically reduced to zero on the Commitment Termination Date for such Tranche.

(b) The Applicable Borrowers, acting jointly, shall have the right at any time or from time to time (i) to terminate the Commitments under any Tranche so long as no Syndicated Loans or Money Market Loans are outstanding under such Tranche and (ii) to reduce the aggregate unused amount of the Commitments under any Tranche (for which purpose use of the Commitments under such Tranche shall be deemed to include the aggregate principal amount of all Money Market Loans under such Tranche); provided that (x) the Applicable Borrowers shall give notice of each such termination or reduction as provided in Section 4.05 hereof, (y) each partial reduction under any Tranche shall aggregate to an integral multiple of $1,000,000 and not less than $10,000,000 and (z) no such termination or reduction of any Tranche shall be effected unless such notice shall have been given by each Applicable Borrower.

(c) The Commitments under any Tranche, once terminated or reduced, may not be reinstated.

2.05 Fees.

(a) Facility Fee. With respect to each Tranche, the Applicable Borrowers shall pay to the Administrative Agent for account of each Lender under such Tranche a facility fee on the daily average of such Lender's Commitment under such Tranche (regardless of utilization thereof), for the period from and including the date hereof to but not including the earlier of the date such Commitment is terminated and the relevant Commitment Termination Date, at a rate per annum equal to the Applicable Facility Fee Percentage. A portion of the facility fee accrued on any day in respect of Tranche A-($) or Tranche A-(MC) equal to the FSB Facility Fee Amount with respect to such Tranche shall be payable by FSB, and the balance of the facility fee accrued on such day in respect of Tranche A-($) or Tranche A-(MC) shall be payable by COB. Any facility fee accrued on any day in respect of Tranche B-($) or Tranche B-(MC) shall be payable by COFC, except that, if any outstanding Loans under such Tranche are owing by either COB or FSB on such day, the facility fee so accrued for such day shall be payable by COB or FSB, as the case may be, to the extent a Lender's Commitment under such Tranche is utilized by such Loans.

(b) Utilization Fee. With respect to each Tranche, the Applicable Borrowers shall pay to the Administrative Agent for account of each Lender under such Tranche a utilization fee, for each Computation Period occurring during the period from and including the date hereof to but not including the earlier of the date the Commitments under such Tranche are terminated and the Commitment Termination Date for such Tranche, on the excess, if any, of (i) the Average of the aggregate outstanding principal amount of all Loans (including Money Market Loans) outstanding under such Tranche for such Computation Period over (ii) 50% of the Average of the aggregate amount of all Commitments under such Tranche in effect for such Computation Period at a rate per annum equal to the Applicable Utilization Fee Percentage. Utilization fee payable under this Section 2.05(b) with respect to any day under any Tranche shall be allocated between the Applicable Borrowers pro rata according to the respective Average aggregate outstanding principal amounts of Loans under such Tranche owing by the Borrowers for such Computation Period.

(c) Payment. With respect to any Tranche, accrued facility fee and utilization fee shall be payable on each Quarterly Date and on the earlier of the date the Commitments under such Tranche are terminated and the Commitment Termination Date for such Tranche.

2.06 Lending Offices. The Loans of each Type and Currency made by each Lender shall be made and maintained at such Lender's Applicable Lending Office for Loans of such Type and Currency.

2.07 Several Obligations; Remedies Independent. The failure of any Lender to make any Loan to be made by it on the date specified therefor shall not relieve any other Lender of its obligation to make its Loan on such date, but neither any Lender nor the Administrative Agent shall be responsible for the failure of any other Lender to make a Loan to be made by such

other Lender, and (except as otherwise provided in Section 4.06 hereof) no Lender shall have any obligation to the Administrative Agent or any other Lender for the failure by such Lender to make any Loan required to be made by such Lender. The amounts payable by each Borrower at any time hereunder and under the Notes to each Lender shall be a separate and independent debt, and each Lender shall be entitled to protect and enforce its rights arising out of this Agreement and the Notes, and it shall not be necessary for any other Lender or the Administrative Agent to consent to, or be joined as an additional party in, any proceedings for such purposes.

2.08 Notes.

(a) The Tranche A-($) Loans made by each Tranche A-($) Lender to either Applicable Borrower shall be evidenced by a promissory note substantially in the form of Exhibit A-1 hereto, dated the date hereof, duly executed by such Applicable Borrower and payable to such Tranche A-($) Lender in a principal amount equal to the amount of its Tranche A-($) Commitment as originally in effect and otherwise duly completed.

(b) The Tranche A-(MC) Loans made by each Tranche A-(MC) Lender to either Applicable Borrower shall be evidenced by a promissory note substantially in the form of Exhibit A-2 hereto, dated the date hereof, duly executed by such Applicable Borrower and payable to such Tranche A-(MC) Lender in a principal amount equal to the amount of its Tranche A-(MC) Commitment as originally in effect and otherwise duly completed.

(c) The Tranche B-($) Loans made by each Tranche B-($) Lender to any Applicable Borrower shall be evidenced by a promissory note substantially in the form of Exhibit A-3 hereto, dated the date hereof, duly executed by such Applicable Borrower and payable to such Tranche B-($) Lender in a principal amount equal to the amount of its Tranche B-($) Commitment as originally in effect and otherwise duly completed.

(d) The Tranche B-(MC) Loans made by each Tranche B-(MC) Lender to any Applicable Borrower shall be evidenced by a promissory note substantially in the form of Exhibit A-4 hereto, dated the date hereof, duly executed by such Applicable Borrower and payable to such Tranche B-(MC) Lender in a principal amount equal to the amount of its Tranche B-(MC) Commitment as originally in effect and otherwise duly completed.

(e) The Money Market Loans made by any Lender to any Applicable Borrower shall be evidenced by a single promissory note substantially in the form of Exhibit A-5 hereto, dated the date hereof, duly executed by such Applicable Borrower and payable to such Lender and otherwise duly completed.

(f) The date, amount, Type, Currency, interest rate and duration of Interest Period of each Loan made by each Lender to a Borrower, and each payment made on account of the principal thereof, shall be recorded by such Lender on its books and, prior to any transfer of any Note evidencing Loans held by it, endorsed by such Lender on the schedule attached to such Note or any continuation thereof; provided that the failure of such Lender to make any such

recordation (or any error in making any such recordation) or endorsement shall not affect the obligations of the Applicable Borrower to make a payment when due of any amount owing hereunder or under such Note in respect of such Loans.

(g) No Lender shall be entitled to have its Notes substituted or exchanged for any reason, or subdivided for promissory notes of lesser denominations, except in connection with a permitted assignment of all or any portion of such Lender's Commitment, Loans and Notes pursuant to Section 11.06 hereof (and, if requested by any Lender, the Applicable Borrower agrees to so exchange any Note).

2.09 Optional Prepayments. Subject to Section 4.04 hereof, each Borrower shall have the right to prepay Syndicated Loans made to such Borrower at any time or from time to time, provided that: (a) such Borrower shall give the Administrative Agent notice of each such prepayment as provided in Section 4.05 hereof (and, upon the date specified in any such notice of prepayment, the amount to be prepaid shall become due and payable hereunder) and (b) any prepayment of a Eurocurrency Loan on a day other than the last day of the Interest Period for such Loan shall be subject to the payment of any compensation payable under Section 5.05 hereof. Money Market Loans may not be prepaid.

2.10 Extension of Commitment Termination Date.

(a) The Applicable Borrowers may, by notice to the Administrative Agent (which shall promptly deliver a copy to each of the Lenders) given not less than 60 days and not more than 90 days prior to any of the first, second and third anniversaries of the date of this Agreement, request that the Lenders extend the Commitment Termination Date then in effect for any Tranche (the "Existing Commitment Termination Date") to the date one year following the Existing Commitment Termination Date; provided that in no event may (i) the Applicable Borrowers request more than three such extensions with respect to any Tranche, (ii) the Applicable Borrowers request more than one extension for any Tranche with respect to any such anniversary date and (iii) any such extension be effected with respect to any Tranche unless such request shall be made by each Applicable Borrower under such Tranche. Each Lender, acting in its sole discretion, shall, by notice to the Applicable Borrowers and the Administrative Agent given not later than the date 30 days prior to the relevant anniversary of the date of this Agreement with respect to which such extension was requested (the "Consent Date"), advise the Applicable Borrowers whether or not such Lender agrees to such extension; provided that (i) the election of any Lender to agree to such extension shall not obligate any other Lender to agree to such extension, (ii) any such notice, once given, shall be revocable until the Consent Date and (iii) any Lender under any Tranche that is a Non-Extending Lender (as defined below) with respect to an extension request made under such Tranche with respect to any anniversary of the date of this Agreement may not agree (other than with respect to a Commitment acquired from another Lender after the Consent Date) to an extension request made under such Tranche with respect to a subsequent anniversary of the date of this Agreement.

(b) If, on the Consent Date, the Administrative Agent shall have received from Lenders under the applicable Tranche holding Commitments under such Tranche in an aggregate amount more than 50% of the aggregate amount of the Commitments under such Tranche notices (which have not been revoked) agreeing to extend the Existing Commitment Termination Date as provided in Section 2.10(a) hereof, then, effective as of the Consent Date, the Existing Commitment Termination Date shall be extended to the date one year following the Existing Commitment Termination Date; provided that (i) if the Administrative Agent shall not have received such notices, the Existing Commitment Termination Date shall remain unchanged and (ii) the Commitment of any Lender (a "Non-Extending Lender") that notified the Administrative Agent that such Lender elected not to agree to extend the Existing Commitment Termination Date as provided in Section 2.10(a) hereof or that failed to deliver a notice to the Administrative Agent agreeing to such an extension (or that revoked any such notice of agreement prior to the Consent Date and thereafter failed to deliver another such notice) shall terminate on the Existing Commitment Termination Date.

(c) The Applicable Borrowers, acting jointly, shall have the right at any time after the Consent Date but prior to the date as of which the Commitment of a Non-Extending Lender terminates to replace such Non-Extending Lender with one or more other banks or other lenders (which may include any other Lender, each a "Replacement Lender") with the approval (in the case of a Replacement Lender that is not already a Lender) of the Administrative Agent (which approval shall not be unreasonably withheld or delayed), each of which Replacement Lender(s) shall have entered into an agreement in form and substance satisfactory to the Applicable Borrowers and the Administrative Agent pursuant to which such Replacement Lender(s) shall (i) assume all or any portion of the Commitment(s) of the Non-Extending Lender as if such Non-Extending Lender had agreed to any extension of the Commitment Termination Date previously effected pursuant to Section 2.10(b) hereof (and, if any such Replacement Lender is a Lender, its Commitment shall be in addition to such Lender's Commitment hereunder on such date) and (ii) purchase all of such Non-Extending Lender's Loans hereunder for consideration equal to the aggregate outstanding principal amount of such Non-Extending Lender's Loans, together with interest thereon to the date of such purchase, and satisfactory arrangements are made for payment to such Non-Extending Lender of all other amounts payable hereunder to such Non-Extending Lender on or prior to the date of such transfer (including any fees accrued hereunder and any amounts that would be payable under Section 5.05 hereof as if all of such Non-Extending Lender's Loans were being prepaid in full on such date). Without prejudice to the survival of any other agreement of the Borrowers hereunder, the agreements of the Borrowers contained in Sections 2.12, 5.01, 5.06, 11.03 and 11.13 hereof (without duplication of any payments made to such Non-Extending Lender by the Borrowers or the Replacement Lender) shall survive for the benefit of such Non-Extending Lender under this Section 2.10 with respect to the time prior to such replacement. The right of the Applicable Borrowers to replace a Non-Extending Lender with a Replacement Lender is subject to the requirement that, immediately after giving effect to such replacement, no Lender under any Tranche shall hold a Commitment under such Tranche in an aggregate amount exceeding 25% of the aggregate amount of the Commitments under such Tranche.

(d) Any extension of the Existing Commitment Termination Date pursuant to this Section 2.10 shall be effective only if:

(i) no Default shall have occurred and be continuing on the date of the notice requesting such extension and the Consent Date; and

(ii) each of the representations and warranties made by COB in Section 7 hereof (other than the Excluded Representations, but, if such extension relates to the Tranche B-($) Commitment Termination Date or the Tranche B-(MC) Commitment Termination Date, including the representations and warranties made by COFC in Section 7 hereof, other than the Excluded Representations) shall be true and correct in all material respects on and as of the date of the notice requesting such extension and the Consent Date with the same force and effect as if made on and as of each such date (or, if any such representation or warranty is expressly stated to have been made as of a specific date, as of such specific date).

Each notice requesting an extension of the Existing Commitment Termination Date pursuant to this Section 2.10 shall constitute a certification to the effect set forth in the preceding sentence (both as of the date of such notice and the Consent Date).

2.11 Increases in Commitments.

(a) The Applicable Borrowers, acting jointly, shall have the right at any time on or after the first anniversary of the date of this Agreement to increase the aggregate amount of the Commitments hereunder to an amount not to exceed $2,250,000,000 by causing one or more banks or other financial institutions, which may include any Lender already party to this Agreement, to become a "Lender" party to this Agreement or (in the case of any Lender already party to this Agreement) to increase the amount of such Lender's Commitment; provided that (i) the addition of any bank or other financial institution to this Agreement that is not already a Lender shall be subject to the consent of the Administrative Agent (which consent shall not be unreasonably withheld or delayed) and (ii) the Commitment of any bank or other financial institution becoming a "Lender" party to this Agreement, and any increase in the amount of the Commitment of any Lender already party to this Agreement, shall be in an amount equal to an integral multiple of $1,000,000 and not less than $10,000,000.

(b) Any increase in the aggregate amount of the Commitments pursuant to Section 2.11(a) hereof shall be effective only upon the execution and delivery to the Applicable Borrowers and the Administrative Agent of a commitment increase letter in substantially the form of Exhibit I hereto (a "Commitment Increase Letter"), which Commitment Increase Letter shall be delivered to the Administrative Agent not less than five Business Days prior to the Commitment Increase Date and shall specify (i) the amount and Tranche of the Commitment of any bank or other financial institution becoming a "Lender" party to this Agreement or of any increase in the amount of the Commitment under any Tranche of any Lender already party to this

Agreement and (ii) the date such increase is to become effective (the "Commitment Increase Date").

(c) Any increase in the aggregate amount of the Commitments pursuant to this Section 2.11 shall not be effective unless:

(i) no Default shall have occurred and be continuing on the Commitment Increase Date;

(ii) each of the representations and warranties made by COB in Section 7 hereof (other than the Excluded Representations, but, if such increase relates to the aggregate amount of the Tranche B-($) Commitments or the Tranche B-(MC) Commitments, including the representations and warranties made by COFC in Section 7 hereof, other than the Excluded Representations) shall be true and correct in all material respects on and as of the Commitment Increase Date with the same force and effect as if made on and as of such date (or, if any such representation or warranty is expressly stated to have been made as of a specific date, as of such specific date);

(iii) no notice of borrowing of Syndicated Loans under any Tranche affected by such increase in the aggregate amount of the Commitments shall have been given, in each case, on and as of such Commitment Increase Date;

(iv) immediately after giving effect to such increase in the aggregate amount of the Commitments, no Lender under any Tranche shall hold a Commitment under such Tranche in an aggregate amount exceeding 25% of the aggregate amount of the Commitments under such Tranche;

(v) immediately after giving effect to such increase, the aggregate amount of Tranche A-(MC) Commitments shall not exceed $350,000,000;

(vi) immediately after giving effect to such increase, the aggregate amount of Tranche B-($) Commitments shall not exceed $250,000,000;

(vii) no such increase may be effected in respect of Tranche B-(MC) Commitments; and

(viii) the Administrative Agent shall have received (with sufficient copies for each of the Lenders) each of (x) a certificate of the corporate secretary or assistant secretary of the Applicable Borrowers as to the taking of any corporate action necessary in connection with such increase and (y) an opinion or opinions of counsel to the Applicable Borrowers as to their corporate power and authority to borrow hereunder after giving effect to such increase.

Each notice requesting increase in the aggregate amount of the Commitments pursuant to this Section 2.11 shall constitute a certification to the effect set forth in clauses (i) and (ii) of the preceding sentence.

(d) No Lender shall at any time be required to agree to a request of a Borrower to increase its Commitment or obligations hereunder.

2.12 Undertaking of COB. COB hereby agrees with each Lender and the Administrative Agent as follows:

(a) Undertaking to Pay. At the request of FSB, and for account of FSB as provided in Section 2.12(d) hereof, COB hereby irrevocably undertakes in favor of the Administrative Agent that COB will honor the Administrative Agent's sight drafts drawn on COB and payable to the order of the Administrative Agent upon presentation of such drafts to COB at the address to which notices are deliverable to COB under Section 11.02 hereof accompanied by a written certification referred to below (such undertaking to honor such drafts being herein called, the "Undertaking"). Each draft must be accompanied by written certification of the Administrative Agent in the form of Exhibit J to this Agreement. Each draft drawn under and in compliance with the Undertaking will be duly honored by COB forthwith upon presentation by paying the amount of such draft to the Administrative Agent at the Administrative Agent's Account in the manner specified in Section 4.01 hereof.

(b) Amount Available. The aggregate amount available to be drawn under this Section 2.12 shall be equal to (i) the FSB Borrowing Limit plus (ii) interest (computed on the basis of a year of 360 days) that would accrue on the FSB Borrowing Limit for a period of 360 days at a rate per annum equal to 12%. Partial and multiple drawings under this Section 2.12 are permitted. The Undertaking shall expire on the date 100 days following the latest Commitment Termination Date, as the same may be extended from time to time.

(c) Certain Terms and Conditions. All charges and commissions incurred by COB in connection with the issuance or administration of the Undertaking (including any drawing in respect of the Undertaking) shall be for account of FSB. This Section 2.12 sets forth in full the terms of the Undertaking, and the Undertaking shall not in any way be amended, modified, amplified or limited by reference to any other Section or provision of this Agreement or any document, instrument or agreement referred to herein, and any such reference shall not be deemed to incorporate in this Section 2.12 by reference any document, instrument or agreement. The obligations of COB in respect of the Undertaking are independent of any of the obligations of any other party to this Agreement and of any obligations of COB under any other Section or provision of this Agreement (and accordingly the Undertaking is intended to be both a "credit" and a "letter of credit" within the meaning of Article 5 of the New York Uniform Commercial Code), and the entitlement of the Administrative Agent to draw under the Undertaking is subject only to compliance by the Administrative Agent with the express conditions to drawing set forth in this Section 2.12. The Undertaking may not be assigned or transferred other than to a successor Administrative Agent appointed in accordance with Section 10.08 hereof.

(d) Reimbursement. FSB agrees to reimburse COB for any drawing by the Administrative Agent under the Undertaking, without notice or demand of any kind, not later than 1:00 p.m. (New York time) on the Business Day following such drawing, in an amount equal to the amount of such drawing. COB hereby agrees that until the payment and satisfaction in full of the principal of and interest on the Loans made by the Lenders to, and the Notes held by each Lender of, FSB and all other amounts from time to time owing to the Lenders or the Administrative Agent by FSB hereunder and under the Notes and the expiration or termination of the Commitments COB shall not exercise any right or remedy to collect any amount owing by FSB to COB under this Section 2.12(d).

(e) UCP. The Undertaking is subject to the Uniform Customs and Practice for Documentary Credits (1993 Revision), International Chamber of Commerce Publication No. 500 (the "UCP"). In the event of any conflict between the law of the State of New York (which, pursuant to Section 11.10 hereof, governs this Agreement) and the UCP, the UCP shall control. Notwithstanding Article 17 of the UCP, if the Undertaking expires during an interruption of business as described in said Article 17, COB shall effect payment if the Undertaking is drawn against within 30 days after the resumption of business.

(f) Distribution of Proceeds of Drawing. Each payment received by the Administrative Agent in connection with any drawing under the Undertaking shall be promptly applied by the Administrative Agent to the obligations of FSB in respect of which such drawing was made.

Section 3. Payments of Principal and Interest.

3.01 Repayment of Loans. Each Borrower hereby promises to pay to the Administrative Agent for account of each Lender the principal of each Loan made by such Lender to such Borrower, and each such Loan shall mature, on the last day of the Interest Period therefor.

3.02 Interest. Each Borrower hereby promises to pay to the Administrative Agent for account of each Lender interest on the unpaid principal amount of each Loan made by such Lender to such Borrower for the period from and including the date of such Loan to but excluding the date such Loan shall be paid in full, at the following rates per annum:

(a) if such Loan is a Base Rate Loan, the Base Rate (as in effect from time to time) plus the Applicable Margin;

(b) if such Loan is a Eurocurrency Loan, the Eurocurrency Rate for such Loan for the Interest Period therefor plus the Applicable Margin;

(c) if such Loan is a LIBOR Market Loan, the Eurocurrency Rate for such Loan for the Interest Period therefor plus (or minus) the LIBO Margin quoted by the Lender making such Loan in accordance with Section 2.03 hereof; and

(d) if such Loan is a Set Rate Loan, the Set Rate for such Loan for the Interest Period therefor quoted by the Lender making such Loan in accordance with Section 2.03 hereof.

Notwithstanding the foregoing, each Borrower hereby promises to pay to the Administrative Agent for account of each relevant Lender interest at the applicable Post-Default Rate on any principal of any Loan made by such Lender to such Borrower, and on any other amount payable by such Borrower to or for account of such Lender hereunder or under the Notes, that shall not be paid in full when due (whether at stated maturity, by acceleration, by mandatory prepayment or otherwise), for the period from and including the due date thereof to but excluding the date the same is paid in full. Accrued interest on each Loan shall be payable (i) on the last day of the Interest Period therefor and, if such Interest Period is longer than 90 days (in the case of a Set Rate Loan) or three months (in the case of a Eurocurrency Loan or a LIBOR Market Loan), at 90-day or three-month intervals, respectively, following the first day of such Interest Period, and (ii) in the case of any Loan, upon the payment or prepayment thereof (but only on the principal amount so paid or prepaid), except that interest payable at the Post-Default Rate shall be payable from time to time on demand. Promptly after the determination of any interest rate provided for herein or any change therein, the Administrative Agent shall give notice thereof to the Lenders to which such interest is payable and to the Applicable Borrower.

Section 4. Payments; Pro Rata Treatment; Computations; Etc.

4.01 Payments.

(a) Except to the extent otherwise provided herein, all payments of principal of and interest on any Loan and of all other amounts to be made by a Borrower under this Agreement and the Notes shall be made in the Currency in which such Loan or other amount is denominated, in immediately available funds, without deduction, set-off or counterclaim, to the Administrative Agent at the Administrative Agent's Account for the Currency in which such Loan or other amount is denominated, not later than 1:00 p.m. Local Time on the date on which such payment shall become due (each such payment made after such time on such due date to be deemed to have been made on the next succeeding Business Day), provided that if a new Loan is to be made to a Borrower under any Tranche by any Lender on a date on which such Borrower is to repay any principal of an outstanding Loan of such Lender under such Tranche and in the same Currency, such Lender shall apply the proceeds of such new Loan to the payment of the principal to be repaid and only an amount equal to the difference between the principal to be borrowed and the principal to be repaid shall be made available by such Lender to the Administrative Agent as provided in Section 2.02 hereof or paid by the Applicable Borrower to the Administrative Agent pursuant to this Section 4.01, as the case may be. All amounts owing under this Agreement and the Notes (other than principal of and interest on Loans denominated in an Alternative Currency) are denominated and payable in Dollars.

(b) Any Lender for whose account any such payment is to be made may (but shall not be obligated to) debit the amount of any such payment that is not made by such time to any ordinary deposit account of the Borrower obligated to make such payment with such Lender (with notice to such Borrower and the Administrative Agent), provided that such Lender's failure to give such notice shall not affect the validity thereof.

(c) Each Borrower shall, at the time of making each payment under this Agreement or any Note for account of any Lender, specify to the Administrative Agent (which shall so notify the intended recipient(s) thereof) the Loans or other amounts payable by such Borrower hereunder to which such payment is to be applied (and in the event that such Borrower fails to so specify, or if an Event of Default has occurred and is continuing, the Administrative Agent may distribute such payment to the Lenders for application in such manner as it or the Requisite Lenders (with respect to COB or FSB as Borrower) or Majority Tranche B Lenders (with respect to COFC as Borrower), subject to Section 4.02 hereof, may determine to be appropriate).

(d) Each payment received by the Administrative Agent under this Agreement or any Note for account of any Lender shall be paid by the Administrative Agent promptly to such Lender, in immediately available funds, for account of such Lender's Applicable Lending Office for the Loan or other obligation in respect of which such payment is made.

(e) If the due date of any payment under this Agreement or any Note would otherwise fall on a day that is not a Business Day, such date shall be extended to the next succeeding Business Day, and interest shall be payable for any principal so extended for the period of such extension.

4.02 Pro Rata Treatment. Except to the extent otherwise provided herein:

(a) each borrowing under Section 2.01 hereof of Syndicated Loans of a particular Tranche from the Lenders holding Commitments under such Tranche shall be made from such Lenders, each payment under Section 2.05(a) hereof of facility fee to the Lenders under such Tranche (allocated between the Borrowers in accordance with the last two sentences of Section 2.05(a) hereof), and each termination or reduction under Section 2.04 hereof of the Commitments under such Tranche shall be applied to the respective Commitments of the Lenders under such Tranche, pro rata according to the amounts of their respective Commitments under such Tranche;

(b) except as otherwise provided in Section 5.04 hereof, Eurocurrency Loans under a particular Tranche having the same Interest Period shall be allocated among the Lenders under such Tranche pro rata according to the amounts of their respective Commitments under such Tranche;

(c) each payment or prepayment of principal of Syndicated Loans under a Tranche, and each payment under Section 2.05 hereof of utilization fee to the Lenders under such Tranche, shall be made by a Borrower (allocated between the Borrowers in accordance with the last sentence of Section 2.05(b) hereof) for account of the Lenders under such Tranche pro rata according to the respective unpaid principal amounts of the Syndicated Loans of such Tranche owing by such Borrower held by such Lenders; and

(d) each payment of interest on Syndicated Loans under a Tranche shall be made by a Borrower for account of the Lenders under such Tranche pro rata according to the amounts of interest on such Loans then due and payable by such Borrower to such Lenders.

4.03 Computations. Interest on Money Market Loans and Eurocurrency Loans and facility and utilization fee shall be computed on the basis of a year of 360 days and actual days elapsed (including the first day but excluding the last day) occurring in the period for which payable, and interest on Base Rate Loans shall be computed on the basis of a year of 365 or 366 days, as the case may be, and actual days elapsed (including the first day but excluding the last day) occurring in the period for which payable. Notwithstanding the foregoing, (a) for each day that the Base Rate is calculated by reference to the Federal Funds Rate, interest on Base Rate Loans shall be computed on the basis of a year of 360 days and actual days elapsed and (b) interest on Eurocurrency Loans denominated in Pounds Sterling shall be computed on the basis of a year of 365 or 366 days, as the case may be.

4.04 Minimum Amounts. Except for prepayments made pursuant to Section 5.04 hereof, each borrowing and partial prepayment of principal of Loans (other than Money Market Loans) shall aggregate to an integral multiple of $1,000,000 and not less than $10,000,000 (borrowings or prepayments of Loans of different Types or, in the case of Eurocurrency Loans, having different Interest Periods at the same time hereunder to be deemed separate borrowings and prepayments for purposes of the foregoing, one for each Type or Interest Period), provided that (a) the aggregate principal amount of Eurocurrency Loans under Tranche A-($) having the same Interest Period shall aggregate to an integral multiple of $1,000,000 and not less than $20,000,000, (b) the aggregate principal amount of Eurocurrency Loans under any of Tranche A-(MC), Tranche B-($) and Tranche B-(MC) having the same Interest Period and denominated in the same Currency shall aggregate to an integral multiple of $1,000,000 and not less than $5,000,000 (or, in the case of Loans denominated in an Alternative Currency, the Foreign Currency Equivalent thereof (rounded to the nearest 1,000 units of such Alternative Currency)) and (c) if any Eurocurrency Loans would otherwise be in a lesser principal amount for any period, such Loans shall be Base Rate Loans during such period.

4.05 Certain Notices. Except as otherwise provided in Section 2.03 hereof with respect to Money Market Loans, notices by a Borrower to the Administrative Agent of terminations or reductions of the Commitments and of borrowings and optional prepayments of Loans, of Tranches, Currencies and Types of Loans and of the duration of Interest Periods shall be irrevocable and shall be effective only if received by the Administrative Agent not later than 11:00 a.m. New York time on the number of Business Days prior to the date of the relevant termination, reduction, borrowing or prepayment or the first day of such Interest Period specified below:

Type	Number of Business Days Prior
Termination or reduction of Commitments	3
Borrowing or prepayment of Base Rate Loans	same day
Borrowing or prepayment of, or duration of Interest Period for, Eurocurrency Loans denominated in Dollars	3
Borrowing or prepayment of, or duration of Interest Period for, Eurocurrency Loans denominated in an Agreed Alternative Currency	4

Each such notice of termination or reduction shall specify the amount and Tranche of the Commitments to be terminated or reduced. Each such notice of borrowing or optional prepayment shall be in substantially the form of Exhibit D hereto and shall specify the Loans to be borrowed or prepaid and the amount (subject to Section 4.04 hereof), Tranche, Currency (in the case of Tranche A-(MC) Loans or Tranche B-(MC) Loans) and Type of each Loan to be borrowed or prepaid, the date of borrowing or optional prepayment (which shall be a Business Day), the Interest Period of the Loans to be borrowed or prepaid and the identity of the Applicable Borrower; provided that any notice of borrowing given by FSB shall also be signed by COB. The Administrative Agent shall promptly notify the affected Lenders of the contents of each such notice.

4.06 Non-Receipt of Funds by the Administrative Agent. Unless the Administrative Agent shall have been notified by a Lender or a Borrower (the "Payor") prior to the date on which the Payor is to make payment to the Administrative Agent of (in the case of a Lender) the proceeds of a Loan to be made by such Lender hereunder or (in the case of a Borrower) a payment to the Administrative Agent for account of one or more of the Lenders hereunder (such payment being herein called the "Required Payment"), which notice shall be effective upon receipt, that the Payor does not intend to make the Required Payment to the Administrative Agent, the Administrative Agent may assume that the Required Payment has been made and may, in reliance upon such assumption (but shall not be required to), make the amount thereof available to the intended recipient(s) on such date; and, if the Payor has not in fact made the Required Payment to the Administrative Agent, the recipient(s) of such payment shall, on demand, repay to the Administrative Agent the amount so made available together with interest thereon in respect of each day during the period commencing on the date (the "Advance Date") such amount was so made available by the Administrative Agent until the date the Administrative Agent recovers such amount at a rate per annum equal to the Federal Funds Rate for such day and, if such recipient(s) shall fail promptly to make such payment, the Administrative Agent shall be entitled to recover such amount, on demand, from the Payor, together with interest as aforesaid, provided that if neither the recipient(s) nor the Payor shall return the Required Payment to the Administrative Agent within three Business Days of the Advance Date, then, retroactively to the Advance Date, the Payor and the recipient(s) shall each be obligated to pay interest on the Required Payment as follows:

(i) if the Required Payment shall represent a payment to be made by a Borrower to the Lenders, such Borrower and the recipient(s) shall each be obligated retroactively to the Advance Date to pay interest in respect of the Required Payment at the Post-Default Rate (without duplication of the obligation of such Borrower under Section 3.02 hereof to pay interest on the Required Payment at the Post-Default Rate), it being understood that the return by the recipient(s) of the Required Payment to the Administrative Agent shall not limit such obligation of such Borrower under said Section 3.02 to pay interest at the Post-Default Rate in respect of the Required Payment; and

(ii) if the Required Payment shall represent proceeds of a Loan to be made by the Lenders to a Borrower, the Payor and such Borrower shall each be obligated retroactively

to the Advance Date to pay interest in respect of the Required Payment pursuant to whichever of the rates specified in Section 3.02 hereof is applicable to the Type of such Loan, it being understood that the return by such Borrower of the Required Payment to the Administrative Agent shall not limit any claim such Borrower may have against the Payor in respect of such Required Payment.

4.07 Sharing of Payments, Etc.

(a) Each Borrower agrees that, in addition to (and without limitation of) any right of set-off, banker's lien or counterclaim a Lender may otherwise have, each Lender shall be entitled, at its option (to the fullest extent permitted by law), to set off and apply any deposit (general or special, time or demand, provisional or final), or other indebtedness, held by it for the credit or account of such Borrower at any of its offices, in Dollars or in any other currency, against any principal of or interest on any of such Lender's Loans to such Borrower or any other amount payable by such Borrower to such Lender hereunder, that is not paid when due (regardless of whether such deposit or other indebtedness is then due to such Borrower), in which case it shall promptly notify such Borrower and the Administrative Agent thereof, provided that such Lender's failure to give such notice shall not affect the validity thereof.

(b) If any Lender shall obtain from a Borrower payment of any principal of or interest on any Syndicated Loan under any Tranche owing to such Lender or payment of any other amount owing under this Agreement (other than in respect of Money Market Loans) through the exercise of any right of set-off, banker's lien or counterclaim or similar right or otherwise (other than from the Administrative Agent as provided herein), and, as a result of such payment, such Lender shall have received a greater percentage of the principal of or interest on the Syndicated Loans of such Tranche or such other amounts in respect of such Tranche due hereunder from such Borrower to such Lender than the percentage received by any other Lender under such Tranche, it shall promptly purchase from such other Lenders participations in (or, if and to the extent specified by such Lender, direct interests in) the Loans of such Tranche or such other amounts, respectively, owing to such other Lenders (or in interest due thereon, as the case may be) in such amounts, and make such other adjustments from time to time as shall be equitable, to the end that all the Lenders under such Tranche shall share the benefit of such excess payment (net of any expenses that may be incurred by such Lender in obtaining or preserving such excess payment) pro rata in accordance with the unpaid principal of and/or interest on the Loans of such Tranche or such other amounts, respectively, owing to each of the Lenders under such Tranche. To such end all the Lenders under such Tranche shall make appropriate adjustments among themselves (by the resale of participations sold or otherwise) if such payment is rescinded or must otherwise be restored.

(c) The Borrower obligated in respect of such Loans or other amounts agrees that any Lender so purchasing such a participation (or direct interest) may exercise all rights of set-off, banker's lien, counterclaim or similar rights with respect to such participation as fully as if such Lender were a direct holder of Loans or other amounts (as the case may be) owing to such Lender in the amount of such participation.

(d) Nothing contained herein shall require any Lender to exercise any such right or shall affect the right of any Lender to exercise, and retain the benefits of exercising, any such right with respect to any other indebtedness or obligation of a Borrower. If, under any applicable bankruptcy, insolvency or other similar law, any Lender receives a secured claim in lieu of a set-off to which this Section 4.07 applies, such Lender shall, to the extent practicable, exercise its rights in respect of such secured claim in a manner consistent with the rights of the Lenders entitled under this Section 4.07 to share in the benefits of any recovery on such secured claim.

Section 5. Yield Protection, Etc.

5.01 Additional Costs.

(a) Each Borrower shall pay directly to each Lender from time to time such amounts as such Lender may determine to be necessary to compensate such Lender for any costs that such Lender determines are attributable to its making or maintaining of any Fixed Rate Loans owing by such Borrower or its obligation to make to such Borrower any Fixed Rate Loans hereunder, or any reduction in any amount receivable by such Lender hereunder in respect of any of such Loans or such obligation (such increases in costs and reductions in amounts receivable being herein called "Additional Costs"), resulting from any Regulatory Change that:

(i) shall subject any Lender (or its Applicable Lending Office for any of such Loans) to any tax, duty or other charge in respect of such Loans or its Notes or changes the basis of taxation of any amounts payable to such Lender under this Agreement or its Notes in respect of any of such Loans (excluding changes in the rate of tax on the overall net income of such Lender or of such Applicable Lending Office by the jurisdiction in which such Lender has its principal office or such Applicable Lending Office); or

(ii) imposes or modifies any reserve, special deposit or similar requirements (other than, in the case of any Lender for any period as to which a Borrower is required to pay any amount under Section 5.01(d) hereof, the reserves against "Eurocurrency liabilities" under Regulation D referred to therein) relating to any extensions of credit or other assets of, or any deposits with or other liabilities of, such Lender (including, without limitation, any of such Loans or any deposits referred to in the definition of "Fixed Base Rate" in Section 1.01 hereof), or any commitment of such Lender (including, without limitation, the Commitment(s) of such Lender hereunder); or

(iii) imposes any other condition affecting this Agreement or its Notes (or any of such extensions of credit or liabilities) or its Commitment(s).

If any Lender requests compensation from a Borrower under this Section 5.01(a), such Borrower may, by notice to such Lender (with a copy to the Administrative Agent), suspend the obligation of such Lender thereafter to make Eurocurrency Loans to such Borrower until the Regulatory

Change giving rise to such request ceases to be in effect (in which case the provisions of Section 5.04 hereof shall be applicable), provided that such suspension shall not affect the right of such Lender to receive the compensation so requested.

(b) Without limiting the effect of the foregoing provisions of this Section 5.01 (but without duplication), if any Lender shall have determined that any law or regulation or any interpretation, directive or request (whether or not having the force of law and whether or not failure to comply therewith would be unlawful) of any court or governmental or monetary authority, (i) following any Regulatory Change, (ii) in connection with the "Euro" (or some other similar unit of account) becoming a currency in its own right in connection with European monetary union contemplated by the Maastricht Treaty or (iii) implementing any risk-based capital guideline or other requirement (whether or not having the force of law and whether or not the failure to comply therewith would be unlawful) hereafter issued by any government or governmental or supervisory authority implementing at the national level the Basle Accord, has or would have the effect of reducing the rate of return on assets or equity of such Lender (or any Applicable Lending Office of such Lender or any bank holding company of which such Lender is a subsidiary) as a consequence of such Lender's Commitment to make or maintain Loans to a Borrower or Loans made to such Borrower to a level below that which such Lender (or any Applicable Lending Office or such bank holding company) could have achieved but for such law, regulation, interpretation, directive or request, then such Borrower shall pay directly to each Lender from time to time on request such amounts as such Lender may determine to be necessary to compensate such Lender (or, without duplication, such bank holding company) for such reduction.

(c) Each Lender shall notify the relevant Borrower of any event occurring after the date hereof entitling such Lender to compensation from such Borrower under paragraph (a) or (b) of this Section 5.01 as promptly as practicable, but in any event within 45 days, after such Lender obtains actual knowledge thereof; provided that (i) if any Lender fails to give such notice within 45 days after it obtains actual knowledge of such an event, such Lender shall, with respect to compensation payable by such Borrower pursuant to this Section 5.01 in respect of any costs resulting from such event, only be entitled to payment under this Section 5.01 for costs incurred from and after the date 45 days prior to the date that such Lender does give such notice and (ii) each Lender will designate a different Applicable Lending Office for the Loans of such Lender affected by such event if such designation will avoid the need for, or reduce the amount of, such compensation and will not, in the sole opinion of such Lender, be disadvantageous to such Lender, except that such Lender shall have no obligation to designate an Applicable Lending Office located in the United States of America. Each Lender will furnish to the relevant Borrower a certificate setting forth the basis and amount of each request by such Lender for compensation under paragraph (a) or (b) of this Section 5.01. Determinations and allocations by any Lender for purposes of this Section 5.01 of the effect of any Regulatory Change pursuant to paragraph (a) of this Section 5.01, or of the effect of capital maintained pursuant to paragraph (b) of this Section 5.01, on its costs or rate of return of maintaining Loans or its obligation to make Loans, or on amounts receivable by it in respect of Loans, and of the amounts required to

compensate such Lender under this Section 5.01, shall be conclusive, provided that such determinations and allocations are made on a reasonable basis.

(d) Without limiting the effect of the foregoing, the Applicable Borrower shall pay to each Lender on the last day of the Interest Period therefor so long as such Lender is maintaining reserves against "Eurocurrency liabilities" under Regulation D (or, unless the provisions of paragraph (b) above are applicable, so long as such Lender is, by reason of any Regulatory Change, maintaining reserves against any other category of liabilities that includes deposits by reference to which the interest rate on Fixed Rate Loans is determined as provided in this Agreement or against any category of extensions of credit or other assets of such Lender that includes any Fixed Rate Loans) an additional amount (determined by such Lender and notified to such Borrower through the Administrative Agent) equal to the product of the following for each Fixed Rate Loan for each day during such Interest Period:

(i) the principal amount of such Fixed Rate Loan outstanding on such day; and

(ii) the remainder of (x) a fraction the numerator of which is the rate (expressed as a decimal) at which interest accrues on such Fixed Rate Loan for such Interest Period as provided in this Agreement (less the Applicable Margin) and the denominator of which is one minus the effective rate (expressed as a decimal) at which such reserve requirements are imposed on such Lender on such day minus (y) such numerator; and

(iii) 1/360.

5.02 Limitation on Types of Loans 02 Limitation on Types of Loans. Anything herein to the contrary notwithstanding, if, on or prior to the determination of any Fixed Base Rate for any Interest Period:

(a) the Administrative Agent determines, which determination shall be conclusive, that quotations of interest rates for the relevant deposits referred to in the definition of "Fixed Base Rate" in Section 1.01 hereof are not being provided in the relevant amounts or Currencies or for the relevant maturities for purposes of determining rates of interest for either Type of Fixed Rate Loans as provided herein; or

(b) with respect to any Tranche, the Majority Tranche Lenders under such Tranche determine (or any Lender that has outstanding a Money Market Quote with respect to a LIBOR Market Loan determines), which determination shall be conclusive, and notify (or notifies, as the case may be) the Administrative Agent that the relevant rates of interest referred to in the definition of "Fixed Base Rate" in Section 1.01 hereof upon the basis of which the rate of interest for Eurocurrency Loans (or LIBOR Market Loans, as the case may be) in any Currency for such Interest Period under such Tranche is to be determined will not adequately and fairly reflect the cost to such Lenders (or to such quoting Lender) of making or maintaining Eurocurrency Loans (or LIBOR Market Loans, as the case may be) in such Currency for such Interest Period;

then the Administrative Agent shall give each affected Borrower and Lender prompt notice thereof and, so long as such condition remains in effect, the Lenders (or such quoting Lender) shall be under no obligation to make additional Eurocurrency Loans in such Currency, and such Lender shall no longer be obligated to make any LIBOR Market Loan in such Currency that it has offered to make.

5.03 Illegality; Agreed Alternative Currencies.

(a) Notwithstanding any other provision of this Agreement, in the event that it becomes unlawful for any Lender or its Applicable Lending Office to honor its obligation to make or maintain Eurocurrency Loans or LIBOR Market Loans in any Currency hereunder (and, in the sole opinion of such Lender, the designation of a different Applicable Lending Office would either not avoid such unlawfulness or would be disadvantageous to such Lender), then such Lender shall promptly notify each affected Borrower thereof (with a copy to the Administrative Agent) and such Lender's obligation to make Eurocurrency Loans in such Currency shall be suspended until such time as such Lender may again make and maintain Eurocurrency Loans in such Currency (in which case the provisions of Section 5.04 hereof shall be applicable), and such Lender shall no longer be obligated to make any LIBOR Market Loan in such Currency that it has offered to make.

(b) Notwithstanding any other provision of this Agreement, if (i) the "Euro" (or some other similar unit of account) shall become a currency in its own right in connection with European monetary union contemplated by the Maastricht Treaty and (ii) with respect to either Tranche A-(MC) or Tranche B-(MC), the Majority Tranche Lenders under such Tranche determine, which determination shall be conclusive, and notify the Administrative Agent that such event shall require one or more Lenders to perform obligations that have become incapable of performance or the performance of which is fundamentally different in character than the nature of performance contemplated at the time of the execution and delivery of this Agreement, then no Lender under such Tranche shall thereafter be obligated to make any Syndicated Loan available in an Agreed Alternative Currency included in or converted into the "Euro" (and no Lender under such Tranche shall be obligated to make a LIBOR Market Loan in such Currency that it has offered to make).

5.04 Treatment of Affected Loans. If the obligation of any Lender to make Eurocurrency Loans in Dollars shall be suspended pursuant to Section 5.01 or 5.03 hereof, then, unless and until such Lender gives notice as provided below that the circumstances specified in Section 5.01 or 5.03 hereof that gave rise to such suspension no longer exist (which such Lender agrees to do promptly upon such circumstances ceasing to exist), all Loans that would otherwise be made by such Lender as Eurocurrency Loans in Dollars shall be made instead as Base Rate Loans. If the obligation of any Lender to make Eurocurrency Loans denominated in any Agreed Alternative Currency shall be suspended pursuant to Section 5.01 or 5.03 hereof, then, unless and until such Lender gives notice as provided below that the circumstances specified in Section 5.01 or 5.03 hereof that gave rise to such suspension no longer exist (which such Lender agrees to do

promptly upon such circumstances ceasing to exist), all Loans that would otherwise be made by such Lender as Eurocurrency Loans in such Agreed Alternative Currency shall, except as provided in the immediately preceding sentence, be made instead as Eurocurrency Loans denominated in Dollars.

5.05 Compensation. Each Borrower shall pay to the Administrative Agent for account of each Lender, upon the request of such Lender through the Administrative Agent, such amount or amounts as shall be sufficient (in the reasonable opinion of such Lender) to compensate such Lender for any loss, cost or expense that such Lender determines is attributable to:

(a) any payment or mandatory or optional prepayment of a Fixed Rate Loan or a Set Rate Loan made by such Lender to such Borrower (which shall not include the return by a Borrower pursuant to Section 4.06 hereof of any Required Payment previously advanced to such Borrower by the Administrative Agent on behalf of a Lender) for any reason (including, without limitation, the acceleration of the Loans pursuant to Section 9 hereof) on a date other than the last day of the Interest Period for such Loan; or

(b) any failure by such Borrower for any reason (including, without limitation, the failure of any of the conditions precedent specified in Section 6 hereof to be satisfied) to borrow a Fixed Rate Loan or a Set Rate Loan (with respect to which, in the case of a Money Market Loan, such Borrower has accepted a Money Market Quote) from such Lender on the date for such borrowing specified in the relevant notice of borrowing given pursuant to Section 2.02 or 2.03(b) hereof.

Such compensation shall be equal to an amount equal to the excess, if any, of (i) the amount of interest that otherwise would have accrued on the principal amount so paid, prepaid or not borrowed for the period from the date of such payment, prepayment or failure to borrow to the last day of the then current Interest Period for such Loan (or, in the case of a failure to borrow, the Interest Period for such Loan that would have commenced on the date specified for such borrowing) at the Eurocurrency Rate for such Loan for such Interest Period over (ii) the amount of interest that otherwise would have accrued on such principal amount at a rate per annum equal to the interest component of the amount such Lender would have bid in the London interbank market (if such Loan is a Eurocurrency Loan or a LIBOR Market Loan) or the United States secondary certificate of deposit market (if such Loan is a Set Rate Loan) for deposits denominated in the relevant Currency of leading banks in amounts comparable to such principal amount and with maturities comparable to such period (as reasonably determined by such Lender). Any Lender requesting compensation pursuant to this Section 5.05 will furnish to the relevant Borrower a certificate setting forth its computation of the amount of such compensation, which certificate shall be conclusive as to the amount of such compensation provided that the computations made therein are made on a reasonable basis.

5.06 U.S. Taxes.

(a) Each Borrower agrees to pay to each Lender that is not a U.S. Person such additional amounts as are necessary in order that the net payment of any amount due from such Borrower to such non-U.S. Person hereunder after deduction for or withholding in respect of any U.S. Taxes imposed with respect to such payment (or in lieu thereof, payment of such U.S. Taxes by such non-U.S. Person), will not be less than the amount stated herein to be then due and payable, provided that the foregoing obligation to pay such additional amounts shall not apply:

(i) to any payment to any Lender hereunder unless such Lender is, on the date hereof (or on the date it becomes a Lender hereunder as provided in Section 11.06(b) hereof) and on the date of any change in the Applicable Lending Office of such Lender, either entitled to submit a Form 1001 (relating to such Lender and entitling it to a complete exemption from withholding on all interest to be received by it hereunder in respect of the Loans) or Form 4224 (relating to all interest to be received by such Lender hereunder in respect of the Loans), or

(ii) to any U.S. Taxes imposed solely by reason of the failure by such non-U.S. Person to comply with applicable certification, information, documentation or other reporting requirements concerning the nationality, residence, identity or connections with the United States of America of such non-U.S. Person if such compliance is required by statute or regulation of the United States of America as a precondition to relief or exemption from such U.S. Taxes.

For the purposes of this Section 5.06(a), (A) "U.S. Person" shall mean a citizen, national or resident of the United States of America, a corporation, partnership or other entity created or organized in or under any laws of the United States of America or any State thereof, or any estate or trust that is subject to Federal income taxation regardless of the source of its income, (B) "U.S. Taxes" shall mean any present or future tax, assessment or other charge or levy imposed by or on behalf of the United States of America or any taxing authority thereof or therein, (C) "Form 1001" shall mean Form 1001 (Ownership, Exemption, or Reduced Rate Certificate) of the Department of the Treasury of the United States of America and (D) "Form 4224" shall mean Form 4224 (Exemption from Withholding of Tax on Income Effectively Connected with the Conduct of a Trade or Business in the United States) of the Department of the Treasury of the United States of America (or in relation to either such Form such successor and related forms as may from time to time be adopted by the relevant taxing authorities of the United States of America to document a claim to which such Form relates). Each of the Forms referred to in the foregoing clauses (C) and (D) shall include such successor and related forms as may from time to time be adopted by the relevant taxing authorities of the United States of America to document a claim to which such Form relates.

(b) Within 30 days after paying any amount to the Administrative Agent or any Lender from which it is required by law to make any deduction or withholding, and within 30

days after it is required by law to remit such deduction or withholding to any relevant taxing or other authority, the relevant Borrower shall deliver to the Administrative Agent for delivery to such non-U.S. Person evidence satisfactory to such Person of such deduction, withholding or payment (as the case may be).

(c) If a Lender or an affiliate with whom such Lender files a consolidated tax return (or equivalent) subsequently receives the benefit in any country of a tax credit or an allowance resulting from U.S. Taxes with respect to which it has received a payment of an additional amount under this Section 5.07, such Lender will pay to the relevant Borrower such part of that benefit as in the opinion of such Lender will leave it (after such payment) in a position no more and no less favorable than it would have been in if no additional payment had been required to be paid, provided always that (i) such Lender will be the sole judge of the amount of any such benefit and of the date on which it is received, (ii) such Lender will have the absolute discretion as to the order and manner in which it employs or claims tax credits and allowances available to it and (iii) such Lender will not be obliged to disclose to any Borrower any information regarding its tax affairs or tax computations.

5.07 Replacement of Lenders. If any Lender requests compensation pursuant to Section 5.01 or 5.06 hereof, or any Lender's obligation to make Loans of any Type or in any Currency shall be suspended pursuant to Section 5.01 or 5.03 hereof, or any Lender becomes a Defaulting Lender pursuant to Section 11.04 hereof (any such Lender requesting such compensation, or whose obligations are so suspended, or that becomes and remains a Defaulting Lender, being herein called a "Subject Lender"), the Borrowers, upon three Business Days notice, may (jointly but not severally) require that such Subject Lender transfer all of its right, title and interest under this Agreement and such Subject Lender's Notes to any bank or other financial institution (a "Proposed Lender") identified by the Borrowers that is satisfactory to the Administrative Agent (i) if such Proposed Lender agrees to assume all of the obligations of such Subject Lender hereunder, and to purchase all of such Subject Lender's Loans hereunder for consideration equal to the aggregate outstanding principal amount of such Subject Lender's Loans, together with interest thereon to the date of such purchase, and satisfactory arrangements are made for payment to such Subject Lender of all other amounts payable hereunder to such Subject Lender on or prior to the date of such transfer (including any fees accrued hereunder and any amounts that would be payable under Section 5.05 hereof as if all of such Subject Lender's Loans were being prepaid in full on such date) and (ii) if such Subject Lender has requested compensation pursuant to Section 5.01 or 5.06 hereof, such Proposed Lender's aggregate requested compensation, if any, pursuant to said Section 5.01 or 5.06 with respect to such Subject Lender's Loans is lower than that of the Subject Lender. Subject to the provisions of Section 11.06(b) hereof, such Proposed Lender shall be a "Lender" for all purposes hereunder. Without prejudice to the survival of any other agreement of the Borrowers hereunder, the agreements of the Borrowers contained in Sections 2.12, 5.01, 5.06, 11.03 and 11.13 hereof (without duplication of any payments made to such Subject Lender by the Borrowers or the Proposed Lender) shall survive for the benefit of such Subject Lender under this Section 5.07 with respect to the time prior to such replacement.

Section 6. Conditions Precedent.

6.01 Conditions to Effectiveness. The effectiveness of the amendment and restatement of the Existing Credit Agreement provided for hereby as of the Restatement Date is subject to the conditions precedent that the Administrative Agent shall have received the following documents (with, in the case of clauses (a), (b), (c), (d), (e) and (h) below, sufficient copies for each Lender), each of which shall be satisfactory to the Administrative Agent and special New York counsel to Chase in form and substance:

(a) Corporate Documents. Certified copies of the charter and by-laws (or equivalent documents) of each Borrower and of all corporate authority for each Borrower (including, without limitation, board of director resolutions and evidence of the incumbency, including specimen signatures, of officers) with respect to the execution, delivery and performance of the Basic Documents and each other document to be delivered by such Borrower from time to time in connection herewith and the Loans hereunder (and the Administrative Agent and each Lender may conclusively rely on such certificate until it receives notice in writing from the relevant Borrower to the contrary).

(b) Officer's Certificate. A certificate of a senior officer of each Borrower, dated the Restatement Effective Date, to the effect that, after giving effect to any borrowing of Loans to be made on the Restatement Effective Date, (i) no Default shall have occurred and be continuing and (ii) the representations and warranties made by the Borrowers in Section 7 hereof (including the last sentence of Section 7.02 hereof and in Section 7.03 hereof) shall be true and complete on and as of the Restatement Effective Date with the same force and effect as if made on and as of such date (or, if any such representation or warranty is expressly stated to have been made as of a specific date, as of such specific date).

(c) Opinion of Counsel to the Borrowers. An opinion, dated the Restatement Effective Date, of McGuire, Woods, Battle & Boothe, counsel to the Borrowers, substantially in the form of Exhibit B-1 hereto and covering such other matters as the Administrative Agent may reasonably request (and the Borrowers hereby instruct such counsel to deliver such opinion to the Lenders and the Administrative Agent).

(d) Opinion of Counsel to the Borrowers. An opinion, dated the Restatement Effective Date, of John Finneran, Esq., counsel to the Borrowers, substantially in the form of Exhibit B-2 hereto and covering such other matters as the Administrative Agent may reasonably request (and the Borrowers hereby instruct such counsel to deliver such opinion to the Lenders and the Administrative Agent).

(e) Opinion of Special New York Counsel to Chase. An opinion, dated the Restatement Effective Date, of Milbank, Tweed, Hadley & McCloy, special New York

counsel to Chase, substantially in the form of Exhibit C hereto (and Chase hereby instructs such counsel to deliver such opinion to the Lenders).

(f) Notes. The Notes, duly completed and executed for each Lender.

(g) Existing Indebtedness. No Loans shall be outstanding under the Existing Credit Agreement other than Tranche C Loans (as defined in the Existing Credit Agreement) made to COFC prior to the date hereof in an aggregate outstanding principal amount not to exceed $70,000,000 and with an Interest Period ending not later than November 29, 1996.

(h) Other Documents. Such other documents as the Administrative Agent or special New York counsel to Chase may reasonably request.

The effectiveness of the obligations of any Lender hereunder is also subject to the payment by the Borrowers of such fees as the Borrowers shall have agreed to pay or deliver to any Lender or the Administrative Agent in connection herewith, including, without limitation, the reasonable fees and expenses of Milbank, Tweed, Hadley & McCloy, special New York counsel to Chase, in connection with the negotiation, preparation, execution and delivery of this Agreement and the Notes (to the extent that statements for such fees and expenses have been delivered to the Borrowers), but subject to the limitations set forth in the commitment letter dated October 4, 1996 from Chase and Chase Securities Inc. addressed to the Borrowers.

6.02 Initial and Subsequent Loans. The obligation of any Lender to make any Loan (including any Money Market Loan) to a Borrower upon the occasion of each borrowing hereunder is subject to the further conditions precedent that:

(a) in the case of a Syndicated Loan, the Applicable Borrower shall have given notice of such borrowing by delivery of a Notice of Borrowing in substantially the form of Exhibit D hereto to the Administrative Agent;

(b) in the case of a Money Market Loan, the Applicable Borrower shall have requested that the Lenders make offers to make Money Market Loans by delivery of a Money Market Quote Request in substantially the form of Exhibit E hereto to the Administrative Agent; and

(c) both immediately prior to the making of such Loan and also after giving effect thereto and to the intended use thereof, but only if such borrowing will increase the outstanding aggregate principal amount of the Loans under any Tranche owing by such Borrower to any Lender hereunder:

(i) no Default shall have occurred and be continuing; and

(ii) the representations and warranties made by such Borrower in Section 7 hereof (other than the Excluded Representations, but, if such borrowing will increase the outstanding aggregate principal amount of the Loans under any Tranche owing by COFC to any Lender hereunder, including the representations and warranties made by each Borrower in Section 7 hereof, other than the Excluded Representations) shall be true and complete on and as of the date of the making of such Loan with the same force and effect as if made on and as of such date (or, if any such representation or warranty is expressly stated to have been made as of a specific date, as of such specific date).

Section 7. Representations and Warranties. Each Borrower represents and warrants to the Administrative Agent and the Lenders that:

7.01 Corporate Existence. Each of such Borrower and its Subsidiaries: (a) is a corporation, partnership or other entity duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization; (b) has all requisite corporate or other power, and has all material governmental licenses, authorizations, consents and approvals necessary to own its assets and carry on its business as now being conducted; and (c) is qualified to do business and is in good standing in all jurisdictions in which the nature of the business conducted by it makes such qualification necessary and where failure so to qualify could (either individually or in the aggregate) have a Material Adverse Effect. COB is a member in good standing with the Federal Reserve System, and COB's deposit accounts are insured by the Federal Deposit Insurance Corporation, and no proceedings for the termination or revocation of such insurance are pending or, to the knowledge of any Borrower, threatened.

7.02 Financial Condition. COFC has heretofore furnished to each of the Lenders a consolidated balance sheet of COFC and its Subsidiaries as at December 31, 1995 and the related consolidated statements of income, changes in stockholders'/division equity and cash flows of COFC and its Subsidiaries for the fiscal year ended on said date, with the opinion thereon of Ernst & Young LLP, and the unaudited consolidated balance sheet of COFC and its Subsidiaries as at September 30, 1996 and the related consolidated statements of income, changes in stockholders'/division equity and cash flows of COFC and its Subsidiaries for the nine-month period ended on such date. All such financial statements present fairly, in all material respects, the consolidated financial condition of COFC and its Subsidiaries as at said dates and the consolidated results of their operations and their cash flows for the fiscal year and nine-month period ended on said dates (subject, in the case of such financial statements as at September 30, 1996, to normal year-end audit adjustments), all in accordance with generally accepted accounting principles in the United States of America and practices applied on a consistent basis. Since December 31, 1995, there has been no material adverse change in the Property, business, operations, financial condition, prospects or capitalization of COFC and its Subsidiaries taken as a whole from that set forth in said financial statements as at said date.

7.03 Litigation. Except as identified in Schedule 7.03 hereto, there are no legal or arbitral proceedings, or any proceedings by or before any governmental or regulatory authority or agency, now pending or (to the knowledge of any Borrower) threatened against or affecting COFC or any of its Subsidiaries as to which there is a reasonable possibility of an adverse determination that could (either individually or in the aggregate) have a Material Adverse Effect.

7.04 No Breach. None of the execution and delivery of this Agreement and the Notes and the other Basic Documents, the consummation of the transactions herein contemplated or compliance with the terms and provisions hereof will conflict with or result in a breach of, or require any consent under, the charter or by-laws of any Borrower, or any applicable law or regulation, or any order, writ, injunction or decree of any court or governmental authority or agency, or any agreement or instrument to which COFC or any of its Subsidiaries is a party or by which any of them or any of their Property is bound or to which any of them is subject, or constitute a default under any such agreement or instrument, except for any such conflict, breach or default that, or consent that if not obtained, could not (either individually or in the aggregate) have a Material Adverse Effect and could not subject the Administrative Agent or any Lender to liability.

7.05 Action. Each Borrower has all necessary corporate power, authority and legal right to execute, deliver and perform its obligations under each of the Basic Documents to which it is a party and to consummate the transactions contemplated thereby; the execution, delivery and performance by each Borrower of each of the Basic Documents to which it is a party and the consummation of the transactions contemplated thereby have been duly authorized by all necessary corporate action on its part (including, without limitation, any required shareholder approvals); and this Agreement has been duly and validly executed and delivered by each Borrower and constitutes, and each of the other Basic Documents to which it is a party when executed and delivered for value will constitute, its legal, valid and binding obligation, enforceable against such Borrower in accordance with its terms, except as may be limited by (a) bankruptcy, insolvency, receivership, conservatorship, reorganization, moratorium or similar laws of general applicability affecting the enforcement of creditors' rights and (b) such enforceability may be limited by the application of general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

7.06 Approvals. No authorizations, approvals or consents of, and no filings or registrations with, any governmental or regulatory authority or agency, or any securities exchange, are necessary for the execution, delivery or performance by any Borrower of this Agreement or any of the other Basic Documents to which any Borrower is a party or for the consummation of any the transactions contemplated hereby or thereby or for the legality, validity or enforceability hereof or thereof.

7.07 Use of Credit. No part of the proceeds of the Loans hereunder will be used to buy or carry any Margin Stock.

7.08 ERISA. Each Plan, and, to the knowledge of each Borrower, each Multiemployer Plan, is in compliance in all material respects with, and has been administered in all material respects in compliance with, the applicable provisions of ERISA, the Code and the Age Discrimination in Employment Act, as amended, and no event or condition has occurred and is continuing as to which any Borrower would be under an obligation to furnish a report to the Lenders under Section 8.01(k) hereof.

7.09 Taxes. COFC and its Subsidiaries are members of an affiliated group of corporations filing consolidated returns for Federal income tax purposes, of which COFC is the "common parent" (within the meaning of Section 1504 of the Code) of such group. COFC and its Subsidiaries have filed all Federal income tax returns and all other material tax returns that are required to be filed by them and have paid all taxes due pursuant to such returns or pursuant to any assessment received by COFC or any of its Subsidiaries. The charges, accruals and reserves on the books of COFC and its Subsidiaries in respect of taxes and other governmental charges are, in the opinion of the Borrowers, adequate. No Borrower has given or been requested to give a waiver of the statute of limitations relating to the payment of any Federal, state, local and foreign taxes or other impositions.

7.10 Investment Company Act. Neither COFC nor any of its Subsidiaries is an "investment company", or a company "controlled" by an "investment company", within the meaning of the Investment Company Act of 1940, as amended.

7.11 Public Utility Holding Company Act. Neither COFC nor any of its Subsidiaries is a "holding company", or an "affiliate" of a "holding company" or a "subsidiary company" of a "holding company", within the meaning of the Public Utility Holding Company Act of 1935, as amended.

7.12 Environmental Matters. Each of COFC and its Subsidiaries has obtained all environmental, health and safety permits, licenses and other authorizations required under all Environmental Laws to carry on its business as now being or as proposed to be conducted, except to the extent failure to have any such permit, license or authorization would not (either individually or in the aggregate) have a Material Adverse Effect. Each of such permits, licenses and authorizations is in full force and effect, and each of COFC and its Subsidiaries is in compliance with the terms and conditions thereof, and is also in compliance with all other limitations, restrictions, conditions, standards, prohibitions, requirements, obligations, schedules and timetables contained in any applicable Environmental Law or in any regulation, code, plan, order, decree, judgment, injunction, notice or demand letter issued, entered, promulgated or approved thereunder, except to the extent failure to comply therewith would not (either individually or in the aggregate) have a Material Adverse Effect.

7.13 True and Complete Disclosure. The information, reports, financial statements, exhibits and schedules furnished in writing by or on behalf of any Borrower to the Administrative Agent or any Lender in connection with the negotiation, preparation or delivery of this Agreement or included herein or delivered pursuant hereto, when taken as a whole, do not contain any untrue statement of material fact or omit to state any material fact necessary to make the statements herein or therein, in light of the circumstances under which they were made, not misleading. All written information furnished after the date hereof by or on behalf of any Borrower to the Administrative Agent and the Lenders in connection with this Agreement and the transactions contemplated hereby will be true, complete and accurate in every material respect, or (in the case of projections) based on reasonable estimates, on the date as of which such information is stated or certified.

Notwithstanding anything in this Section 7 to the contrary, neither COB nor FSB makes any representations or warranties under any of Sections 7.01, 7.04, 7.05, 7.06, 7.10, 7.11 and 7.12 as to COFC or any of its Subsidiaries (other than with respect to COB, FSB and/or any of their respective Subsidiaries).

Section 8. Covenants. Each Borrower covenants and agrees with the Lenders and the Administrative Agent that, so long as any Commitment or Loan is outstanding and until payment in full of all amounts payable by each Borrower hereunder:

8.01 Financial Statements Etc. Each Borrower shall deliver or cause to be delivered to each of the Lenders:

(a) as soon as available and in any event within 60 days after the end of each of the first three quarterly fiscal periods of each fiscal year of COFC, consolidated statements of income, changes in stockholders'/division equity and cash flows of COFC and its Subsidiaries for such period and for the period from the beginning of the respective fiscal year to the end of such period, and the related consolidated balance sheet of COFC and its Subsidiaries as at the end of such period, setting forth in each case in comparative form the corresponding consolidated figures for the corresponding periods in the preceding fiscal year (except that, in the case of balance sheets, such comparison shall be to the last day of the prior fiscal year), accompanied by a certificate of a senior financial officer of COFC, which certificate shall state that said financial statements present fairly, in all material respects, the consolidated financial condition and results of operations of COFC and its Subsidiaries in accordance with generally accepted accounting principles in the United States of America, consistently applied, as at the end of, and for, such period (subject to normal year-end audit adjustments) (or, in lieu thereof, copies of COFC's Quarterly Report on Form 10-Q as filed with the SEC containing such financial statements and information);

(b) as soon as available and in any event within 120 days after the end of each fiscal year of COFC, consolidated statements of income, changes in stockholders'/division equity and cash flows of COFC and its Subsidiaries for such fiscal year and the related consolidated and consolidating balance sheets of COFC and its Subsidiaries as at the end of such fiscal year, setting forth in each case in comparative form the corresponding consolidated figures as of the end of and for the preceding fiscal year, and accompanied by an opinion thereon of independent certified public accountants of recognized national standing, which opinion shall state that said financial statements present fairly, in all material respects, the consolidated financial condition and results of operations and cash flows of COFC and its Subsidiaries as at the end of, and for, such fiscal year in accordance with generally accepted accounting principles in the United States of America (or, in lieu thereof, copies of COFC's Annual Report on Form 10-K as filed with the SEC containing such financial statements and information);

(c) as soon as available and in any event within 60 days after the end of each of the first three quarterly fiscal periods of each fiscal year of COB, consolidated statements of income, changes in stockholders' equity and cash flows of COB and its Subsidiaries for such period and for the period from the beginning of the respective fiscal year to the end of such period, and the related consolidated balance sheet of COB and its Subsidiaries as at the end of such period, setting forth in each case in comparative form the corresponding consolidated figures for the corresponding periods in the preceding fiscal year (except that, in the case of balance sheets, such comparison shall be to the last day of the prior fiscal year), accompanied by a certificate of a senior financial officer of COB, which certificate shall state that said financial statements present fairly, in all material respects, the consolidated financial condition and results of operations of COB and its Subsidiaries in accordance with generally accepted accounting principles in the United States of America, consistently applied, as at the end of, and for, such period (subject to normal year-end audit adjustments);

(d) as soon as available and in any event within 120 days after the end of each fiscal year of COB, consolidated statements of income, changes in stockholders' equity and cash flows of COB and its Subsidiaries for such fiscal year and the related consolidated and consolidating balance sheets of COB and its Subsidiaries as at the end of such fiscal year, setting forth in each case in comparative form the corresponding consolidated figures as of the end of and for the preceding fiscal year, and accompanied by an opinion thereon of independent certified public accountants of recognized national standing, which opinion shall state that said financial statements present fairly, in all material respects, the consolidated financial condition and results of operations and cash flows of COB and its Subsidiaries as at the end of, and for, such fiscal year in accordance with generally accepted accounting principles in the United States of America;

(e) as soon as available and in any event within 60 days after the end of each of the first three quarterly fiscal periods of each fiscal year of FSB, consolidated statements of income, changes in stockholders' equity and cash flows of FSB and its Subsidiaries for

such period and for the period from the beginning of the respective fiscal year to the end of such period, and the related consolidated balance sheet of FSB and its Subsidiaries as at the end of such period, setting forth in each case in comparative form the corresponding consolidated figures for the corresponding periods in the preceding fiscal year (except that, in the case of balance sheets, such comparison shall be to the last day of the prior fiscal year), accompanied by a certificate of a senior financial officer of FSB, which certificate shall state that said financial statements present fairly, in all material respects, the consolidated financial condition and results of operations of FSB and its Subsidiaries in accordance with generally accepted accounting principles in the United States of America, consistently applied, as at the end of, and for, such period (subject to normal year-end audit adjustments);

(f) as soon as available and in any event within 120 days after the end of each fiscal year of FSB, consolidated statements of income, changes in stockholders' equity and cash flows of FSB and its Subsidiaries for such fiscal year and the related consolidated and consolidating balance sheets of FSB and its Subsidiaries as at the end of such fiscal year, setting forth in each case in comparative form the corresponding consolidated figures as of the end of and for the preceding fiscal year, and accompanied by an opinion thereon of independent certified public accountants of recognized national standing, which opinion shall state that said financial statements present fairly, in all material respects, the consolidated financial condition and results of operations and cash flows of FSB and its Subsidiaries as at the end of, and for, such fiscal year in accordance with generally accepted accounting principles in the United States of America;

(g) as soon as available and in any event within 60 days after the end of each quarterly fiscal period of each fiscal year of COB, the "Consolidated Reports of Condition and Income" for COB and its Insured Subsidiaries, all prepared in accordance with regulatory accounting principles prescribed by the Federal Financial Institutions Examination Counsel;

(h) as soon as available and in any event within 60 days after the end of each quarterly fiscal period of each fiscal year of FSB, the "Consolidated Reports of Condition and Income" for FSB and its Insured Subsidiaries, all prepared in accordance with regulatory accounting principles prescribed by the Federal Financial Institutions Examination Counsel;

(i) promptly upon their becoming available, copies of all registration statements (excluding exhibits to such registration statements, and other than registration statements filed on Form S-8 or any successor form) and regular periodic reports filed on Form 10-K, Form 10-Q or Form 8-K (or any successor form), if any, that any Borrower shall have filed with the SEC or any national securities exchange;

(j) promptly upon the mailing thereof to the shareholders of COFC generally, copies of all financial statements, reports and proxy statements so mailed;

(k) as soon as possible, and in any event within ten days after any Borrower knows or has reason to believe that any of the events or conditions specified below with respect to any Plan or Multiemployer Plan has occurred or exists, a statement signed by a senior financial officer of such Borrower setting forth details respecting such event or condition and the action, if any, that such Borrower or its ERISA Affiliate proposes to take with respect thereto (and a copy of any report or notice required to be filed with or given to the PBGC by such Borrower or an ERISA Affiliate with respect to such event or condition, except that a copy of any notice required to be filed for an event described in subparagraph (i) below may be provided at a later date (to be no later than the date such notice is filed) if it has not been filed as of the date of the signed statement described above):

(i) any reportable event, as defined in Section 4043(c) of ERISA and the regulations issued thereunder, with respect to a Plan, as to which the requirement to provide 30 days' notice to the PBGC under Section 4043(a) or Section 4043(b) of ERISA applies, other than a reportable event for which the requirement to provide such notice has been waived by regulation or for which the PBGC has announced in Technical Update 95-3 (or any subsequent administrative guideline) that it will not apply a penalty for failure to provide such notice (provided that a failure to meet the minimum funding standard of Section 412 of the Code or Section 302 of ERISA, including, without limitation, the failure to make on or before its due date a required installment under Section 412(m) of the Code or Section 302(e) of ERISA, shall be a reportable event regardless of the issuance of any waivers in accordance with Section 412(d) of the Code); and any request for a waiver under Section 412(d) of the Code for any Plan;

(ii) the distribution under Section 4041(c) of ERISA of a notice of intent to terminate any Plan or any action taken by any Borrower or an ERISA Affiliate to terminate any Plan under Section 4041(c) of ERISA;

(iii) the institution by the PBGC of proceedings under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Plan, or the receipt by any Borrower or any ERISA Affiliate of a notice from a Multiemployer Plan that such action has been taken by the PBGC with respect to such Multiemployer Plan;

(iv) the complete or partial withdrawal from a Multiemployer Plan by any Borrower or any ERISA Affiliate that results in liability under Section 4201 or 4204 of ERISA (including the obligation to satisfy secondary liability as a result of a purchaser default) or the receipt by any Borrower or any ERISA Affiliate of notice from a Multiemployer Plan that it is in reorganization or insolvency pursuant to Section 4241 or 4245 of ERISA or that it intends to terminate or has terminated under Section 4041A of ERISA;

(v) the institution of a proceeding by a fiduciary of any Multiemployer Plan against any Borrower or any ERISA Affiliate to enforce Section 515 of ERISA, which proceeding is not dismissed within 30 days; and

(vi) the adoption of an amendment to any Plan that, pursuant to Section 401(a)(29) of the Code or Section 307 of ERISA, would result in the loss of tax-exempt status of the trust of which such Plan is a part if any Borrower or an ERISA Affiliate fails to timely provide security to such Plan in accordance with the provisions of said Sections;

(l) within five days after any executive officer of any Borrower obtains knowledge of the occurrence of any Default, if such Default is continuing, a notice of such Default describing the same in reasonable detail and, together with such notice or as soon thereafter as possible, a description of the action that the Borrowers have taken or propose to take with respect thereto;

(m) promptly after any Borrower knows that a change in the Debt Rating assigned by any Rating Agency has occurred, a notice describing the same;

(n) at the time any set of financial statements is furnished pursuant to paragraph (a), (b), (c), (d), (e) or (f) above, a certificate of a senior financial officer of each Borrower (i) to the effect that no Default has occurred and is continuing (or, if any Default has occurred and is continuing, describing the same in reasonable detail and describing the action that the Borrowers have taken or propose to take with respect thereto) and (ii) setting forth in reasonable detail (including, without limitation, as to the component parts of relevant definitions of accounting terms included in Section 1.01 hereof) the computations necessary to determine whether such Borrower is in compliance with its obligations under Sections 8.07 and 8.08 hereof as of the end of the respective quarterly fiscal period or fiscal year; and

(o) from time to time such other information regarding the financial condition, operations, business or prospects of COFC or any of its Subsidiaries as any Lender or the Administrative Agent may reasonably request.

8.02 Litigation. Each Borrower will promptly give to each Lender notice of all legal or arbitral proceedings, and of all investigations or proceedings by or before any governmental or regulatory authority or agency, and any material development in respect of such legal or other proceedings, against or affecting such Borrower or any of its Subsidiaries, except investigations or proceedings (a) as to which there is no reasonable possibility of an adverse determination or (b) that, if adversely determined, would not (either individually or in the aggregate) have a Material Adverse Effect.

8.03 Existence, Etc. Each Borrower will, and will cause each of its Subsidiaries to:

(a) preserve and maintain its legal existence and all of its rights, privileges, licenses and franchises necessary or desirable in the normal conduct of its business (provided that nothing in this Section 8.03 shall prohibit any transaction expressly permitted under Section 8.05 hereof);

(b) comply with the requirements of all applicable laws, rules, regulations and orders of governmental or regulatory authorities (including, without limitation, ERISA, all Environmental Laws and the FDIA and all rules and regulations promulgated thereunder) if failure to comply with such requirements could (either individually or in the aggregate) have a Material Adverse Effect;

(c) pay and discharge all taxes, assessments and governmental charges or levies imposed on it or on its income or profits or on any of its Property prior to the date on which penalties attach thereto, except for any such tax, assessment, charge or levy the payment of which is being contested in good faith and by proper proceedings and against which adequate reserves are being maintained in accordance with generally accepted accounting principles in the United States of America;

(d) maintain all of its Properties used or useful in its business in good working order and condition, ordinary wear and tear excepted, except to the extent that the failure to maintain any such Property in good working order and condition would not (either individually or in the aggregate) have a Material Adverse Effect and would not interfere in the ordinary conduct of its business or operations;

(e) keep adequate records and books of account, in which complete entries will be made in accordance with generally accepted accounting principles in the United States of America consistently applied; and

(f) permit representatives of any Lender or the Administrative Agent, during normal business hours, to examine, copy and make extracts from its books and records, to inspect any of its Properties, and to discuss its business and affairs with its officers, all to the extent reasonably requested by such Lender or the Administrative Agent (as the case may be); provided that no Borrower shall be required to provide (i) the names of, or other information that could be used to identify, account holders, (ii) any proprietary strategic insights or statistical models concerning account holders or potential account holders, (iii) information regarding the specific nature or application of any of the information-based strategies employed by COFC and its Subsidiaries in the conduct of their business or (iv) any proprietary plans or other proprietary information relating to the development of the business of COFC and its Subsidiaries.

8.04 Insurance. Each Borrower will, and will cause each of its Subsidiaries to, maintain (either in its own name or in the name of a Borrower) with financially sound and responsible insurance companies, insurance on all their respective properties in at least such amounts and against at least such risks (and with such risk retention) as are usually insured against in the same general area by companies of established repute engaged in the same or a similar business; and will furnish to the Lenders, upon request from the Administrative Agent, information presented in reasonable detail as to the insurance so carried.

8.05 Prohibition of Fundamental Changes. No Borrower will, nor will it permit any of its Subsidiaries to: (a) enter into any transaction of merger or consolidation or amalgamation, or liquidate, wind up or dissolve itself (or suffer any liquidation or dissolution); or (b) convey, sell, lease, transfer or otherwise dispose of, in one transaction or a series of transactions (a "Transfer"), all or substantially all of its business or Property; provided that:

(i) any Subsidiary of COB may be merged or consolidated with or into, or Transfer all or substantially all of its business or Property to, (x) COB if COB is the continuing, surviving or transferee corporation or (y) any other Subsidiary of COB;

(ii) any Subsidiary of FSB may be merged or consolidated with or into, or Transfer all or substantially all of its business or Property to, (x) FSB if FSB is the continuing, surviving or transferee corporation or (y) any other Subsidiary of FSB;

(iii) the restriction set forth in clause (b) above shall apply, in the case of COB, only to a Transfer of Managed Receivables;

(iv) any Subsidiary of COFC (other than COB, FSB or any of their respective Subsidiaries) may be merged or consolidated with or into, or Transfer all or substantially all of its business or Property to, (x) COFC if COFC is the continuing, surviving or transferee corporation or (y) any other Subsidiary of COFC;

(v) COFC or any of its Subsidiaries (other than COB) may be merged or consolidated with or into, or Transfer all or substantially all of its business or Property to, COB;

(vi) any Subsidiary of COFC (other than COB) may merge or consolidate with or into, or Transfer all or substantially all of its business or Property to, any Person (other than COFC or any of its Subsidiaries) so long as (x) the continuing, surviving or transferee corporation is a Subsidiary of COFC and (y) no Event of Default has occurred and is continuing immediately prior to such merger, consolidation or Transfer or would result therefrom; and

(vii) nothing in this Section 8.05 shall prohibit COFC or any of its Subsidiaries from the sale of credit card loans and other finance receivables pursuant to securitizations.

8.06 Limitation on Liens. No Borrower will, nor will it permit any of its Subsidiaries to, create, incur, assume or suffer to exist any Lien upon any of its Property, whether now owned or hereafter acquired, except:

(a) any Lien existing on any Property of any corporation at the time such corporation becomes a Subsidiary of a Borrower and not created in contemplation of such event;

(b) any Lien on any Property securing Indebtedness incurred or assumed for the purpose of financing all or any part of the cost of acquiring such Property, provided that such Lien attaches to such Property concurrently with or within 90 days after the acquisition thereof;

(c) any Lien on any Property of any corporation existing at the time such corporation is merged or consolidated with or into COFC or any of its Subsidiaries and not created in contemplation of such event;

(d) any Lien existing on any Property prior to the acquisition thereof by COFC or any of its Subsidiaries and not created in contemplation of such acquisition;

(e) any Lien arising out of the refinancing, extension, renewal or refunding of any Indebtedness secured by any Lien permitted by any of the foregoing clauses of this Section 8.06, provided that such Indebtedness is not increased and is not secured by any additional Property;

(f) Liens for taxes not yet due or Liens for taxes being contested in good faith by appropriate proceedings for which adequate reserves (in the good faith judgment of the management of the relevant Borrower) have been established;

(g) Liens in respect of Property of COFC or any of its Subsidiaries imposed by law (i) which are incurred in the ordinary course of business and (x) which do not in the aggregate materially detract from the value of such Property or materially impair the use thereof in the operation of the business of COFC or any of its Subsidiaries or (y) which are being contested in good faith by appropriate proceedings, which proceedings have the effect of preventing the forfeiture or sale of the Property subject to such Lien or (ii) which do not relate to material liabilities of COFC and its Subsidiaries and do not in the aggregate materially detract from the value of the Property of COFC and its Subsidiaries taken as a whole; provided that no Lien permitted under this clause (g) may secure any obligation in an amount exceeding $10,000,000;

(h) Liens arising in the ordinary course of business in connection with securitizations of credit cards and other finance receivables by COFC or any of its Subsidiaries;

(i) Liens on cash and readily marketable securities securing obligations in respect of Swap Agreements in an amount not to exceed the (i) net mark to market exposure of the counterparty thereunder (subject to customary minimum transfer thresholds and periodic valuations) plus (ii) any additional amounts requested by counterparties in accordance with their general internal credit guidelines or policies with respect to particular types of Swap Agreements; and

(j) Liens on Property of a Borrower and its Subsidiaries not otherwise permitted by the foregoing clauses of this Section 8.06 securing Indebtedness of such Borrower or any of its Subsidiaries in an aggregate principal or face amount not to exceed 10% of Tangible Net Worth with respect to such Borrower.

8.07 Financial Covenants.

(a) No Borrower will permit its Delinquency Ratio on the last day of any calendar month to exceed 5.5% (with respect to FSB, subject to the proviso to the definition of "Delinquency Ratio" in Section 1.01 hereof).

(b) No Borrower will permit its Tier 1 Capital to Managed Receivables Ratio on any date to be less than 4.0%; provided that the Tier 1 Capital to Managed Receivables Ratio of any Borrower may be less than 4.0% during any period of 90 days so long as (i) on the last day of the fiscal quarter ending on or immediately prior to such 90-day period, the Tier 1 Capital to Managed Receivables Ratio of such Borrower was not less than 4.0% and (ii) at no time during such 90-day period is the Tier 1 Capital to Managed Receivables Ratio of such Borrower less than 3.5%.

(c) No Borrower will permit its Leverage Ratio on any date to exceed 10.0 to 1.

(d) COFC will not permit Tangible Net Worth with respect to COFC on any date of determination to be less than the sum of (i) $500,000,000 plus (ii) 40% of COFC Cumulative Net Income as of the last day of the fiscal quarter of COFC most recently ended plus (z) 40% of COFC Cumulative Equity Proceeds as of such date of determination.

(e) COFC will not permit the Double Leverage Ratio on any date of determination to exceed 1.25 to 1.

(f) Neither COB nor FSB will permit its Tier 1 Leverage Ratio on any date to be less than 5.0%.

(g) Neither COB nor FSB will permit the Tier 1 Capital to Risk Adjusted Assets Ratio on any date to be less than 6.0%.

(h) Neither COB nor FSB will permit its Total Capital to Risk Adjusted Assets Ratio on any date to be less than 10.0%.

(i) COB will not permit its Tangible Net Worth on any date to be less than $450,000,000. FSB will not permit its Tangible Net Worth on any date to be less than $25,000,000.

8.08 Regulatory Capital. Each Borrower will cause each of its Insured Subsidiaries to be (and each of COB and FSB so long as it is an Insured Subsidiary will be) at all times "adequately capitalized" for purposes of 12 U.S.C. Section 1831o, as amended, re-enacted or redesignated from time to time, and at all times to maintain (and each of COB and FSB so long as it is an Insured Subsidiary will maintain) such amount of capital as may be prescribed from time to time, whether by regulation, agreement or order, by each Bank Regulatory Authority having jurisdiction over such Insured Subsidiary.

8.09 Lines of Business.

(a) COB will not, nor will it permit any of its Subsidiaries to, engage to any extent in any line or lines of business activity other than as permitted by its charter and as necessary to conduct the business of a limited purpose credit card bank.

(b) FSB will not, nor will it permit any of its Subsidiaries to, engage to any extent in any line or lines of business activity other than as permitted by its charter.

(c) COFC will not, nor will it permit any of its Subsidiaries to, engage to any material extent in any line or lines of business activity other than consumer-oriented or consumer-related business activities and database marketing activities, and other business activities to the extent such other business activities are direct applications of the information-based strategies and related proprietary strategies used by COB in the conduct of its business on the date of this Agreement.

8.10 Use of Proceeds. Each Borrower will use the proceeds of the Loans made to such Borrower hereunder for general corporate purposes (in compliance with all applicable legal and regulatory requirements, including, without limitation, Regulations G, T, U and X and the Securities Act and the Exchange Act and the regulations thereunder); provided that (a) neither the Administrative Agent nor any Lender shall have any responsibility as to the use of any of such proceeds and (b) no Borrower will use the proceeds of the Loans made hereunder to acquire directly or indirectly a majority of the voting stock issued by, or all or substantially all of the assets of, any Person except with the prior written consent of the Board of Directors of such Person or any controlling shareholder of such Person.

Notwithstanding anything in this Section 8 to the contrary, neither COB nor FSB shall have any obligation (a) to cause COFC or any of its Subsidiaries (other than with respect to COB, FSB and/or any of their respective Subsidiaries) to take or refrain from taking any action or (b) to

cause or prevent any event or circumstance from occurring with respect to COFC or any of its Subsidiaries (other than with respect to COB, FSB and/or any of their respective Subsidiaries).

Section 9. Events of Default. If one or more of the following events (herein called "Events of Default") shall occur and be continuing:

(a) Any Borrower shall: (i) default in the payment of any principal of any Loan when due (whether at stated maturity or at mandatory or optional prepayment); or (ii) default in the payment of any interest on any Loan, any fee or any other amount payable by it hereunder when due and such default shall have continued unremedied for five or more days; or

(b) Any Borrower or any of its Subsidiaries shall default in the payment when due of any principal of or interest on any of its other Indebtedness aggregating $35,000,000 (or its equivalent in any other currency or currencies) or more; or any event specified in any note, agreement, indenture or other document evidencing or relating to any such Indebtedness shall occur if the effect of such event is to cause, or to permit the holder or holders of such Indebtedness (or a trustee or agent on behalf of such holder or holders) to cause, such Indebtedness to become due, or to be prepaid in full (whether by redemption, purchase, offer to purchase or otherwise), prior to its stated maturity; or COFC or any of its Subsidiaries shall default in the payment or delivery when due (whether upon termination or liquidation or otherwise), under one or more Swap Agreements, of amounts or property required to be paid or delivered having an aggregate fair market value of $35,000,000 (or its equivalent in any other currency or currencies) or more; or

(c) Any representation, warranty or certification made or deemed made herein (or in any modification or supplement hereto) by any Borrower, or any certificate furnished to any Lender or the Administrative Agent pursuant to the provisions hereof, shall prove to have been false or misleading as of the time made, deemed made or furnished in any material respect; or

(d) Any Borrower shall default in the performance of any of its obligations under any of Sections 8.01(l), 8.01(m), 8.05, 8.06, 8.07, 8.08, 8.09 and 8.10 hereof; or any Borrower shall default in the performance of any of its other obligations in this Agreement and such default shall continue unremedied for a period of 30 or more days after notice thereof to such Borrower by the Administrative Agent or any Lender (through the Administrative Agent); or

(e) Any Borrower or any of its Subsidiaries shall admit in writing its inability to, or be generally unable to, pay its debts as such debts become due; or

(f) Any Borrower or any of its Subsidiaries shall (i) apply for or consent to the appointment of, or the taking of possession by, a receiver, conservator, custodian, trustee, examiner or liquidator of itself or of all or a substantial part of its Property, (ii) make a general assignment for the benefit of its creditors, (iii) commence a voluntary case under the Bankruptcy Code, (iv) file a petition seeking to take advantage of any other law relating to bankruptcy, insolvency, reorganization, liquidation, dissolution, arrangement or winding-up, or composition or readjustment of debts, (v) fail to controvert in a timely and appropriate manner, or acquiesce in writing to, any petition filed against it in an involuntary case under the Bankruptcy Code or (vi) take any corporate action for the purpose of effecting any of the foregoing; or

(g) A proceeding or case shall be commenced, without the application or consent of any Borrower or any of its Subsidiaries, in any court of competent jurisdiction, seeking (i) its reorganization, liquidation, dissolution, arrangement or winding-up, or the composition or readjustment of its debts, (ii) the appointment of a receiver, conservator, custodian, trustee, examiner, liquidator or the like of such Borrower or Subsidiary or of all or any substantial part of its Property or (iii) similar relief in respect of such Borrower or Subsidiary under any law relating to bankruptcy, insolvency, reorganization, winding-up, or composition or adjustment of debts, and such proceeding or case shall continue undismissed, or an order, judgment or decree approving or ordering any of the foregoing shall be entered and continue unstayed and in effect, for a period of 60 or more days; or an order for relief against any Borrower or any of its Subsidiaries shall be entered in an involuntary case under the Bankruptcy Code; or

(h) Any Insured Subsidiary shall cease accepting deposits or making commercial loans on the instruction of any Bank Regulatory Authority with authority to give such instruction other than pursuant to an instruction generally applicable to banks organized under the jurisdiction of organization of such Insured Subsidiary; or

(i) Any Insured Subsidiary shall cease to be an insured bank under the FDIA and all rules and regulations promulgated thereunder; or

(j) Any Insured Subsidiary shall be required (whether or not the time allowed by the appropriate Bank Regulatory Authority for the submission of such plan has been established or elapsed) to submit a capital restoration plan of the type referred to in 12 U.S.C. Section 1831o(b)(2)(C), as amended, re-enacted or redesignated from time to time; or

(k) COFC shall Guarantee in writing the capital of any Insured Subsidiary as part of or in connection with any agreement or arrangement with any Bank Regulatory Authority; or

(l) A final judgment or judgments for the payment of money of $35,000,000 (or its equivalent in any other currency or currencies) or more in the aggregate shall be rendered by one or more courts, administrative tribunals or other bodies having

jurisdiction against any Borrower or any of its Subsidiaries and the same shall not be discharged (or provision shall not be made for such discharge), or a stay of execution thereof shall not be procured, within 30 days from the date of entry thereof and the relevant Borrower or Subsidiary shall not, within said period of 30 days, or such longer period during which execution of the same shall have been stayed, appeal therefrom and cause the execution thereof to be stayed during such appeal; or

(m) An event or condition specified in Section 8.01(k) hereof shall occur or exist with respect to any Plan or Multiemployer Plan and, as a result of such event or condition, together with all other such events or conditions, any Borrower or any ERISA Affiliate shall incur or in the opinion of the Majority Lenders shall be reasonably likely to incur a liability to a Plan, a Multiemployer Plan or the PBGC (or any combination of the foregoing) that, in the determination of the Majority Lenders, would (either individually or in the aggregate) have a Material Adverse Effect; or

(n) The expiration or termination of the Undertaking or the failing or ceasing of the Undertaking to be in full force and effect (in either case other than in accordance with its terms) prior to the expiration or termination of all Commitments and the irrevocable payment in full of all amounts owing by FSB under this Agreement; or COB shall disaffirm, disclaim, repudiate or reject, in whole or in part, or challenge the validity of, the Undertaking; or

(o) COFC shall at any time fail to own and control, beneficially and of record (free and clear of all Liens and other encumbrances), at least 95% of the issued and outstanding shares of capital stock of each class of Voting Securities issued by COB; or COFC shall at any time fail to own and control, beneficially and of record (free and clear of all Liens and other encumbrances), at least 95% of the issued and outstanding shares of capital stock of each class of Voting Securities issued by FSB; or

(p) During any period of 25 consecutive calendar months, a majority of the Board of Directors of COFC shall no longer be composed of individuals (i) who were members of said Board on the first day of such period, (ii) whose election or nomination to said Board was approved by individuals referred to in clause (i) above constituting at the time of such election or nomination at least a majority of said Board or (iii) whose election or nomination to said Board was approved by individuals referred to in clauses (i) and (ii) above constituting at the time of such election or nomination at least a majority of said Board; or

(q) Any person or group of persons (within the meaning of Section 13 or 14 of the Exchange Act, as amended) shall have acquired beneficial ownership (within the meaning of Rule 13d-3 promulgated by the SEC under the Exchange Act) of 20% or more of the issued and outstanding shares of voting common stock issued by COFC;

THEREUPON: (1) in the case of an Event of Default other than one referred to in clause (f) or (g) of this Section 9 with respect to any Borrower, (A) upon request of the Majority Tranche Lenders with respect to the relevant Tranche, the Administrative Agent will, by notice to the Applicable Borrowers, terminate the Commitments under such Tranche and they shall thereupon terminate, and (B) upon request of Lenders holding more than 50% of the aggregate unpaid principal amount of the Loans owing by a Borrower, the Administrative Agent will, by notice to such Borrower declare the principal amount then outstanding of, and the accrued interest on, the Loans and all other amounts payable by such Borrower hereunder and under the Notes (including, without limitation, any amounts payable under Section 5.05 hereof) to be forthwith due and payable, whereupon such amounts shall be immediately due and payable without presentment, demand, protest or other formalities of any kind, all of which are hereby expressly waived by such Borrower; and (2) in the case of the occurrence of an Event of Default referred to in clause (f) or (g) of this Section 9 with respect to any Borrower, the Commitments under each Tranche shall automatically be terminated and the principal amount then outstanding of, and the accrued interest on, the Loans and all other amounts payable by the Borrowers hereunder and under the Notes (including, without limitation, any amounts payable under Section 5.05 hereof) shall automatically become immediately due and payable without presentment, demand, protest or other formalities of any kind, all of which are hereby expressly waived by each Borrower.

Notwithstanding the foregoing, no Event of Default under any of paragraphs (a), (b), (c), (d) or (l) of this Section 9 solely with respect to COFC or any of its Subsidiaries (other than COB, FSB and/or any of their respective Subsidiaries) shall in and of itself permit the Administrative Agent or the Lenders (a) to declare the principal amount then outstanding of, and the accrued interest on, the Loans owing by COB or FSB or any other amounts payable by COB or FSB hereunder or under the Notes to be forthwith due and payable or (b) to terminate the Commitments (except with respect to a termination of the Tranche B-($) Commitments or Tranche B-(MC) Commitments insofar as the same relate to Tranche B-($) Loans or Tranche B-(MC) Loans made or to be made to COFC).

Section 10. The Administrative Agent.

10.01 Appointment, Powers and Immunities. Each Lender hereby appoints and authorizes the Administrative Agent to act as its agent hereunder with such powers as are specifically delegated to the Administrative Agent by the terms of this Agreement, together with such other powers as are reasonably incidental thereto. The Administrative Agent (which term as used in this sentence and in Section 10.05 and the first sentence of Section 10.06 hereof shall include reference to its affiliates and its own and its affiliates' officers, directors, employees and agents):

(a) shall have no duties or responsibilities except those expressly set forth in this Agreement, and shall not by reason of this Agreement be a trustee for any Lender;

(b) shall not be responsible to the Lenders for any recitals, statements, representations or warranties made by any other Person contained in this Agreement, or in any certificate or other document referred to or provided for in, or received by any of them from any other Person under, this Agreement, or for the value, validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement, any Note or any other document referred to or provided for herein or for any failure by any Borrower or any other Person to perform any of its obligations hereunder or thereunder;

(c) shall not be required to initiate or conduct any litigation or collection proceedings hereunder; and

(d) shall not be responsible for any action taken or omitted to be taken by it hereunder or under any other document or instrument referred to or provided for herein or in connection herewith, except for its own gross negligence or willful misconduct.

The Administrative Agent may employ agents and attorneys-in-fact and shall not be responsible for the negligence or misconduct of any such agents or attorneys-in-fact selected by it in good faith. The Administrative Agent may deem and treat the payee of a Note as the holder thereof for all purposes hereof unless and until a notice of the assignment or transfer thereof shall have been filed with the Administrative Agent, together with the consent of the Applicable Borrower to such assignment or transfer (to the extent required by Section 11.06(b) hereof).

10.02 Reliance by Administrative Agent. The Administrative Agent shall be entitled to rely upon any certification, notice or other communication (including, without limitation, any thereof by telephone, telecopy, telegram or cable) reasonably and in good faith believed by it to be genuine and correct and to have been signed or sent by or on behalf of the proper Person or Persons, and upon advice and statements of legal counsel, independent accountants and other experts selected by the Administrative Agent. As to any matters not expressly provided for by this Agreement, the Administrative Agent shall in all cases be fully protected in acting, or in refraining from acting, hereunder in accordance with instructions given by the Majority Lenders, and such instructions of the Majority Lenders and any action taken or failure to act pursuant thereto shall be binding on all of the Lenders.

10.03 Defaults. The Administrative Agent shall not be deemed to have knowledge or notice of the occurrence of a Default unless the Administrative Agent has received notice from a Lender or a Borrower specifying such Default and stating that such notice is a "Notice of Default". In the event that the Administrative Agent receives such a notice of the occurrence of a Default, the Administrative Agent shall give prompt notice thereof to the Lenders. The Administrative Agent shall (subject to Sections 10.07 and 11.04 hereof) take such action with respect to such Default as shall be directed by the Majority Lenders, provided that, unless and until the Administrative Agent shall have received such directions, the Administrative Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Default as it shall deem advisable in the best interest of the Lenders except to the extent that this Agreement expressly requires that such action be taken, or not be taken,

only with the consent or upon the authorization of the Majority Lenders, the Majority Tranche Lenders with respect to a particular Tranche, the Majority Tranche B Lenders, the Requisite Lenders or all of the Lenders.

10.04 Rights as a Lender. With respect to its Commitment and the Loans made by it, Chase (and any successor acting as Administrative Agent) in its capacity as a Lender hereunder shall have the same rights and powers hereunder as any other Lender and may exercise the same as though it were not acting as the Administrative Agent, and the term "Lender" or "Lenders" shall, unless the context otherwise indicates, include Chase (and any successor acting as Administrative Agent) in its individual capacity. Chase (and any successor acting as Administrative Agent) and its affiliates may (without having to account therefor to any Lender) accept deposits from, lend money to, make investments in and generally engage in any kind of banking, trust or other business with any Borrower (and any of its Subsidiaries or Affiliates) as if it were not acting as the Administrative Agent, and Chase (and any such successor) and its affiliates may accept fees and other consideration from any Borrower for services in connection with this Agreement or otherwise without having to account for the same to the Lenders.

10.05 Indemnification. The Lenders agree to indemnify the Administrative Agent (to the extent not reimbursed under Section 11.03 hereof, but without limiting the obligations of the Borrowers under said Section 11.03) ratably in accordance with their respective Commitments, for any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind and nature whatsoever that may be imposed on, incurred by or asserted against the Administrative Agent (including by any Lender) arising out of or by reason of any investigation in or in any way relating to or arising out of this Agreement or any other documents contemplated by or referred to herein or the transactions contemplated hereby (including, without limitation, the costs and expenses that any Borrower is obligated to pay under Section 11.03 hereof, but excluding, unless a Default has occurred and is continuing, normal administrative costs and expenses incident to the performance of its agency duties hereunder) or the enforcement of any of the terms hereof or of any such other documents, provided that no Lender shall be liable for any of the foregoing to the extent they arise from the gross negligence or willful misconduct of the Administrative Agent.

10.06 Non-Reliance on Administrative Agent and Other Lenders. Each Lender agrees that it has, independently and without reliance on the Administrative Agent or any other Lender, and based on such documents and information as it has deemed appropriate, made its own credit analysis of each Borrower and its Subsidiaries and decision to enter into this Agreement and that it will, independently and without reliance upon the Administrative Agent or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own analysis and decisions in taking or not taking action under this Agreement. The Administrative Agent shall not be required to keep itself informed as to the performance or observance by any Borrower of this Agreement or any other document referred to or provided for herein or to inspect the Properties or books of any Borrower or any of its Subsidiaries. Except for notices, reports and other documents and information expressly required to be furnished to the Lenders by the Administrative Agent hereunder, the Administrative Agent

shall not have any duty or responsibility to provide any Lender with any credit or other information concerning the affairs, financial condition or business of any Borrower or any of its Subsidiaries (or any of their affiliates) that may come into the possession of the Administrative Agent or any of its affiliates.

10.07 Failure to Act. Except for action expressly required of the Administrative Agent hereunder, the Administrative Agent shall in all cases be fully justified in failing or refusing to act hereunder unless it shall receive further assurances to its satisfaction from the Lenders of their indemnification obligations under Section 10.05 hereof against any and all liability and expense that may be incurred by it by reason of taking or continuing to take any such action.

10.08 Resignation or Removal of Administrative Agent. Subject to the appointment and acceptance of a successor Administrative Agent as provided below, the Administrative Agent may resign at any time by giving notice thereof to the Lenders and the Borrowers, and the Administrative Agent may be removed at any time with or without cause by the Majority Lenders. Upon any such resignation or removal, the Majority Lenders shall have the right to appoint a successor Administrative Agent. If no successor Administrative Agent shall have been so appointed by the Majority Lenders and shall have accepted such appointment within 30 days after the retiring Administrative Agent's giving of notice of resignation or the Majority Lenders' removal of the retiring Administrative Agent, then the retiring Administrative Agent may, on behalf of the Lenders, appoint a successor Administrative Agent, that shall be a bank with a combined capital and surplus of at least $500,000,000 that has an office in New York, New York. Upon the acceptance of any appointment as Administrative Agent hereunder by a successor Administrative Agent, such successor Administrative Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Administrative Agent, and the retiring Administrative Agent shall be discharged from its duties and obligations hereunder. After any retiring Administrative Agent's resignation or removal hereunder as Administrative Agent, the provisions of this Section 10 shall continue in effect for its benefit in respect of any actions taken or omitted to be taken by it while it was acting as the Administrative Agent.

10.09 Co-Agents; Etc. None of the Documentation Agent, the Syndication Agent, the Co-Agents and the Lead Manager shall have any obligations under this Agreement except (a) in its capacity as a "Lender" hereunder and (b) if and so long as such Person is the "Administrative Agent" hereunder, in its capacity as Administrative Agent hereunder.

Section 11. Miscellaneous.

11.01 Waiver. No failure on the part of the Administrative Agent or any Lender to exercise and no delay in exercising, and no course of dealing with respect to, any right, power or privilege under this Agreement or any Note shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power or privilege under this Agreement or any Note preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The remedies provided herein are cumulative and not exclusive of any remedies provided by law.

11.02 Notices. All notices, requests and other communications provided for herein (including, without limitation, any modifications of, or waivers, requests or consents under, this Agreement) shall be given or made in writing (including, without limitation, by telecopy), or, with respect to notices given pursuant to Section 2.03 hereof, by telephone, confirmed in writing by telecopier by the close of business on the day the notice is given, delivered (or telephoned, as the case may be) to the intended recipient at the "Address for Notices" specified below its name on the signature pages hereof); or, as to any party, at such other address as shall be designated by such party in a notice to each other party. Except as otherwise provided in this Agreement, all such communications shall be deemed to have been duly given when transmitted by telecopier or personally delivered or, in the case of a mailed notice, upon receipt, in each case given or addressed as aforesaid.

11.03 Expenses, Etc. Each Borrower agrees to pay or reimburse each of the Lenders and the Administrative Agent for: (a) all reasonable out-of-pocket costs and expenses of the Administrative Agent (including, without limitation, the reasonable fees and expenses of Milbank, Tweed, Hadley & McCloy, special New York counsel to Chase) in connection with (i) the negotiation, preparation, execution and delivery of this Agreement and the making of the Loans hereunder (subject to the limitations set forth in the commitment letter dated October 4, 1996 from Chase and Chase Securities Inc. addressed to the Borrowers) and (ii) the negotiation or preparation of any modification, supplement or waiver of any of the terms of this Agreement or any of the other Basic Documents (whether or not consummated); (b) all reasonable out-of-pocket costs and expenses of the Lenders and the Administrative Agent (including, without limitation, the reasonable fees and expenses of legal counsel, including, if applicable, the allocated costs of in-house counsel) in connection with (i) any Default and any enforcement or collection proceedings resulting therefrom, including, without limitation, all manner of participation in or other involvement with (x) bankruptcy, insolvency, receivership, foreclosure, winding up or liquidation proceedings, (y) judicial or regulatory proceedings and (z) workout, restructuring or other negotiations or proceedings (whether or not the workout, restructuring or transaction contemplated thereby is consummated) and (ii) the enforcement of this Section 11.03; and (c) all transfer, stamp, documentary or other similar taxes, assessments or charges levied by any governmental or revenue authority in respect of this Agreement or any of the other Basic Documents or any other document referred to herein; provided that COB shall have no such payment or reimbursement obligation in connection with Loans made to COFC.

Each Borrower hereby agrees to indemnify the Administrative Agent and the Lenders and their affiliates and the respective directors, officers, employees, attorneys and agents thereof from, and hold each of them harmless against, any and all losses, liabilities, claims, damages or expenses incurred by any of them (including, without limitation, any and all losses, liabilities, claims, damages or expenses incurred by the Administrative Agent to any Lender) arising out of or by reason of any investigation or litigation or other proceedings (including any threatened investigation or litigation or other proceedings, and whether or not the Administrative Agent or any Lender is a party to such litigation or other proceedings) relating to this Agreement or the Loans hereunder or any actual or proposed use by any Borrower or any of its Subsidiaries of the proceeds of any of the Loans hereunder, including, without limitation, the reasonable fees and disbursements of counsel, including, if applicable, the allocated costs of in-house counsel, incurred in connection with any such investigation or litigation or other proceedings (but excluding any such losses, liabilities, claims, damages or expenses incurred by reason of the gross negligence or willful misconduct of the Person to be indemnified); provided that COB shall have no liability under the foregoing indemnity in connection with events or circumstances relating solely to COFC or any of its Subsidiaries (other than COB or any of its Subsidiaries).

11.04 Amendments, Etc. Except as otherwise expressly provided in this Agreement, any provision of this Agreement may be modified or supplemented only by an instrument in writing signed by the Borrowers and the Majority Lenders, or by the Borrowers and the Administrative Agent acting with the consent of the Majority Lenders, and any provision of this Agreement may be waived only by an instrument in writing signed by the Majority Lenders or by the Administrative Agent acting with the consent of the Majority Lenders; provided that: (a) no modification, supplement or waiver shall, unless by an instrument signed by all of the Lenders under the relevant Tranche or by the Administrative Agent acting with the consent of all of the Lenders under such Tranche: (i) increase, or extend the term of the Commitments under such Tranche, or extend the time or waive any requirement for the reduction or termination of the Commitments under such Tranche, (ii) extend the date fixed for the payment of principal of or interest on any Loan under such Tranche or any fee payable hereunder in respect of such Tranche, (iii) reduce the amount of any such payment of principal, (iv) reduce the rate at which interest is payable on such principal or any such fee is payable or (v) alter the rights or obligations of an Applicable Borrower to prepay Loans under such Tranche; (b) no modification, supplement or waiver shall, unless by an instrument signed by all of the Lenders or by the Administrative Agent acting with the consent of all of the Lenders: (i) alter the manner in which payments or prepayments of principal, interest or other amounts hereunder shall be applied as between the Lenders under different Tranches or as between Syndicated Loans or Money Market Loans, (ii) alter the terms of this Section 11.04 or Section 2.12, 4.02, 4.07 or 10.09 hereof, (iii) modify the definition of the term "Majority Lenders", "Majority Tranche Lenders", "Majority Tranche B Lenders" or "Requisite Lenders" or modify in any other manner the number or percentage of the Lenders required to make any determinations or waive any rights hereunder or to modify any provision hereof, or (iv) waive any of the conditions precedent set forth in Section 6.01 hereof; (c) notwithstanding the foregoing, if default by COFC in the performance of any provision of this Agreement, or any other event or circumstance,

would constitute an Event of Default under any of paragraphs (a), (b), (c), (d) or (l) of Section 9 hereof solely with respect to COFC or any of its Subsidiaries (other than COB or any of its Subsidiaries), then, except with respect to the matters relating to Tranche B-($) or Tranche B-(MC) identified in the lettered subclauses of clause (a) above (the modification, supplement or waiver of which shall require the consent of all of the Tranche B-($) Lenders or Tranche B-(MC) Lenders, as the case may be), such provision may be modified, supplemented or waived, and any such Event of Default may be waived, by an instrument in writing signed by the Borrowers and the Majority Tranche Lenders with respect to Tranche B-($) or Tranche B-(MC), as the case may be, or by the Borrowers and the Administrative Agent acting with the consent of the Majority Tranche Lenders with respect to Tranche B-($) or Tranche B-(MC), as the case may be; and (d) any modification or supplement of Section 10 hereof, or of any of the rights or duties of the Administrative Agent hereunder, shall require the consent of the Administrative Agent. For purposes of this Section 11.04 and Section 11.06(c) hereof, no modification, supplement or waiver relating to any of Sections 7, 8 and 9 of this Agreement shall be deemed to increase, or extend the term of, the Commitments under any Tranche.

Anything in this Agreement to the contrary notwithstanding, if at a time when the conditions precedent set forth in Section 6 hereof to any Loan hereunder are, in the opinion of the Majority Lenders, satisfied, any Lender shall fail to fulfill its obligations to make such Loan (any such Lender, a "Defaulting Lender") then, for so long as such failure shall continue, the Defaulting Lender shall (unless the Borrowers and the Majority Lenders, determined as if the Defaulting Lender were not a "Lender" hereunder, shall otherwise consent in writing) be deemed for all purposes relating to amendments, modifications, waivers or consents under this Agreement (including, without limitation, under this Section 11.04) to have no Loans or Commitments, shall not be treated as a "Lender" hereunder when performing the computation of Majority Lenders, Majority Tranche Lenders with respect to any Tranche, Majority Tranche B Lenders or Requisite Lenders, and shall have no rights under the preceding paragraph of this Section 11.04; provided that any action taken by the other Lenders pursuant to this paragraph with respect to the matters referred to in clause (a) or (b) of the preceding paragraph shall not be effective as against the Defaulting Lender.

11.05 Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns.

11.06 Assignments and Participations.

(a) No Borrower may assign any of its rights or obligations hereunder or under the Notes without the prior consent of all of the Lenders and the Administrative Agent.

(b) Each Lender may (with the consent of the Administrative Agent and the Applicable Borrowers) assign any of its Loans, Note(s) and Commitment(s); provided that:

(i) no such consent by any Borrower or the Administrative Agent shall be required in the case of any assignment to (x) a subsidiary or other affiliate of such Lender or (y) another Lender;

(ii) except to the extent the Administrative Agent and the Applicable Borrowers shall otherwise consent, any such partial assignment (other than to another Lender) shall be in an amount at least equal to $10,000,000 (in the case of Tranche A-($)) or $5,000,000 (in the case of Tranche A-(MC), Tranche B-($) or Tranche B-(MC));

(iii) each such assignment by a Lender of its Syndicated Loans, Note(s) or Commitment under any Tranche shall be made in such manner so that the same portion of its Syndicated Loans, Note(s) and Commitment under such Tranche is assigned to the respective assignee;

(iv) upon each such assignment, the assignor and assignee shall deliver to the Administrative Agent an Assignment and Acceptance, together with a processing and recordation fee in the amount of $3,500;

(v) upon each such assignment, if the assignee is not already a Lender, the assignee shall deliver to the Administrative Agent an Administrative Questionnaire (and the Administrative Agent shall thereafter deliver a copy thereof to COB); and

(vi) no consent by a Borrower or the Administrative Agent to any such assignment shall be unreasonably withheld or delayed (it being agreed that it will not be unreasonable for the Applicable Borrower(s) to withhold consent to an assignment to any assignee whose long-term debt obligations are then rated below Baa3 by Moody's Investors Service, Inc. or below BBB- by Standard & Poor's Ratings Services).

Upon acceptance by the Administrative Agent of such Assignment and Acceptance as provided below, from and after the effective date specified in such Assignment and Acceptance, the assignee thereunder shall be a party hereto and, to the extent of the interest assigned by such Assignment and Acceptance, have the rights and obligations of a Lender under this Agreement, and the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Acceptance, be released from its obligations under this Agreement (and, in the case of an Assignment and Acceptance covering all of the assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto, subject to Section 11.07 hereof). Upon its receipt of a duly completed Assignment and Acceptance executed by an assigning Lender and an assignee, the assignee's completed Administrative Questionnaire (unless the assignee shall already be a Lender hereunder), the processing and recordation fee referred to in clause (iv) of this Section 11.06(b) and any consent of the Borrowers to such assignment required by this Section, the Administrative Agent shall accept such Assignment and Acceptance and record the effectiveness thereof in the register maintained by it for such purpose. No assignment shall be effective for purposes of this Agreement unless it has been accepted and so recorded in such register.

(c) A Lender may sell or agree to sell to one or more other Persons (each a "Participant") a participation in all or any part of any Loans held by it, or in its Commitment(s), provided that such Participant shall not have any rights or obligations under this Agreement or any Note (the Participant's rights against such Lender in respect of such participation to be those set forth in the agreements executed by such Lender in favor of the Participant). All amounts payable by a Borrower to any Lender under Section 5 hereof in respect of Loans held by it, and its Commitment(s), shall be determined as if such Lender had not sold or agreed to sell any participations in such Loans and Commitment(s), and as if such Lender were funding each of such Loan and Commitment(s) in the same way that it is funding the portion of such Loan and Commitment(s) in which no participations have been sold. In no event shall a Lender that sells a participation under any Tranche agree with the Participant to take or refrain from taking any action hereunder except that such Lender may agree with the Participant that it will not, without the consent of the Participant, agree to (i) increase or extend the term of such Lender's Commitment under such Tranche, (ii) extend the date fixed for the payment of principal of or interest on the related Loan or Loans under such Tranche or any portion of any fee hereunder payable to the Participant under such Tranche, (iii) reduce the amount of any such payment of principal, (iv) reduce the rate at which interest is payable on such principal, or any such fee hereunder payable to the Participant, to a level below the rate at which the Participant is entitled to receive such interest or fee or (v) consent to any modification, supplement or waiver hereof to the extent that the same, under Section 11.04 hereof, requires the consent of each Lender under such Tranche or all of the Lenders.

(d) In addition to the assignments and participations permitted under the foregoing provisions of this Section 11.06, any Lender may (without notice to any Borrower, the Administrative Agent or any other Lender and without payment of any fee) assign and pledge all or any portion of its Loans and its Notes to any Federal Reserve Bank as collateral security pursuant to Regulation A and any Operating Circular issued by such Federal Reserve Bank.

(e) A Lender may furnish any information concerning any Borrower or any of its Subsidiaries in the possession of such Lender from time to time to assignees and participants (including prospective assignees and participants), subject, however, to the provisions of Section 11.12(b) hereof.

(f) Anything in this Section 11.06 to the contrary notwithstanding, no Lender may assign or participate any interest in any Loan held by it hereunder to any Borrower or any of its Affiliates or Subsidiaries, and none of the Borrowers and their respective Affiliates and Subsidiaries shall acquire any such assignment or participation, without the prior consent of each Lender.

11.07 Survival. The obligations of each Borrower under Sections 2.12, 5.01, 5.05, 5.06, 11.03 and 11.13 hereof, and the obligations of the Lenders under Section 10.05 hereof, shall survive the repayment of the Loans and the termination of the Commitments and, in the case of any Lender that may assign any interest in its Commitment or Loans hereunder, shall

survive the making of such assignment, notwithstanding that such assigning Lender may cease to be a "Lender" hereunder. In addition, each representation and warranty made, or deemed to be made by a notice of any Loan, herein or pursuant hereto shall survive the making of such representation and warranty, and no Lender shall be deemed to have waived, by reason of making any Loan, any Default that may arise by reason of such representation or warranty proving to have been false or misleading, notwithstanding that such Lender or the Administrative Agent may have had notice or knowledge or reason to believe that such representation or warranty was false or misleading at the time such Loan was made.

11.08 Captions. The table of contents and captions and section headings appearing herein are included solely for convenience of reference and are not intended to affect the interpretation of any provision of this Agreement.

11.09 Counterparts. This Agreement may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument and any of the parties hereto may execute this Agreement by signing any such counterpart.

11.10 Governing Law; Submission to Jurisdiction. This Agreement and the Notes shall be governed by, and construed in accordance with, the law of the State of New York without reference to choice of law doctrine. Each Borrower hereby submits to the nonexclusive jurisdiction of the United States District Court for the Southern District of New York and of the Supreme Court of the State of New York sitting in New York County (including its Appellate Division), and of any other appellate court in the State of New York, for the purposes of all legal proceedings arising out of or relating to this Agreement or the transactions contemplated hereby. Each Borrower hereby irrevocably waives, to the fullest extent permitted by applicable law, any objection that it may now or hereafter have to the laying of the venue of any such proceeding brought in such a court and any claim that any such proceeding brought in such a court has been brought in an inconvenient forum.

11.11 Waiver of Jury Trial. EACH OF THE BORROWERS, THE ADMINISTRATIVE AGENT AND THE LENDERS HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT, THE NOTES OR THE TRANSACTIONS CONTEMPLATED HEREBY.

11.12 Treatment of Certain Information; Confidentiality.

(a) Each Borrower acknowledges that from time to time financial advisory, investment banking and other services may be offered or provided to such Borrower or one or more of its Subsidiaries (in connection with this Agreement or otherwise) by any Lender or by one or more subsidiaries or affiliates of such Lender, and each Borrower hereby authorizes each Lender to share any information delivered to such Lender by such Borrower and its Subsidiaries pursuant to this Agreement, or in connection with the decision of such Lender to enter into this Agreement, to any such subsidiary or affiliate, it being understood that any such subsidiary or affiliate receiving such information shall be bound by the provisions of paragraph (b) below as if it were a Lender hereunder. Such authorization shall survive the repayment of the Loans and the termination of the Commitments.

(b) Each Lender and the Administrative Agent agrees (on behalf of itself and each of its affiliates, directors, officers, employees and representatives) to use reasonable precautions to keep confidential, in accordance with their customary procedures for handling confidential information of the same nature and in accordance with safe and sound banking practices, any non-public information supplied to it by any Borrower pursuant to this Agreement that is identified by such Borrower as being confidential at the time the same is delivered to the Lenders or the Administrative Agent, provided that nothing herein shall limit the disclosure of any such information (i) after such information shall have become public (other than through a violation of this Section 11.12), (ii) to the extent required by statute, rule, regulation or judicial process, (iii) to counsel for any of the Lenders or the Administrative Agent, (iv) to bank examiners (or any other regulatory authority having jurisdiction over any Lender or the Administrative Agent), or to auditors or accountants, (v) to the Administrative Agent or any other Lender, (vi) in connection with any litigation to which any one or more of the Lenders or the Administrative Agent is a party, or in connection with the enforcement of rights or remedies hereunder, (vii) to a subsidiary or affiliate of such Lender as provided in paragraph (a) above or (viii) to any assignee or participant (or prospective assignee or participant) so long as such assignee or participant (or prospective assignee or participant) first executes and delivers to the respective Lender a Confidentiality Agreement substantially in the form of Exhibit G hereto (or executes and delivers to such Lender an acknowledgement to the effect that it is bound by the provisions of this Section 11.12(b), which acknowledgement may be included as part of the respective assignment or participation agreement pursuant to which such assignee or participant acquires an interest in the Loans hereunder); provided, further, that in no event shall any Lender or the Administrative Agent be obligated or required to return any materials furnished by any Borrower. The obligations of any assignee that has executed a Confidentiality Agreement in the form of Exhibit G hereto shall be superseded by this Section 11.12 upon the date upon which such assignee becomes a Lender hereunder pursuant to Section 11.06(b) hereof.

11.13 Judgment Currency. This is an international loan transaction in which the specification of Dollars or an Alternative Currency, as the case may be (the "Specified Currency"), and any payment in New York City or the country of the Specified Currency, as the

case may be (the "Specified Place"), is of the essence, and the Specified Currency shall be the currency of account in all events relating to Loans denominated in the Specified Currency. The payment obligations of the Borrowers under this Agreement and the Notes shall not be discharged by an amount paid in another currency or in another place, whether pursuant to a judgment or otherwise, to the extent that the amount so paid on conversion to the Specified Currency and transfer to the Specified Place under normal banking procedures does not yield the amount of the Specified Currency at the Specified Place due hereunder. If for the purpose of obtaining judgment in any court it is necessary to convert a sum due hereunder in the Specified Currency into another currency (the "Second Currency"), the rate of exchange which shall be applied shall be that at which in accordance with normal banking procedures the Administrative Agent could purchase the Specified Currency with the Second Currency on the Business Day next preceding that on which such judgment is rendered. The obligation of each Borrower in respect of any such sum due from it to the Administrative Agent or any Lender hereunder shall, notwithstanding the rate of exchange actually applied in rendering such judgment, be discharged only to the extent that on the Business Day following receipt by the Administrative Agent or such Lender, as the case may be, of any sum adjudged to be due hereunder or under the Notes in the Second Currency to the Administrative Agent or such Lender, as the case may be, may in accordance with normal banking procedures purchase and transfer to the Specified Place the Specified Currency with the amount of the Second Currency so adjudged to be due; and each Borrower hereby, as a separate obligation and notwithstanding any such judgment, agrees to indemnify the Administrative Agent or such Lender, as the case may be, against, and to pay the Administrative Agent or such Lender, as the case may be, on demand in the Specified Currency, any difference between the sum originally due to the Administrative Agent or such Lender, as the case may be, in the Specified Currency and the amount of the Specified Currency so purchased and transferred.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered as of the day and year first above written.

CAPITAL ONE FINANCIAL
CORPORATION

By /s/ Murray P. Abrams

Title: Assistant Treasurer

Address for Notices:

Capital One Financial
Corporation
2980 Fairview Park Drive
Suite 1300
Falls Church, VA 22042-4525

Attention: Murray P. Abrams

Telecopier No.: 703-205-1093

Telephone No.: 703-205-1074

CAPITAL ONE BANK

By /s/ Murray P. Abrams

Title: Assistant Treasurer

Address for Notices:

Capital One Bank
2980 Fairview Park Drive
Suite 1300
Falls Church, VA 22042-4525

Attention: Murray P. Abrams

Telecopier No.: 703-205-1093

Telephone No.: 703-205-1074

CAPITAL ONE, F.S.B.

By /s/ Murray P. Abrams

Title: Assistant Treasurer

Address for Notices:

Capital One, F.S.B.
2980 Fairview Park Drive
Suite 1300
Falls Church, VA 22042-4525

Attention: Murray P. Abrams

Telecopier No.: 703-205-1093

Telephone No.: 703-205-1074

LENDERS

THE CHASE MANHATTAN BANK

By /s/ Susan F. Herzog

Title: Vice President

NATIONSBANK, N.A.

By /s/ Kate Galletly

Title: Senior Vice President

MORGAN GUARANTY TRUST COMPANY OF NEW YORK

By /s/ Karen L. Beyer

Title: Vice President

BANK OF AMERICA, NT&SA

By /s/ Kurt Cordoza

Title: Director

COMMERZBANK AG, NEW YORK BRANCH

By /s/ Juergen Schmieding

Title: Vice President

By /s/ Andrew R. Campbell

Title: Assistant Cashier

CREDIT SUISSE

By /s/ William P. Murray

Title: Member of Senior Management

By /s/ Kristinn R. Kristinsson

Title: Associate

DEUTSCHE BANK AG, NEW YORK AND/OR
CAYMAN ISLANDS BRANCHES

By /s/ Gayma Z. Shivnarain

Title: Vice President

By /s/ Dale F. Oberst

Title: Associate

FIRST UNION NATIONAL BANK OF VIRGINIA

By /s/ Douglas T. Davis

Title: Vice President

THE BANK OF NEW YORK

By /s/ David G. Dobbins

Title: Vice President

THE FIRST NATIONAL BANK OF CHICAGO

By /s/ Robert E. O'Connell

Title: Vice President

THE INDUSTRIAL BANK OF JAPAN, LIMITED,
NEW YORK BRANCH

By /s/ Takuya Honjo

Title: Senior Vice President

UNION BANK OF SWITZERLAND, NEW YORK BRANCH

By /s/ Didier Magloire

Title: Vice President

By /s/ Robert Mendeles

Title: Vice President

FLEET NATIONAL BANK

By /s/ Donald M. MacKinnon

Title: Vice President

BARCLAYS BANK PLC

By /s/ Karen M. Wagner

Title: Associate Director

CITIBANK, N.A.

By /s/ Robert Goldstein

Title: Vice President,
Attorney-In-Fact

ABN-AMRO BANK, N.V. NEW YORK BRANCH

By /s/ Victor J. Fennon

Title: Vice President

By /s/ David W. Eastep

Title: Assistant Vice President

COMERICA BANK

By /s/ Tamara J. Gurne

Title: Account Officer

CREDIT LYONNAIS NEW YORK BRANCH
AND CAYMAN ISLANDS BRANCH

By /s/ Renaud D'Herbes

Title: Senior Vice President

SOCIETE GENERALE, NEW YORK BRANCH

By /s/ Emilio Martinez

Title: Vice President

THE SANWA BANK, LIMITED, ATLANTA AGENCY

By /s/ William M. Plough

Title: Vice President

By /s/ Andrew N. Hammond

Title: Vice President

CIBC INC.

By /s/ Gerald J. Girardi

Title: Director, CIBC Wood Gundy Securities Corp., as Agent

PNC BANK, NATIONAL ASSOCIATION

By /s/ Robert E. Bjorhus

Title: Vice President

BANK OF TOKYO-MITSUBISHI, LIMITED NEW YORK BRANCH

By /s/ Yukio Yanaka

Title: Senior Vice President

BANK OF MONTREAL

By /s/ Inba Ponnusamy

Title: Director

THE DAI-ICHI KANGYO BANK, LTD.

By /s/ Stephanie R. Rogers

Title: Vice President

FIRST HAWAIIAN BANK

By /s/ Robert M. Wheeler

Title: Vice President

KREDIETBANK N.V., GRAND CAYMAN BRANCH

By /s/ Robert Snauffer

Title: Vice President

By /s/ Thomas R. Lalli

Title: Vice President

THE SAKURA BANK, LIMITED

By /s/ Yasumasa Kikuchi

Title: Senior Vice President

THE SUMITOMO BANK, LIMITED

By /s/ John C. Kissinger

Title: Joint General Manager

UNION BANK OF CALIFORNIA, N.A.

By /s/ Alison A. Mason

Title: Vice President

BANK HAPOALIM, B.M.

By /s/ John M. Orpen

Title: Vice President

By /s/ Vincent R. Henchek

Title: Vice President

THE CHASE MANHATTAN BANK,
as Administrative Agent

By /s/ Susan F. Herzog

Title: Vice President

Address for Notices to
Chase as Administrative Agent:

The Chase Manhattan Bank
Agent Bank Services Group
1 Chase Manhattan Plaza
8th Floor
New York, New York 10081

Attention: Ms. Laura Rebecca

Telecopy No.: 212-552-7253

SCHEDULE 2.01

COMMITMENTS

NAME OF LENDER	TRANCHE A-($)	TRANCHE A-(MC)	TRANCHE B-($)	TRANCHE B-(MC)	TOTAL
The Chase Manhattan Bank	$50,000,000	$20,000,000	$10,000,000	$15,000,000	$95,000,000
NationsBank, N.A.	$45,000,000	$15,000,000	$15,000,000	$10,000,000	$85,000,000
Morgan Guaranty Trust Company of New York	$45,000,000	$15,000,000	$15,000,000	$10,000,000	$85,000,000
Bank of America, NT&SA	$50,000,000	$10,000,000	$10,000,000	$5,000,000	$75,000,000
Commerzbank AG, New York Branch	$50,000,000	$10,000,000	$10,000,000	$5,000,000	$75,000,000
Credit Suisse	$50,000,000	$10,000,000	$10,000,000	$5,000,000	$75,000,000
Deutsche Bank AG, New York and/or Cayman Islands Branches	$50,000,000	$10,000,000	$10,000,000	$5,000,000	$75,000,000
First Union National Bank of Virgina	$50,000,000	$10,000,000	$10,000,000	$5,000,000	$75,000,000
The Bank of New York	$50,000,000	$10,000,000	$10,000,000	$5,000,000	$75,000,000
The First National Bank of Chicago	$50,000,000	$10,000,000	$10,000,000	$5,000,000	$75,000,000
The Industrial Bank of Japan, Limited, New York Branch	$60,000,000	$0	$15,000,000	$0	$75,000,000
Union Bank of Switzerland, New York Branch	$50,000,000	$10,000,000	$10,000,000	$5,000,000	$75,000,000
Fleet National Bank	$55,000,000	$5,000,000	$10,000,000	$0	$70,000,000
Barclays Bank PLC	$40,000,000	$10,000,000	$2,000,000	$10,000,000	$62,000,000
Citibank, N.A.	$45,000,000	$10,000,000	$0	$0	$55,000,000
ABN-AMRO Bank, N.V. New York Branch	$30,000,000	$10,000,000	$5,000,000	$5,000,000	$50,000,000
Comerica Bank	$40,000,000	$5,000,000	$5,000,000	$0	$50,000,000
Credit Lyonnais New York Branch and Cayman Islands Branch	$35,000,000	$5,000,000	$10,000,000	$0	$50,000,000
Societe Generale, New York Branch	$35,000,000	$10,000,000	$5,000,000	$0	$50,000,000
The Sanwa Bank, Limited, Atlanta Agency	$35,000,000	$5,000,000	$10,000,000	$0	$50,000,000
CIBC Inc.	$35,000,000	$5,000,000	$5,000,000	$0	$45,000,000
PNC Bank, National Association	$20,000,000	$10,000,000	$5,000,000	$5,000,000	$40,000,000
Bank of Tokyo-Mitsubishi, Limited	$15,000,000	$10,000,000	$5,000,000	$5,000,000	$35,000,000
Bank of Montreal	$15,000,000	$10,000,000	$8,000,000	$0	$33,000,000
The Dai-Ichi Kangyo Bank, Ltd.	$20,000,000	$0	$10,000,000	$0	$30,000,000
First Hawaiian Bank	$20,000,000	$0	$5,000,000	$0	$25,000,000
Kredietbank N.V., Grand Cayman Branch	$25,000,000	$0	$0	$0	$25,000,000
The Sakura Bank, Limited	$25,000,000	$0	$0	$0	$25,000,000
The Sumitomo Bank, Limited	$25,000,000	$0	$0	$0	$25,000,000
Union Bank of California, N.A.	$25,000,000	$0	$0	$0	$25,000,000
Bank Hapoalim, B.M.	$10,000,000	$0	$5,000,000	$0	$15,000,000
	$1,150,000,000	$225,000,000	$225,000,000	$100,000,000	$1,700,000,000

SCHEDULE 7.03

CERTAIN LITIGATION

During 1995, COFC and COB became involved in three purported class action suits relating to certain collection practices engaged in by Signet Bank and, subsequently, by COB. The complaints in these three cases allege that Signet Bank, COFC and/or COB violated a variety of federal and state statutes and constitutional and common law duties by filing collection lawsuits, obtaining judgements and pursuing garnishment proceedings in the Virginia state courts against defaulted credit card customers who were not residents of Virginia. These cases have been filed in the Superior Court of California in the County of Alamenda, Southern Division, on behalf of a class of California residents, in the United States District Court for the District of Connecticut on behalf of a nationwide class, and in the United States District Court for the Middle District of Florida on behalf of a nationwide class (except for California). The complaints in these three cases seek unspecified statutory damages, compensatory damages, punitive damages, restitution, attorneys' fees and costs, a permanent injunction and other equitable relief.

On July 31, 1996, the Florida case was dismissed without prejudice, which permits further proceedings. The plaintiff has since noticed her appeal to the United States Court of Appeals for the Eleventh Circuit and refiled certain claims arising out of state law in Florida state court.

On September 30 1996, the Connecticut court entered judgement in favor of COB on plaintiff's federal claims and dismissed without prejudice plaintiff's state law claims. The plaintiff has refiled, on behalf of a class of Connecticut residents, her claims arising out of state law in a Connecticut state court.

In connection with the transfer of substantially all of Signet Bank's credit card business to COB in November 1994, COFC and COB agreed to indemnify Signet Bank for certain liabilities incurred in litigation arising from that business, which may include liabilities, if any, incurred in the three purported class action cases described above. Because no specific measure of damages is demanded in any of the complaints and each of these cases is in early stages of litigation, an informed assessment of the ultimate outcome of these cases cannot be made at this time. Management believes, however, that there are meritorious defenses to these lawsuits and intends to defend them vigorously. In addition, although these lawsuits, if determined adversely to COFC or COB, could have a material adverse effect on the financial condition of COFC and its Subsidiaries during a specific fiscal period, management of COFC believes that such lawsuits will not have a material adverse effect on the ability of any Borrower to make timely payment of the principal of or interest on the Loans or other amounts payable by such Borrower under this Agreement or the Notes.

EXHIBIT A-1

[Form of Tranche A-($) Note]

PROMISSORY NOTE

$

November 25, 1996
New York, New York

FOR VALUE RECEIVED, [CAPITAL ONE BANK, a bank chartered under the laws of the Commonwealth of Virginia][CAPITAL ONE, F.S.B., a Federal savings bank chartered under the laws of the United States of America] (the "Borrower"), hereby promises to pay to the order of _____ (the "Lender"), for account of its respective Applicable Lending Offices provided for by the Credit Agreement referred to below, at the principal office of The Chase Manhattan Bank at 270 Park Avenue, New York, New York 10017, the principal sum of _____ Dollars (or such lesser amount as shall equal the aggregate unpaid principal amount of the Tranche A-($) Loans made by the Lender to the Borrower under the Credit Agreement), in lawful money of the United States of America and in immediately available funds, on the dates and in the principal amounts provided in the Credit Agreement, and to pay interest on the unpaid principal amount of each such Tranche A-($) Loan, at such office, in like money and funds, for the period commencing on the date of such Tranche A-($) Loan until such Tranche A-($) Loan shall be paid in full, at the rates per annum and on the dates provided in the Credit Agreement.

The date, amount, Type, interest rate and duration of Interest Period of each Tranche A-($) Loan made by the Lender to the Borrower, and each payment made on account of the principal thereof, shall be recorded by the Lender on its books and, prior to any transfer of this Note, endorsed by the Lender on the schedule attached hereto or any continuation thereof, provided that the failure of the Lender to make any such recordation (or any error in making any such recordation) or endorsement shall not affect the obligations of the Borrower to make a payment when due of any amount owing under the Credit Agreement or hereunder in respect of the Tranche A-($) Loans made by the Lender.

This Note is one of the Tranche A-($) Notes referred to in the Amended and Restated Credit Agreement dated as of November 25, 1996 (as modified and supplemented and in effect from time to time, the "Credit Agreement") among Capital One Financial Corporation, Capital One Bank, Capital One, F.S.B., the lenders party thereto (including the Lender) and The Chase Manhattan Bank, as Administrative Agent, and evidences Tranche A-($) Loans made by the Lender thereunder. Terms used but not defined in this Note have the respective meanings assigned to them in the Credit Agreement.

The Credit Agreement provides for the acceleration of the maturity of this Note upon the occurrence of certain events and for prepayments of Loans upon the terms and conditions specified therein.

Except as permitted by Section 11.06 of the Credit Agreement, this Note may not be assigned by the Lender to any other Person.

This Note shall be governed by, and construed in accordance with, the law of the State of New York without reference to choice of law doctrine.

[CAPITAL ONE BANK]
[CAPITAL ONE, F.S.B.]

By

Title:

SCHEDULE OF TRANCHE A-($) LOANS

This Note evidences Tranche A-($) Loans made under the within-described Credit Agreement to the Borrower, on the dates, in the principal amounts, of the Types, bearing interest at the rates and having Interest Periods of the durations set forth below, subject to the payments and prepayments of principal set forth below:

Principal Amount of Loan	Type of Loan	Interest Rate	Maturity Date of Loan	Amount Paid or Prepaid	Unpaid Principal Amount	Notation Made By
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EXHIBIT A-2

[Form of Tranche A-(MC) Note]

PROMISSORY NOTE

$

November 25, 1996
New York, New York

FOR VALUE RECEIVED, [CAPITAL ONE BANK, a bank chartered under the laws of the Commonwealth of Virginia][CAPITAL ONE, F.S.B., a Federal savings bank chartered under the laws of the United States of America] (the "Borrower"), hereby promises to pay to the order of _____ (the "Lender"), for account of its respective Applicable Lending Offices provided for by the Credit Agreement referred to below, at the principal office of The Chase Manhattan Bank at 270 Park Avenue, New York, New York 10017, the principal sum of _____ Dollars (or such other amount as shall equal the aggregate unpaid principal amount of the Tranche A-(MC) Loans made by the Lender to the Borrower under the Credit Agreement), in the respective Currencies in which such Loans are denominated and in immediately available funds, on the dates and in the principal amounts provided in the Credit Agreement, and to pay interest on the unpaid principal amount of each such Tranche A-(MC) Loan, at such office, in like money and funds, for the period commencing on the date of such Tranche A-(MC) Loan until such Tranche A-(MC) Loan shall be paid in full, at the rates per annum and on the dates provided in the Credit Agreement.

The date, amount, Type, Currency, interest rate and duration of Interest Period of each Tranche A-(MC) Loan made by the Lender to the Borrower, and each payment made on account of the principal thereof, shall be recorded by the Lender on its books and, prior to any transfer of this Note, endorsed by the Lender on the schedule attached hereto or any continuation thereof, provided that the failure of the Lender to make any such recordation (or any error in making any such recordation) or endorsement shall not affect the obligations of the Borrower to make a payment when due of any amount owing under the Credit Agreement or hereunder in respect of the Tranche A-(MC) Loans made by the Lender.

This Note is one of the Tranche A-(MC) Notes referred to in the Amended and Restated Credit Agreement dated as of November 25, 1996 (as modified and supplemented and in effect from time to time, the "Credit Agreement") among Capital One Financial Corporation, Capital One Bank, Capital One, F.S.B., the lenders party thereto (including the Lender) and The Chase Manhattan Bank, as Administrative Agent, and evidences Tranche A-(MC) Loans made by the Lender thereunder. Terms used but not defined in this Note have the respective meanings assigned to them in the Credit Agreement.

The Credit Agreement provides for the acceleration of the maturity of this Note upon the occurrence of certain events and for prepayments of Loans upon the terms and conditions specified therein.

Except as permitted by Section 11.06 of the Credit Agreement, this Note may not be assigned by the Lender to any other Person.

This Note shall be governed by, and construed in accordance with, the law of the State of New York without reference to choice of law doctrine.

[CAPITAL ONE BANK]
[CAPITAL ONE, F.S.B.]

By

Title:

SCHEDULE OF TRANCHE A-(MC) LOANS

This Note evidences Tranche A-(MC) Loans made under the within-described Credit Agreement to the Borrower, on the dates, in the principal amounts, of the Types and Currencies, bearing interest at the rates and having Interest Periods of the durations set forth below, subject to the payments and prepayments of principal set forth below:

Principal Amount of Loan	Type and Currency of Loan	Interest Rate	Maturity Date of Loan	Amount Paid or Prepaid	Unpaid Principal Amount	Notation Made By

EXHIBIT A-3

[Form of Tranche B-($) Note]

PROMISSORY NOTE

$

November 25, 1996
New York, New York

FOR VALUE RECEIVED, [CAPITAL ONE BANK, a bank chartered under the laws of the Commonwealth of Virginia][CAPITAL ONE, F.S.B., a Federal savings bank chartered under the laws of the United States of America][CAPITAL ONE FINANCIAL CORPORATION, a corporation organized under the laws of the State of Delaware] (the "Borrower"), hereby promises to pay to the order of _____ (the "Lender"), for account of its respective Applicable Lending Offices provided for by the Credit Agreement referred to below, at the principal office of The Chase Manhattan Bank at 270 Park Avenue, New York, New York 10017, the principal sum of _____ Dollars (or such lesser amount as shall equal the aggregate unpaid principal amount of the Tranche B-($) Loans made by the Lender to the Borrower under the Credit Agreement), in lawful money of the United States of America and in immediately available funds, on the dates and in the principal amounts provided in the Credit Agreement, and to pay interest on the unpaid principal amount of each such Tranche B-($) Loan, at such office, in like money and funds, for the period commencing on the date of such Tranche B-($) Loan until such Tranche B-($) Loan shall be paid in full, at the rates per annum and on the dates provided in the Credit Agreement.

The date, amount, Type, interest rate and duration of Interest Period of each Tranche B-($) Loan made by the Lender to the Borrower, and each payment made on account of the principal thereof, shall be recorded by the Lender on its books and, prior to any transfer of this Note, endorsed by the Lender on the schedule attached hereto or any continuation thereof, provided that the failure of the Lender to make any such recordation (or any error in making any such recordation) or endorsement shall not affect the obligations of the Borrower to make a payment when due of any amount owing under the Credit Agreement or hereunder in respect of the Tranche B-($) Loans made by the Lender.

This Note is one of the Tranche B-($) Notes referred to in the Amended and Restated Credit Agreement dated as of November 25, 1996 (as modified and supplemented and in effect from time to time, the "Credit Agreement") among Capital One Financial Corporation, Capital One Bank, Capital One, F.S.B., the lenders party thereto (including the Lender) and The Chase Manhattan Bank, as Administrative Agent, and evidences Tranche B-($) Loans made by the Lender thereunder. Terms used but not defined in this Note have the respective meanings assigned to them in the Credit Agreement.

The Credit Agreement provides for the acceleration of the maturity of this Note upon the occurrence of certain events and for prepayments of Loans upon the terms and conditions specified therein.

Except as permitted by Section 11.06 of the Credit Agreement, this Note may not be assigned by the Lender to any other Person.

This Note shall be governed by, and construed in accordance with, the law of the State of New York without reference to choice of law doctrine.

[CAPITAL ONE BANK]
[CAPITAL ONE, F.S.B.]
[CAPITAL ONE FINANCIAL CORPORATION]

By

Title:

SCHEDULE OF TRANCHE B-($) LOANS

This Note evidences Tranche B-($) Loans made under the within-described Credit Agreement to the Borrower, on the dates, in the principal amounts, of the Types, bearing interest at the rates and having Interest Periods of the durations set forth below, subject to the payments and prepayments of principal set forth below:

Principal Amount of Loan	Type of Loan	Interest Rate	Maturity Date of Loan	Amount Paid or Prepaid	Unpaid Principal Amount	Notation Made By
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EXHIBIT A-4

[Form of Tranche B-(MC) Note]

PROMISSORY NOTE

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November 25, 1996
New York, New York

FOR VALUE RECEIVED, [CAPITAL ONE BANK, a bank chartered under the laws of the Commonwealth of Virginia][CAPITAL ONE, F.S.B., a Federal savings bank chartered under the laws of the United States of America][CAPITAL ONE FINANCIAL CORPORATION, a corporation organized under the laws of the State of Delaware] (the "Borrower"), hereby promises to pay to the order of _____ (the "Lender"), for account of its respective Applicable Lending Offices provided for by the Credit Agreement referred to below, at the principal office of The Chase Manhattan Bank at 270 Park Avenue, New York, New York 10017, the principal sum of _____ Dollars (or such other amount as shall equal the aggregate unpaid principal amount of the Tranche B-(MC) Loans made by the Lender to the Borrower under the Credit Agreement), in the respective Currencies in which such Loans are denominated and in immediately available funds, on the dates and in the principal amounts provided in the Credit Agreement, and to pay interest on the unpaid principal amount of each such Tranche B-(MC) Loan, at such office, in like money and funds, for the period commencing on the date of such Tranche B-(MC) Loan until such Tranche B-(MC) Loan shall be paid in full, at the rates per annum and on the dates provided in the Credit Agreement.

The date, amount, Type, Currency, interest rate and duration of Interest Period of each Tranche B-(MC) Loan made by the Lender to the Borrower, and each payment made on account of the principal thereof, shall be recorded by the Lender on its books and, prior to any transfer of this Note, endorsed by the Lender on the schedule attached hereto or any continuation thereof, provided that the failure of the Lender to make any such recordation (or any error in making any such recordation) or endorsement shall not affect the obligations of the Borrower to make a payment when due of any amount owing under the Credit Agreement or hereunder in respect of the Tranche B-(MC) Loans made by the Lender.

This Note is one of the Tranche B-(MC) Notes referred to in the Amended and Restated Credit Agreement dated as of November 25, 1996 (as modified and supplemented and in effect from time to time, the "Credit Agreement") among Capital One Financial Corporation, Capital One Bank, Capital One, F.S.B., the lenders party thereto (including the Lender) and The Chase Manhattan Bank, as Administrative Agent, and evidences Tranche B-(MC) Loans made by the Lender thereunder. Terms used but not defined in this Note have the respective meanings assigned to them in the Credit Agreement.

The Credit Agreement provides for the acceleration of the maturity of this Note upon the occurrence of certain events and for prepayments of Loans upon the terms and conditions specified therein.

Except as permitted by Section 11.06 of the Credit Agreement, this Note may not be assigned by the Lender to any other Person.

This Note shall be governed by, and construed in accordance with, the law of the State of New York without reference to choice of law doctrine.

[CAPITAL ONE BANK]
[CAPITAL ONE, F.S.B.]
[CAPITAL ONE FINANCIAL CORPORATION]

By

Title:

SCHEDULE OF TRANCHE B-(MC) LOANS

This Note evidences Tranche B-(MC) Loans made under the within-described Credit Agreement to the Borrower, on the dates, in the principal amounts, of the Types and Currencies, bearing interest at the rates and having Interest Periods of the durations set forth below, subject to the payments and prepayments of principal set forth below:

Principal Amount of Loan	Type and Currency of Loan	Interest Rate	Maturity Date of Loan	Amount Paid or Prepaid	Unpaid Principal Amount	Notation Made By
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EXHIBIT A-5

[Form of Money Market Note]

PROMISSORY NOTE

November 25, 1996
New York, New York

FOR VALUE RECEIVED, [CAPITAL ONE BANK, a bank chartered under the laws of the Commonwealth of Virginia][CAPITAL ONE, F.S.B., a Federal savings bank chartered under the laws of the United States of America][CAPITAL ONE FINANCIAL CORPORATION, a corporation organized under the laws of the State of Delaware] (the "Borrower"), hereby promises to pay to the order of _____ (the "Lender"), for account of its respective Applicable Lending Offices provided for by the Credit Agreement referred to below, at the principal office of The Chase Manhattan Bank at 270 Park Avenue, New York, New York 10017, the aggregate unpaid principal amount of the Money Market Loans made by the Lender to the Borrower under the Credit Agreement, in the respective Currencies in which such Loans are denominated and in immediately available funds, on the dates and in the principal amounts provided in the Credit Agreement, and to pay interest on the unpaid principal amount of each such Money Market Loan, at such office, in like money and funds, for the period commencing on the date of such Money Market Loan until such Money Market Loan shall be paid in full, at the rates per annum and on the dates provided in the Credit Agreement.

The date, amount, Tranche, Type, Currency, interest rate and maturity date of each Money Market Loan made by the Lender to the Borrower, and each payment made on account of the principal thereof, shall be recorded by the Lender on its books and, prior to any transfer of this Note, endorsed by the Lender on the schedule attached hereto or any continuation thereof, provided that the failure of the Lender to make any such recordation (or any error in making any such recordation) or endorsement shall not affect the obligations of the Borrower to make a payment when due of any amount owing under the Credit Agreement or hereunder in respect of the Money Market Loans made by the Lender.

This Note is one of the Money Market Notes referred to in the Amended and Restated Credit Agreement dated as of November 25, 1996 (as modified and supplemented and in effect from time to time, the "Credit Agreement") among Capital One Financial Corporation, Capital One Bank, Capital One, F.S.B., the lenders party thereto (including the Lender) and The Chase Manhattan Bank, as Administrative Agent, and evidences Money Market Loans made by the Lender thereunder. Terms used but not defined in this Note have the respective meanings assigned to them in the Credit Agreement.

The Credit Agreement provides for the acceleration of the maturity of this Note upon the occurrence of certain events and for prepayments of Money Market Loans upon the terms and conditions specified therein.

Except as permitted by Section 11.06 of the Credit Agreement, this Note may not be assigned by the Lender to any other Person.

This Note shall be governed by, and construed in accordance with, the law of the State of New York without reference to choice of law doctrine.

[CAPITAL ONE BANK]
[CAPITAL ONE, F.S.B.]
[CAPITAL ONE FINANCIAL CORPORATION]

By

Title:

SCHEDULE OF MONEY MARKET LOANS

This Note evidences Money Market Loans made under the within-described Credit Agreement to the Borrower, on the dates, in the principal amounts, under the Tranches and of the Types and Currencies, bearing interest at the rates and maturing on the dates set forth below, subject to the payments and prepayments of principal set forth below:

Principal Amount of Loan	Tranche, Type and Currency of Loan	Interest Rate	Maturity Date of Loan	Amount Paid or Prepaid	Unpaid Principal Amount	Notation Made By
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EXHIBIT B-1

[Form of Opinion of Special Counsel to the Borrowers]

_____, 199_

Each of the Lenders party
to the Credit Agreement
referred to below

The Chase Manhattan Bank,
as Administrative Agent
270 Park Avenue
New York, New York 10017

Ladies and Gentlemen:

We have acted as special counsel to Capital One Financial Corporation ("COFC"), Capital One Bank ("COB"), Capital One, F.S.B. ("FSB" and, collectively with COFC and COB, the "Borrowers") in connection with (i) the Amended and Restated Credit Agreement (the "Credit Agreement") dated as of November 25, 1996 among the Borrowers, the Lenders party thereto and The Chase Manhattan Bank, as Administrative Agent, providing for loans to be made by the Lenders to the Borrowers in an aggregate principal amount not exceeding $1,700,000,000 (or, to the extent specified in the Credit Agreement, its equivalent in certain foreign currencies and as such amount may be increased pursuant to Section 2.11 of the Credit Agreement) and (ii) the various other agreements, instruments and other documents referred to in the next following paragraph. Capitalized terms used but not defined herein have the respective meanings given to such terms in the Credit Agreement. This opinion is being delivered pursuant to Section 6.01(c) of the Credit Agreement.

In rendering the opinions expressed below, we have examined the following agreements, instruments and other documents:

(a) the Credit Agreement;

(b) the Notes; and

(c) such records of the Borrowers and such other documents as we have deemed necessary as a basis for the opinions expressed below.

The agreements, instruments and other documents referred to in clauses (a) and (b) above are collectively referred to as the "Credit Documents".

In our examination, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity with authentic original documents of all documents submitted to us as copies. When relevant facts were not independently established, we have relied upon statements of governmental officials and upon representations made in or pursuant to the Credit Documents and certificates of appropriate representatives of the Borrowers.

In rendering the opinions expressed below, we have assumed, with respect to all of the documents referred to in this opinion letter, that (except, to the extent set forth in the opinions expressed below, as to the Borrowers):

(i) such documents have been duly authorized by, have been duly executed and delivered by, and constitute legal, valid, binding and enforceable obligations of, all of the parties to such documents;

(ii) all signatories to such documents have been duly authorized; and

(iii) all of the parties to such documents are duly organized and validly existing and have the power and authority (corporate or other) to execute, deliver and perform such documents.

Based upon and subject to the foregoing and subject also to the comments and qualifications set forth below, and having considered such questions of law as we have deemed necessary as a basis for the opinions expressed below, we are of the opinion that:

1. A Virginia court or a Federal court sitting in Virginia in a diversity action should, under conflicts of law principles observed by the courts of Virginia, if properly presented with the issue, give effect to those provisions of the Credit Documents providing that such documents are to be governed by and construed in accordance with the laws of the State of New York.

2. Each Borrower has all requisite corporate power to execute and deliver, and to perform its obligations under, the Credit Documents to which it is a party. Each Borrower has all requisite corporate power to borrow under the Credit Agreement.

3. The execution, delivery and performance by each Borrower of each Credit Document to which it is a party, and the borrowings by each Borrower under the Credit

Agreement, have been duly authorized by all necessary corporate action on the part of such Borrower.

4. Each Credit Document constitutes the legal, valid and binding obligation of each Borrower, enforceable against each Borrower in accordance with its terms, except as may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws relating to or affecting the rights of creditors generally (as such laws would apply in the event of the insolvency, receivership, conservatorship or reorganization of, or other similar occurrence with respect to, COB or FSB) and except as the enforceability of the Credit Documents is subject to the application of general principles of equity (regardless of whether considered in a proceeding in equity or at law), including, without limitation, (i) the possible unavailability of specific performance, injunctive relief or any other equitable remedy and (ii) concepts of materiality, reasonableness, good faith and fair dealing.

5. No authorization, approval or consent of, and no filing or registration with, any governmental or regulatory authority or agency of the United States of America or the Commonwealth of Virginia is required on the part of any Borrower for the execution, delivery or performance by any Borrower of any of the Credit Documents to which such Borrower is a party or for the borrowings by any Borrower under the Credit Agreement.

6. The execution, delivery and performance by each Borrower of, and the consummation by each Borrower of the transactions contemplated by, the Credit Documents to which such Borrower is a party do not and will not (i) violate any provision of its charter or by-laws (or equivalent constitutional documents) or (ii) violate any law, rule or regulation of the United States of America or the Commonwealth of Virginia.

The foregoing opinions are subject to the following comments and qualifications:

(a) The enforceability of Section 11.03 of the Credit Agreement may be limited by (i) laws rendering unenforceable indemnification contrary to Federal or state securities laws and the public policy underlying such laws and (ii) laws limiting the enforceability of provisions exculpating or exempting a party from, or requiring indemnification of a party for, liability for its own action or inaction, to the extent the action or inaction involves gross negligence, recklessness, willful misconduct or unlawful conduct.

(b) The enforceability of provisions in the Credit Documents to the effect that terms may not be waived or modified except in writing may be limited under certain circumstances.

(c) We express no opinion as to (i) the effect of the laws of any jurisdiction in which any Lender is located (other than the State of New York) that limit the interest, fees or other charges such Lender may impose, (ii) Section 4.07(c) of the Credit

Agreement, (iii) the second sentence of Section 11.10 of the Credit Agreement, insofar as such sentence relates to the subject matter jurisdiction of the United States District Court for the Southern District of New York to adjudicate any controversy related to any of the Credit Documents and (iv) Section 11.13 of the Credit Agreement.

(d) We express no opinion in paragraph 6 above as to whether, by reason of the assumption by COB of the Undertaking set forth in Section 2.12 of the Credit Agreement, COFC would be required to licensed as a bank holding company under the Bank Holding Company Act of 1956, as amended (the "BHCA"), by reason of the failure of COB to fall within the exclusion from the definition of the term "bank" contained in Section 2(c)(2)(F) of the BHCA.

The foregoing opinions are limited to matters involving the Federal laws of the United States, the Delaware General Corporation Law and the laws of the State of New York and the Commonwealth of Virginia, and we do not express any opinion as to the laws of any other jurisdiction.

At the request of our clients, this opinion letter is, pursuant to Section 6.01(c) of the Credit Agreement, provided to you by us in our capacity as special counsel to the Borrowers and may not be relied upon by any Person for any purpose other than in connection with the transactions contemplated by the Credit Agreement without, in each instance, our prior written consent.

Very truly yours,

EXHIBIT B-2

[Form of Opinion of Counsel to the Borrowers]

_____, 199_

Each of the Lenders party
to the Credit Agreement
referred to below

The Chase Manhattan Bank,
as Administrative Agent
270 Park Avenue
New York, New York 10017

Ladies and Gentlemen:

I have acted as counsel to Capital One Financial Corporation ("COFC"), Capital One Bank ("COB"), Capital One, F.S.B. ("FSB" and, collectively with COFC and COB, the "Borrowers") in connection with (i) the Amended and Restated Credit Agreement (the "Credit Agreement") dated as of November 25, 1996 among the Borrowers, the Lenders party thereto and The Chase Manhattan Bank, as Administrative Agent, providing for loans to be made by the Lenders to the Borrowers in an aggregate principal amount not exceeding $1,700,000,000 (or, to the extent specified in the Credit Agreement, its equivalent in certain foreign currencies and as such amount may be increased pursuant to Section 2.11 of the Credit Agreement) and (ii) the various other agreements, instruments and other documents referred to in the next following paragraph. Capitalized terms used but not defined herein have the respective meanings given to such terms in the Credit Agreement. This opinion letter is being delivered pursuant to Section 6.01(d) of the Credit Agreement.

In rendering the opinions expressed below, I have examined the following agreements, instruments and other documents:

(a) the Credit Agreement;

(b) the Notes; and

(c) such records of the Borrowers and such other documents as I have deemed necessary as a basis for the opinions expressed below.

The agreements, instruments and other documents referred to in clauses (a) and (b) above are collectively referred to as the "Credit Documents".

In my examination, I have assumed the genuineness of all signatures, the authenticity of all documents submitted to me as originals and the conformity with authentic original documents of all documents submitted to me as copies. When relevant facts were not independently established, I have relied upon statements of governmental officials and upon representations made in or pursuant to the Credit Documents and certificates of appropriate representatives of the Borrowers.

In rendering the opinions expressed below, I have assumed, with respect to all of the documents referred to in this opinion letter, that (except, to the extent set forth in the opinions expressed below, as to the Borrowers):

(i) such documents have been duly authorized by, have been duly executed and delivered by, and constitute legal, valid, binding and enforceable obligations of, all of the parties to such documents;

(ii) all signatories to such documents have been duly authorized; and

(iii) all of the parties to such documents are duly organized and validly existing and have the power and authority (corporate or other) to execute, deliver and perform such documents.

Based upon and subject to the foregoing and subject also to the qualifications set forth below, and having considered such questions of law as I have deemed necessary as a basis for the opinions expressed below, I am of the opinion that:

1. COFC is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware. COB is a bank duly organized, validly existing and in good standing under the laws of the Commonwealth of Virginia. FSB is a savings bank duly organized, validly existing and in good standing under the laws of the United States of America.

2. Each Borrower has all requisite corporate power to execute and deliver, and to perform its obligations under, the Credit Documents to which it is a party. Each Borrower has all requisite corporate power to borrow under the Credit Agreement.

3. The execution, delivery and performance by each Borrower of each Credit Document to which it is a party, and the borrowings by each Borrower under the Credit Agreement, have been duly authorized by all necessary corporate action on the part of such Borrower.

4. Each Credit Document has been duly executed and delivered by each Borrower party thereto.

5. The execution, delivery and performance by each Borrower of, and the consummation by each Borrower of the transactions contemplated by, the Credit Documents to which such Borrower is a party do not and will not (a) violate any provision of its charter or by-laws (or equivalent constitutional documents), (b) violate any applicable law, rule or regulation, (c) violate any order, writ, injunction or decree of any court or governmental authority or agency or any arbitral award applicable to any Borrower or any of its Subsidiaries of which I have knowledge (after due inquiry) or (d) result in a breach of, constitute a default under, require any consent under, or result in the acceleration or required prepayment of any indebtedness pursuant to the terms of, any agreement or instrument of which I have knowledge (after due inquiry) to which any Borrower or any of its Subsidiaries is a party or by which any of them is bound or to which any of them is subject, or result in the creation or imposition of any Lien upon any Property of any Borrower or any of its Subsidiaries pursuant to the terms of any such agreement or instrument, except for any such conflict, breach, violation, default or consent that if not obtained, or Lien that if created, could not (either individually or in the aggregate) have a Material Adverse Effect and could not subject the Administrative Agent or any Lender to liability.

6. Except as set forth in Schedule 7.03 of the Credit Agreement, I have no knowledge (after due inquiry) of any legal or arbitral proceedings, or any proceedings by or before any governmental or regulatory authority or agency, pending or threatened against or affecting any Borrower or any of its Subsidiaries or any of their respective Properties, except proceedings that, if adversely determined, would not have a Material Adverse Effect.

The foregoing opinions are limited to matters involving the Federal laws of the United States, the Delaware General Corporation Law and the law of the Commonwealth of Virginia, and I do not express any opinion as to the laws of any other jurisdiction.

At the request of my clients, this opinion letter is, pursuant to Section 6.01(d) of the Credit Agreement, provided to you by me in my capacity as counsel to the Borrowers and may not be relied upon by any Person for any purpose other than in connection with the transactions contemplated by the Credit Agreement without, in each instance, my prior written consent.

Very truly yours,

EXHIBIT C

[Form of Opinion of Special New York Counsel to Chase]

_____, 199_

Each of the Lenders party
to the Credit Agreement
referred to below

The Chase Manhattan Bank,
as Administrative Agent
270 Park Avenue
New York, New York 10017

Ladies and Gentlemen:

We have acted as special New York counsel to The Chase Manhattan Bank ("Chase") in connection with (i) the Amended and Restated Credit Agreement dated as of November 25, 1996 (the "Credit Agreement") among Capital One Financial Corporation ("COFC"), Capital One Bank ("COB"), Capital One, F.S.B ("FSB" and, collectively with COFC and COB, the "Borrowers"), the Lenders party thereto and Chase, as Administrative Agent, providing for loans to be made by the Lenders to the Borrowers in an aggregate principal amount not exceeding $1,700,000,000 (or, to the extent specified in the Credit Agreement, its equivalent in certain foreign currencies and as such amount may be increased pursuant to Section 2.11 of the Credit Agreement) and (ii) the various other agreements, instruments and other documents referred to in the next following paragraph. Capitalized terms used but not defined herein have the respective meanings given to such terms in the Credit Agreement. This opinion letter is being delivered pursuant to Section 6.01(e) of the Credit Agreement.

In rendering the opinions expressed below, we have examined the following agreements, instruments and other documents:

(a) the Credit Agreement;

(b) the Notes; and

(c) such records of the Borrowers and such other documents as we have deemed necessary as a basis for the opinions expressed below.

The agreements, instruments and other documents referred to in clauses (a) and (b) above are collectively referred to as the "Credit Documents".

In our examination, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity with authentic original documents of all documents submitted to us as copies. When relevant facts were not independently established, we have relied upon representations made in or pursuant to the Credit Documents.

In rendering the opinions expressed below, we have assumed, with respect to all of the documents referred to in this opinion letter, that:

(i) such documents have been duly authorized by, have been duly executed and delivered by, and (except to the extent set forth in the opinions below as to the Borrowers) constitute legal, valid, binding and enforceable obligations of, all of the parties to such documents;

(ii) all signatories to such documents have been duly authorized; and

(iii) all of the parties to such documents are duly organized and validly existing and have the power and authority (corporate or other) to execute, deliver and perform such documents.

Based upon and subject to the foregoing and subject also to the comments and qualifications set forth below, and having considered such questions of law as we have deemed necessary as a basis for the opinions expressed below, we are of the opinion that each of the Credit Documents constitutes the legal, valid and binding obligation of each Borrower, enforceable against each Borrower in accordance with its terms, except as may be limited by bankruptcy, insolvency, receivership, conservatorship, reorganization, moratorium or other similar laws relating to or affecting the rights of creditors generally (as such laws would apply in the event of the insolvency, receivership, conservatorship or reorganization of, or other similar occurrence with respect to, COB or FSB) and except as the enforceability of the Credit Documents is subject to the application of general principles of equity (regardless of whether considered in a proceeding in equity or at law), including, without limitation, (a) the possible unavailability of specific performance, injunctive relief or any other equitable remedy and (b) concepts of materiality, reasonableness, good faith and fair dealing.

The foregoing opinions are subject to the following comments and qualifications:

(A) The enforceability of Section 11.03 of the Credit Agreement may be limited by (i) laws rendering unenforceable indemnification contrary to Federal or state securities

laws and the public policy underlying such laws and (ii) laws limiting the enforceability of provisions exculpating or exempting a party from, or requiring indemnification of a party for, liability for its own action or inaction, to the extent the action or inaction involves gross negligence, recklessness, willful misconduct or unlawful conduct.

(B) The enforceability of provisions in the Credit Documents to the effect that terms may not be waived or modified except in writing may be limited under certain circumstances.

(C) We express no opinion as to (i) the effect of the laws of any jurisdiction in which any Lender is located (other than the State of New York) that limit the interest, fees or other charges such Lender may impose, (ii) Section 4.07(c) of the Credit Agreement, (iii) the second sentence of Section 11.10 of the Credit Agreement, insofar as such sentence relates to the subject matter jurisdiction of the United States District Court for the Southern District of New York to adjudicate any controversy related to any of the Credit Documents and (iv) Section 11.13 of the Credit Agreement.

(D) With repsect to Section 2.12 of the Credit Agreement, we call your attention to Wysko Investment Co. v. Great American Bank, 131 B.R. 146 (D. Ariz. 1991), which holds that a bankruptcy court in a case involving an account party of a letter of credit may enjoin payment under a letter of credit pursuant to Section 105 of the Bankruptcy Code in unusual circumstances. Id. at 147. In that case, the unusual circumstance was the bankruptcy court's finding that the injunction was necessary for the reorganization of the account party. Id. at 148. In addition, In re Delaware River Stevedores, Inc., 129 B.R. 38 (Bankr. E.D. Pa. 1991), suggests that "an injunction prohibiting payment on a L/C could conceivably be appropriate" if certain factors relating to issuing Section 105(a) injunctions "generally weighed in the debtor's [account party's] favor". Id. at 42, citing In re Guy C. Long, Inc., 74 B.R. 939 (Bankr. E.D. Pa. 1987). To the extent that the rationale of Wysko Investment Co. or Delaware River Stevedores would support the issuance by a bankruptcy court in a case involving FSB of a permanent injunction against payment under the Undertaking, we are of the opinion that those cases do not reflect a correct statement of the law in respect of letters of credit and other undertakings to pay against the presentation of specified documents and are not controlling precedent in any court exercising bankruptcy jurisdiction outside of Arizona or the Eastern District of Pennsylvania, as the case may be. In addition, if any Person obligated to reimburse COB for payments made under the Undertaking is subject to a proceeding under the Bankruptcy Code, we express no opinion as to whether a court exercising bankruptcy jurisdiction in respect of such Person might issue a temporary restraining order or other interim relief in order to preserve the status quo concerning the Undertaking pending a review of the merits of any request to enjoin payment under the Undertaking.

The foregoing opinions are limited to matters involving the Federal laws of the United States and the law of the State of New York, and we do not express any opinion as to the laws of any other jurisdiction.

At the request of our client, this opinion letter is, pursuant to Section 6.01(e) of the Credit Agreement, provided to you by us in our capacity as special New York counsel to Chase and may not be relied upon by any Person for any purpose other than in connection with the transactions contemplated by the Credit Agreement without, in each instance, our prior written consent.

Very truly yours,

BDR/CDP

EXHIBIT D

[Form of Notice of Borrowing of Syndicated Loans]

[Date]

To: The Chase Manhattan Bank,
as Administrative Agent

From: [Name of Borrower]

Re: Notice of Borrowing

Pursuant to Section 2.02 of the Amended and Restated Credit Agreement dated as of November 25, 1996 (as modified and supplemented and in effect from time to time, the "Credit Agreement") among Capital One Financial Corporation, Capital One Bank, Capital One, F.S.B., the lenders party thereto and The Chase Manhattan Bank, as Administrative Agent, the undersigned Borrower hereby gives notice of a borrowing of Syndicated Loans described below:

Name of Borrower: ----------

Aggregate Principal
Amount of Loans to be borrowed: ----------

Tranche of Loans to be borrowed: ----------

Currency of Loans to be borrowed: ----------

Type of Loans to be borrowed: ----------

Business Day of borrowing: ----------

Interest Period to be applicable: 1/

This notice of borrowing constitutes a certification by the undersigned Borrower to the effect set forth in Section 6.02(c) of the Credit Agreement, both as of the date of this notice of borrowing and, unless the undersigned notifies the Administrative Agent prior to the date of such borrowing, as of the date of such borrowing.

If the undersigned Borrower is FSB, then COB has signed this notice of borrowing on the line provided below.

- ----------

1/ No Loan may be made to FSB with an Interest Period in excess of six months.

Terms used herein have the meanings assigned to them in the Credit Agreement.

[NAME OF BORROWER]

By

Title:

[COB hereby confirms its obligations under Section 2.12 of the Credit Agreement after giving effect to the borrowing of Loans by FSB requested in this notice of borrowing:

CAPITAL ONE BANK

By

Title:]1/

- ---
2/Insert if FSB is the Borrower.

EXHIBIT E

[Form of Money Market Quote Request]

[Date]

To: The Chase Manhattan Bank,
as Administrative Agent

From: [Name of Borrower]

Re: Money Market Quote Request

Pursuant to Section 2.03 of the Amended and Restated Credit Agreement dated as of November 25, 1996 (as modified and supplemented and in effect from time to time, the "Credit Agreement") among Capital One Financial Corporation, Capital One Bank, Capital One, F.S.B., the lenders party thereto and The Chase Manhattan Bank, as Administrative Agent, we hereby give notice that we request Money Market Quotes from the Lenders under Tranche [A-($)][A-(MC)][B-($)][B-(MC)] for the following proposed Money Market Borrowing(s) under such Tranche:

Borrowing Date	Quotation Date[1]	Amount [2]	Type and Currency[3]	Interest Period[4]
----	-------	----------	----------	---------

If the undersigned Borrower is FSB, then COB has signed this Money Market Quote Request on the line provided below.

Terms used herein have the meanings assigned to them in the Credit Agreement.

[NAME OF BORROWER]

By

Title:

- ---

* All numbered footnotes appear on the last page of this Exhibit.

[COB hereby confirms its obligations under
Section 2.12 of the Credit Agreement
after giving effect to the borrowing
of Loans by FSB requested in this
Money Market Quote Request:

CAPITAL ONE BANK

By

Title:]1/

- ---

[1] In the case of Set Rate Loans to be denominated in Dollars, for use if a Set Rate in a Set Rate Auction is requested to be submitted before the Borrowing Date.

[2] Each amount must be an integral multiple of $1,000,000 and at least $5,000,000 (or, in the case of a Borrowing of Money Market Loans denominated in an Alternative Currency, the Foreign Currency Equivalent thereof (rounded to the nearest 1,000 units of such Alternative Currency)).

[3] Insert either "LIBO Margin" (in the case of LIBOR Market Loans) or "Set Rate" (in the case of Set Rate Loans).

[4] One, two, three or six months, in the case of a LIBOR Market Loan or, in the case of a Set Rate Loan, a period of not less than seven days after the making of such Set Rate Loan and ending on a Business Day. No Loan may be made to FSB with an Interest Period in excess of six months.

- ---
3/Insert if FSB is the Borrower.

EXHIBIT F

[Form of Money Market Quote]

To: The Chase Manhattan Bank,
as Administrative Agent

Attention: Agent Bank Services Group

Re: Money Market Quote to
[Name of Borrower] (the "Borrower")

This Money Market Quote is given in accordance with Section 2.03(c) of the Amended and Restated Credit Agreement dated as of November 25, 1996 (as modified and supplemented and in effect from time to time, the "Credit Agreement") among Capital One Financial Corporation, Capital One Bank, Capital One, F.S.B., the lenders party thereto and The Chase Manhattan Bank, as Administrative Agent. Terms defined in the Credit Agreement are used herein as defined therein.

In response to the Borrower's invitation dated _____, 199_, we hereby make the following Money Market Quote(s) on the following terms:

1. Quoting Lender:

2. Person to contact at Quoting Lender:

3. We hereby offer to make Money Market Loan(s) under Tranche [A-($)][A-(MC)][B-($)][B-(MC)] in the following principal amount[s], for the following Interest Period(s) and at the following rate(s):

Borrowing Date	Quotation Date[1]	Amount [2]	Type and Currency[3]	Interest Period[4]	Rate[5]

provided that the Borrower may not accept offers that would result in the undersigned making Money Market Loans pursuant hereto in excess of $_____ in the aggregate (the "Money Market Loan Limit").

- ------------------------

* All numbered footnotes appear on the last page of this Exhibit.

We understand and agree that the offer(s) set forth above, subject to the satisfaction of the applicable conditions set forth in the Credit Agreement, irrevocably obligate[s] us to make the Money Market Loan(s) for which any offer(s) (is/are) accepted, in whole or in part (subject to the third sentence of Section 2.03(e) of the Credit Agreement and any Money Market Loan Limit specified above).

Very truly yours,

[NAME OF LENDER]

By

Authorized Officer

Dated: ----------, ----

- ---

[1] As specified in the related Money Market Quote Request.

[2] The principal amount bid for each Interest Period may not exceed the principal amount requested. Bids must be made for an integral multiple of $1,000,000 and at least $5,000,000 (or, in the case of a Borrowing of Money Market Loans denominated in an Alternative Currency, the Foreign Currency Equivalent thereof (rounded to the nearest 1,000 units of such Alternative Currency)).

[3] Indicate "LIBO Margin" (in the case of LIBOR Market Loans) or "Set Rate" (in the case of Set Rate Loans).

[4] One, two, three or six months, in the case of a LIBOR Market Loan or, in the case of a Set Rate Loan, a period of not less than seven days after the making of such Set Rate Loan and ending on a Business Day, as specified in the related Money Market Quote Request. No Loan may be made to FSB with an Interest Period in excess of six months.

[5] For a LIBOR Market Loan, specify margin over or under the Eurocurrency Rate determined for the applicable Interest Period. Specify percentage (rounded to the nearest 1/10,000 of 1%) and specify whether "PLUS" or "MINUS". For a Set Rate Loan, specify rate of interest per annum (rounded to the nearest 1/10,000 of 1%).

EXHIBIT G

[Form of Confidentiality Agreement]

CONFIDENTIALITY AGREEMENT

[Date]

[Insert Name and
Address of Prospective
Participant or Assignee]

Re: Amended and Restated Credit Agreement dated as of November 25, 1996 (as modified and supplemented and in effect from time to time, the "Credit Agreement") among Capital One Financial Corporation, Capital One Bank, Capital One, F.S.B., the lenders party thereto and The Chase Manhattan Bank, as Administrative Agent.

Ladies and Gentlemen:

As a Lender party to the Credit Agreement, we have agreed with the Borrowers pursuant to Section 11.12 of the Credit Agreement to use reasonable precautions to keep confidential, except as otherwise provided therein, all non-public information identified by the Borrowers as being confidential at the time the same is delivered to us pursuant to the Credit Agreement.

As provided in said Section 11.12, we are permitted to provide you, as a prospective [holder of a participation in the Loans (as defined in the Credit Agreement)] [assignee Lender], with certain of such non-public information subject to the execution and delivery by you, prior to receiving such non-public information, of a Confidentiality Agreement in this form. Such information will not be made available to you until your execution and return to us of this Confidentiality Agreement.

Accordingly, in consideration of the foregoing, you agree (on behalf of yourself and each of your affiliates, directors, officers, employees and representatives and for the benefit of us and the Borrowers) that (A) such information will not be used by you except in connection with the proposed [participation][assignment] mentioned above and (B) you shall use reasonable precautions, in accordance with your customary procedures for handling confidential information and in accordance with safe and sound banking practices, to keep such information confidential, provided that (x) nothing herein shall limit the disclosure of any such information (i) after such information shall have become public (other than through a violation of Section 11.12 of the Credit Agreement), (ii) to the extent required by statute, rule, regulation or judicial process, (iii) to your counsel or to counsel for any of the Lenders or the Administrative Agent, (iv) to

bank examiners (or any other regulatory authority having jurisdiction over any Lender or the Administrative Agent), or to auditors or accountants, (v) to the Administrative Agent or any other Lender, (vi) in connection with any litigation to which you or any one or more of the Lenders or the Administrative Agent is a party, or in connection with the enforcement of rights or remedies under the Credit Agreement, (vii) to a subsidiary or affiliate of yours as provided in Section 11.12(a) of the Credit Agreement or (viii) to any assignee or participant (or prospective assignee or participant) so long as such assignee or participant (or prospective assignee or participant) first executes and delivers to you a Confidentiality Agreement substantially in the form hereof and (y) in no event shall you be obligated to return any materials furnished to you pursuant to this Confidentiality Agreement.

If you are a prospective assignee, your obligations under this Confidentiality Agreement shall be superseded by Section 11.12 of the Credit Agreement on the date upon which you become a Lender under the Credit Agreement pursuant to Section 11.06(b) thereof. This Confidentiality Agreement shall be governed by, and construed in accordance with, the law of the State of New York without reference to choice of law doctrine.

Please indicate your agreement to the foregoing by signing as provided below the enclosed copy of this Confidentiality Agreement and returning the same to us.

Very truly yours,

[INSERT NAME OF LENDER]

By

Title:

The foregoing is agreed to
as of the date of this letter:

[INSERT NAME OF PROSPECTIVE
PARTICIPANT OR ASSIGNEE]

By

Title:

EXHIBIT H

[Form of Assignment and Acceptance]

ASSIGNMENT AND ACCEPTANCE

Reference is made to the Amended and Restated Credit Agreement dated as of November 25, 1996 (as modified and supplemented and in effect from time to time, the "Credit Agreement") among Capital One Financial Corporation, Capital One Bank, Capital One, F.S.B., the lenders party thereto and The Chase Manhattan Bank, as Administrative Agent. Terms defined in the Credit Agreement are used herein as defined therein.

_____ (the "Assignor") and _____ (the "Assignee") agree as follows:

1. The Assignor hereby irrevocably sells and assigns to the Assignee without recourse to the Assignor, and the Assignee hereby irrevocably purchases and assumes from the Assignor without recourse to the Assignor, as of the Effective Date as set forth in Schedule 1 hereto (the "Effective Date"), an interest (the "Assigned Interest") in and to the Assignor's rights and obligations under the Credit Agreement in an amount and percentage as set forth on Schedule 1.

2. The Assignor (i) makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with the Credit Agreement, any other Basic Document or any other instrument or document furnished pursuant thereto, or the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Credit Agreement, any other Basic Document or any other instrument or document furnished pursuant thereto, other than that it has not created any adverse claim upon the interest being assigned by it hereunder and that such interest is free and clear of any such adverse claim; (ii) makes no representation or warranty and assumes no responsibility with respect to the financial condition of the Company or the Guarantor or any other obligation or the performance or observance by the Company, the Guarantor or any other obligor of any of their respective obligations under the Credit Agreement or any other Basic Document or any other instrument or document furnished pursuant hereto or thereto; and (iii) attaches the Note(s) held by it evidencing (or to evidence) its Loan and requests that the Administrative Agent exchange such Note(s) for a new Note or Notes payable to the Assignor (if the Assignor has retained any interest in its Loan) and a new Note or Notes payable to the Assignee in the respective amounts which reflect the assignment being made hereby (and after giving effect to any other assignments which have become effective on the Effective Date).

3. The Assignee (i) represents and warrants that it is legally authorized to enter into this Assignment and Acceptance; (ii) confirms that it has received a copy of the Credit Agreement, together with copies of the financial statements referred to in Section 7.02 thereof and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assignment and Acceptance; (iii) agrees that it will,

independently and without reliance upon the Assignor, the Administrative Agent or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Credit Agreement, the other Basic Documents or any other instrument or document furnished pursuant hereto or thereto; (iv) appoints and authorizes the Administrative Agent to take such action as administrative agent on its behalf and to exercise such powers and discretion under the Credit Agreement, the other Loan Documents or any other instrument or document furnished pursuant hereto or thereto as are delegated to the Administrative Agent by the terms thereof, together with such powers as are incidental thereto; and (v) agrees that it will be bound by the provisions of the Credit Agreement and will perform in accordance with its terms all the obligations which by the terms of the Credit Agreement are required to be performed by it as a Lender.

4. Following the execution of this Assignment and Acceptance, it will be delivered to the Administrative Agent for acceptance by the Administrative Agent pursuant to Section 11.06(b) of the Credit Agreement, effective as of the Effective Date (which date shall not, unless otherwise agreed to by the Administrative Agent, be earlier than five Business Days after the date of such acceptance and recording by the Administrative Agent).

5. Upon such acceptance and recording, from and after the Effective Date, the Administrative Agent shall make all payments in respect of the Assigned Interest (including payments of principal, interest, fees and other amounts) to the Assignee which accrue subsequent to the Effective Date.

6. From and after the Effective Date, (i) the Assignee shall be a party to the Credit Agreement and, to the extent provided in this Assignment and Acceptance, have the rights and obligations of a Lender thereunder and under the other Basic Documents and shall be bound by the provisions thereof and (ii) the Assignor shall, to the extent provided in this Assignment and Acceptance, relinquish its rights and be released from its obligations under the Credit Agreement except as provided in Section 11.07 of the Credit Agreement.

7. This Assignment and Acceptance shall be governed by and construed in accordance with the law of the State of New York.

8. This Assignment and Acceptance may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument and any of the parties hereto may execute this Assignment and Acceptance by signing any such counterpart.

IN WITNESS WHEREOF, the parties hereto have caused this Assignment and Acceptance to be executed as of the date first above written by their respective duly authorized officers on Schedule 1 hereto.

Schedule 1 to
Assignment and Acceptance
relating to the Amended and Restated Credit Agreement
dated as of November 25, 1996
among Capital One Financial Corporation,
Capital One Bank, Capital One, F.S.B.,
the lenders party thereto and
The Chase Manhattan Bank, as Administrative Agent

Name of Assignor:

Name of Assignee:

Effective Date of Assignment:

Relevant Tranche	Commitment Amount Assigned	Principal Amount of Loan Assigned	Percentage Assigned
- -------			

[ASSIGNEE]

By

Title:

[ASSIGNOR]

By

Title:

Consented to and Accepted:

THE CHASE MANHATTAN BANK, as
Administrative Agent

By
-
Title:

Assignment and Acceptance

Consented to:

CAPITAL ONE FINANCIAL
CORPORATION

By
-
Title:

CAPITAL ONE BANK

By
-
Title:

CAPITAL ONE, F.S.B.

By
-
Title:

Assignment and Acceptance

EXHIBIT I

[Form of Commitment Increase Letter]

COMMITMENT INCREASE LETTER

[Date]

Capital One Bank
Capital One, F.S.B.
Capital One Financial Corporation
2980 Fairview Park Drive
Suite 1300
Falls Church, VA 22042-4525

The Chase Manhattan Bank,
as Administrative Agent
Agent Bank Services Group
1 Chase Manhattan Plaza
8th Floor
New York, New York 10081
Attention: Ms. Laura Rebecca

Ladies and Gentlemen:

Reference is made to the Amended and Restated Credit Agreement dated as of November 25, 1996 (as modified and supplemented and in effect from time to time, the "Credit Agreement") among Capital One Financial Corporation, Capital One Bank, Capital One, F.S.B., the lenders party thereto and The Chase Manhattan Bank, as Administrative Agent. Terms used but not defined herein have the respective meanings given to such terms in the Credit Agreement.

This Commitment Increase Letter is delivered pursuant to Section 2.11 of the Credit Agreement.

If, prior to the execution and delivery of this Commitment Increase Letter, the undersigned is a Lender already party to the Credit Agreement, then the undersigned hereby agrees that, effective as of the Commitment Increase Date set forth below, the Commitment of such Lender under the Tranche set forth below is increased by an amount equal to the "Commitment Increase Amount" set forth below.

Assignment and Acceptance

If, prior to the execution and delivery of this Commitment Increase Letter, the undersigned is not a Lender already party to the Credit Agreement, then the undersigned hereby agrees that, effective as of the Commitment Increase Date set forth below, the undersigned shall have a Commitment under the Tranche set forth below in an amount equal to the "Commitment Increase Amount" set forth below.

Commitment Increase Date: ,
---------- ----

Tranche: Tranche [A-($)][A-(MC)][B-($)][B-(MC)]

Commitment Increase Amount: $

The undersigned agrees with the Borrowers and the Administrative Agent that the undersigned will, from and after the Commitment Increase Date, be a "Lender" under the Credit Agreement (if not already a "Lender" thereunder) and perform all of the obligations of the undersigned as a "Lender" under the Credit Agreement in respect of the Commitment Increase Amount (together with, if already a "Lender" under the Credit Agreement, the Commitment(s) of the Lender in effect immediately prior to the execution and delivery of this Commitment Increase Letter).

This Commitment Increase Letter shall be governed by and construed in accordance with the law of the State of New York without reference to choice of law doctrine.

Very truly yours,

[INSERT NAME OF LENDER]

By

Title:

EXHIBIT J

[Form of Drawing Certificate]

DRAWING CERTIFICATE

Capital One Bank

- ------------------
- ------------------

Ladies and Gentlemen:

Reference is made to the Undertaking entered into by Capital One Bank ("COB") pursuant to Section 2.12 of the Amended and Restated Credit Agreement dated as of November 25, 1996 (as modified and supplemented and in effect from time to time, the "Credit Agreement") among Capital One Financial Corporation, Capital One Bank, Capital One, F.S.B. ("FSB"), the lenders party thereto and the Administrative Agent named therein. Terms used but not defined herein have the respective meanings given to such terms in the Credit Agreement.

The undersigned, a duly authorized representative of the Administrative Agent (the "Administrative Agent"), hereby certifies that:

1. The Administrative Agent is the beneficiary of the Undertaking.

2. The Administrative Agent hereby requests payment in an amount equal to the amount of the draft accompanying this Certificate (the "Draft"), which amount is not greater than the aggregate amount due and payable by FSB on the date of this Certificate in respect of the principal of or interest on the Loans made by the Lenders to, and the Notes held by each Lender of, FSB or any other amount owing by FSB to any Lender or the Administrative Agent under the Credit Agreement or any of the Notes.

3. The amount represented by the Draft has not been paid by FSB and has not been the subject of and paid pursuant to a prior drawing by the Administrative Agent under the Undertaking.

4. The date of the Draft is the date of this Certificate.

Commitment Increase Letter

IN WITNESS WHEREOF, the undersigned has executed this Certificate on [insert date of draft accompanying this Certificate].

[NAME OF ADMINISTRATIVE AGENT],
as Administrative Agent

By

Authorized Representative

Drawing Certificate

Exhibit 11

CAPITAL ONE FINANCIAL CORPORATION
COMPUTATION OF PER SHARE EARNINGS
FOR EACH OF THE THREE YEARS ENDED DECEMBER 31, 1996

(dollars in thousands, except per share data)

	Year Ended December 31		
	1996	1995	1994 (1)
Primary			
Net Income	$155,267	$126,511	$95,263
Weighted average common and common equivalent shares outstanding			
Average common shares outstanding	66,227,631	65,690,838	65,602,850
Net effect of dilutive restricted stock (2)	7,548	293,807	464,400
Net effect of dilutive stock options (2)	809,220	447,155	
Weighted average common and common equivalent shares	67,044,399	66,431,800	66,067,250
Earnings per share	$2.32	$1.90	$1.44
Fully diluted			
Net income	$155,267	$126,511	$95,263
Weighted average common and common equivalent shares outstanding			
Average common shares outstanding	66,227,631	$65,690,838	$65,602,850
Net effect of dilutive restrictive stock (3)	11,169	417,701	464,400
Net effect of dilutive stock options (3)	1,348,912	484,108	
Weighted average common and common equivalent shares	67,587,712	66,592,647	66,067,250
Earnings per share	$2.30	$1.90	$1.44

(1) Gives retroactive effect to the initial capitalization of the Company on November 22, 1994, as if all shares issued were outstanding for all periods presented. Dilutive restrictive stock includes effect of 464,400 shares of restricted stock which vested on November 15, 1995.

(2) Based on the treasury stock method using average market price.

(3) Based on the treasury stock method using the higher of ending or average market price.

The calculations of common and common equivalent earnings per share and fully diluted earnings per share are submitted in accordance with Securities Exchange Act of 1934 Release No. 9083 although both calculations are not required by footnote 2 to paragraph 14 of APB Opinion No. 15 because there is dilution of less than 3%. The Registrant has elected to show fully diluted earnings per share in its financial statements.

EXHIBIT 13

SELECTED FINANCIAL AND OPERATING DATA

(dollars in thousands, except per share data)	Year Ended December 31 1996	1995	1994(1)	1993(1)	1992(1)	1991(1)	Five-Year Compound Growth Rate
INCOME STATEMENT DATA:							
Interest income	$ 660,483	$ 457,409	$ 258,672	$ 259,857	$ 120,630	$ 111,195	42.81%
Interest expense	294,999	249,396	93,695	67,994	29,888	41,797	47.82
Net interest income	365,484	208,013	164,977	191,863	90,742	69,398	39.41
Provision for loan losses	167,246	65,895	30,727	34,030	55,012	40,891	32.54
Net interest income after provision for loan losses	198,238	142,118	134,250	157,833	35,730	28,507	47.38
Non-interest income	763,424	553,043	396,902	194,825	121,642	111,017	47.05
Non-interest expense(2)	713,182	497,430	384,325	181,804	108,508	86,042	52.65
Income before income taxes	248,480	197,731	146,827	170,854	48,864	53,482	35.96
Income taxes	93,213	71,220	51,564	60,369	16,614	18,184	38.66
Net income	$ 155,267	$ 126,511	$ 95,263	$ 110,485	$ 32,250	$ 35,298	34.48%
Dividend payout ratio	13.24%	12.55%					
PER COMMON SHARE:							
Net income(3)	$ 2.30	$ 1.90	$ 1.44	$ 1.67	$ .49	$ .53	
Dividends	.32	.24					
Book value at year-end	11.16	9.05	7.18				
Average common and common equivalent shares outstanding(3)	67,587,712	66,592,750	66,067,250				
SELECTED AVERAGE BALANCES:							
Consumer loans	$ 3,651,908	$ 2,940,208	$ 2,286,684	$ 2,213,378	$ 772,742	$ 673,487	40.23%
Allowance for loan losses	(83,573)	(69,939)	(66,434)	(59,754)	(43,767)	(23,154)	29.27
Securities	1,147,079	949,923	62,626				
Total assets	5,568,960	4,436,055	2,629,920	2,289,043	827,093	731,881	50.06
Deposits	1,046,122	769,688	36,248				
Other borrowings	3,623,104	2,952,162	2,287,474	2,148,155	762,762	675,732	39.91
Stockholders'/Division equity(4)	676,759	543,364	239,616	113,815	51,454	46,807	70.62
SELECTED YEAR-END BALANCES:							
Consumer loans	$ 4,343,902	$ 2,921,679	$ 2,228,455	$ 1,862,744	$ 1,304,560	$ 767,448	
Allowance for loan losses	(118,500)	(72,000)	(68,516)	(63,516)	(55,993)	(31,541)	
Securities	1,358,103	1,233,796	412,070				
Total assets	6,467,445	4,759,321	3,091,980	1,991,207	1,351,802	837,240	
Deposits	943,022	696,037	452,201				
Other borrowings	4,525,216	3,301,672	2,062,688	1,791,464	1,266,507	778,082	
Stockholders'/Division equity(4)	740,391	599,191	474,557	168,879	69,294	51,586	
MANAGED CONSUMER LOAN DATA:							
Average reported loans	$ 3,651,908	$ 2,940,208	$ 2,286,684	$ 2,213,378	$ 772,742	$ 673,487	40.23%
Average securitized loans	7,616,553	6,149,070	3,910,739	1,052,187	680,000	638,531	64.18
Average total managed loans	11,268,461	9,089,278	6,197,423	3,265,565	1,452,742	1,312,018	53.74
Consumer loan interest income	1,662,990	1,192,100	733,659	432,521	249,082	227,165	48.91
Year-end total managed loans	12,803,969	10,445,480	7,378,455	4,832,400	1,984,560	1,447,448	54.65
Year-end total accounts (000's)	8,586	6,149	5,049	3,118	1,672	1,261	46.76
Yield	14.76%	13.12%	11.84%	13.24%	17.15%	17.31%	
Net interest margin	8.16	6.28	6.90	9.55	12.63	10.70	
Delinquency rate (30+ days)	6.29	4.20	2.95	2.39	5.30	8.18	
Net charge-off rate(5)	4.24	2.25	1.48	2.09	5.18	5.61	
OPERATING RATIOS:							
Return on average assets	2.79%	2.85%	3.62%	4.83%	3.90%	4.82%	
Return on average equity	22.94	23.28	39.76	97.07	62.68	75.41	
Common equity to assets (average)	12.15	12.25	9.11	4.97	6.22	6.40	
Allowance for loan losses to loans as of year-end(6)	2.73	2.85	3.07	3.41	4.29	4.11	

(1) The Company's results prior to November 22, 1994, reflect operations as a division of Signet Bank.
(2) Non-interest expense includes a $49.0 million ($31.9 million after-tax) nonrecurring charge for computer services contract termination expense in 1994.
(3) Assumes 66,067,250 shares outstanding prior to November 22, 1994.
(4) Division equity reflects an allocation of capital to Capital One Bank as a division for purposes of preparation of the financial statements of the Company.
Such allocation is not subject to regulatory minimums.
(5) Net charge-offs reflect actual principal amounts charged off less recoveries.
(6) Excludes consumer loans held for securitization.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

INTRODUCTION

Capital One Financial Corporation (the "Corporation") is a holding company whose subsidiaries provide a variety of 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 provides certain consumer lending and deposit services. The Corporation and its subsidiaries are collectively referred to as the "Company." The Company is one of the oldest continually operating bank card issuers in the United States, having commenced operations in 1953, the same year as the formation of what is now MasterCard International. As of December 31, 1996, the Company had approximately 8.6 million customers and $12.8 billion in managed loans outstanding and was one of the largest providers of MasterCard and Visa credit cards in the United States.

Prior to November 1994, the Company operated as the credit card division of Signet Bank, a wholly owned subsidiary of Signet Banking Corporation ("Signet"). On November 22, 1994, Signet Bank contributed designated assets and liabilities of its credit card division and approximately $358 million of equity capital into the Bank (the "Separation").

The historic financial statements for the Company for the periods prior to November 22, 1994 have been prepared based upon the transfer of assets and assumption of liabilities contemplated by an agreement entered into among the Corporation, Signet and Signet Bank at the time of the Separation (the "Separation Agreement"). Prior to the Separation, the operations of the Company were conducted as a division within Signet Bank, to which Signet and its various subsidiaries had provided significant financial and operational support. As of December 31, 1996, substantially all services previously performed by Signet were performed by the Company.

The Company's profitability is affected by the net interest margin and non-interest income earned on earning assets, consumer usage patterns, credit quality, the level of solicitation (marketing) expenses and operating efficiency. The Company's revenues consist primarily of interest income on consumer loans and securities, and non-interest income consisting of servicing income and fees, which include annual membership, interchange, cash advance, overlimit, past-due and other fee income. The Company's primary expenses are the costs of funding assets, credit losses, operating expenses (including salaries and associate benefits), solicitation (marketing) expenses, processing 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.

Certain pro forma information discussed within this annual report present the Company as if it had been an independently funded and operated stand-alone organization for the full year in 1994. Pro forma income includes, for the period prior to the Separation, interest income earned on a hypothetical portfolio of high-quality liquid securities that the Company would have purchased in order to provide adequate liquidity and to meet its ongoing cash needs, interest expense as if the Company were separately funded and certain operating costs as a public stand-alone entity rather than as a division of a larger organization. These operating expenses include the expenses associated with the ownership of additional buildings transferred upon consummation of the Separation and other additional administrative expenses.

EARNINGS SUMMARY

The following discussion provides a summary of 1996 results compared to 1995 results and 1995 results compared to the 1994 historic results of the Company which, prior to November 22, 1994, are as a division of Signet. Each component is discussed in further detail in subsequent sections of this analysis.

YEAR ENDED DECEMBER 31, 1996 COMPARED TO YEAR ENDED DECEMBER 31, 1995

Net income of $155.3 million for the year ended December 31, 1996 increased $28.8 million, or 23%, over net income of $126.5 million in 1995. The increase in net income is primarily a result of an increase in both asset volumes and rates. Net interest income increased $157.5 million, or 76%, as average earning assets increased 23% and the net interest margin increased to 7.62% from 5.35%. The provision for loan losses increased $101.4 million, or 154%, as average reported consumer loans increased 24% and the reported net charge-off rate increased to 3.63% in 1996 from 2.03% in 1995 as the average age of the accounts increased (generally referred to as "seasoning"). Non-interest income increased $210.4 million, or 38%, primarily due to the increase in average managed consumer loans and a shift to more fee intensive products. Increases in solicitation

costs of $59.8 million, or 41%, and other non-interest expenses of $155.9 million, or 44%, reflect the increase in marketing investment in existing and new product opportunities and the cost of operations to build infrastructure and manage the growth in accounts. Average managed consumer loans grew 24% for the year ended December 31, 1996, to $11.3 billion from $9.1 billion for the year ended December 31, 1995, and average managed accounts grew 30% for the same period to 7.5 million from 5.7 million as a result of the continued success of the Company's solicitation and account management strategies.

YEAR ENDED DECEMBER 31, 1995 COMPARED TO
YEAR ENDED DECEMBER 31, 1994

Net income for the year ended December 31, 1995 of $126.5 million increased $31.2 million, or 33%, over net income of $95.3 million in 1994. The increase in net income was partially attributable to the $31.9 million (after-tax) nonrecurring charge for 1994 settlement costs to terminate a long-term data processing services contract.

Other factors affecting net income include the increase in net interest income of $43.0 million, or 26%, the result of a 66% increase in average earning assets, offset by a decrease in the net interest margin to 5.35% from 7.02%. The decrease in net interest margin reflected overall increases in average short-term market interest rates plus the absence of a stand-alone hedging program prior to the Separation. The provision for loan losses increased $35.2 million, or 114%, as average reported consumer loans increased 37% and the reported net charge-off rate increased to 2.03% in 1995 from 1.13% in 1994 as the accounts seasoned. Non-interest income increased $156.1 million, or 39%, primarily due to the increase in average managed loans, including those securitized. Increases in solicitation costs of $45.9 million, or 46%, and other non-interest expenses (excluding the contract termination expense of $49.0 million) of $116.2 million, or 50%, reflect the increase in marketing investment in existing and new product opportunities and the cost of operations to manage the growth in accounts. Average managed loans grew to $9.1 billion, or 47%, from $6.2 billion as a result of the success of the Company's solicitation 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 adjusts the balance sheet and income statement to add back the effect of securitizing 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 on-balance sheet loans, loans held for securitization and securitized loans. Securitized loans are not assets of the Company and, therefore, are not shown on the balance sheet. Reported consumer loans consist of on-balance sheet loans and loans held for securitization and excludes securitized loans. Table 1 summarizes the Company's managed consumer loan portfolio.

TABLE 1 MANAGED CONSUMER LOAN PORTFOLIO

	Year Ended December 31				
(in thousands)	1996	1995	1994	1993	1992
YEAR-END BALANCES:					
Consumer loans held for securitization		$ 400,000			
On-balance sheet consumer loans	$ 4,343,902	2,521,679	$2,228,455	$1,862,744	$1,304,560
Securitized consumer loans	8,460,067	7,523,801	5,150,000	2,969,656	680,000
Total managed consumer loan portfolio	$12,803,969	$10,445,480	$7,378,455	$4,832,400	$1,984,560
AVERAGE BALANCES:					
Consumer loans held for securitization	$ 699,044	$ 402,602	$ 432,581	$ 393,835	
On-balance sheet consumer loans	2,952,864	2,537,606	1,854,103	1,819,543	$ 772,742
Securitized consumer loans	7,616,553	6,149,070	3,910,739	1,052,187	680,000
Total average managed consumer loan portfolio	$11,268,461	$ 9,089,278	$6,197,423	$3,265,565	$1,452,742

The Company's reported consumer loan portfolio as of December 31, 1996 consisted of 64% fixed and 36% variable interest rate loans. As of December 31, 1996, the managed consumer loan portfolio consisted of 57% fixed and 43% variable interest rate loans.

Since 1990, the Company has actively engaged in credit card loan securitization transactions which are treated as sales under generally accepted accounting principles. For securitized loans, amounts that would previously have been reported as interest income, interest expense, service charges and provision for loan losses are instead included in non-interest income as servicing income. Because credit losses are absorbed against servicing income over the life of these transactions, such income may vary depending upon the credit performance of the securitized loans. However, exposure to credit losses on the securitized loans is contractually limited to these cash flows.

In June 1996, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards ("SFAS") No. 125 ("SFAS 125"), "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities," which establishes the accounting for certain financial asset transfers including securitization transactions. SFAS 125 requires an entity, after a transfer of financial assets that meets the criteria for sale accounting, to recognize the financial and servicing assets it controls and the liabilities it has incurred and to derecognize financial assets for which control has been surrendered. The provisions of SFAS 125 are effective January 1, 1997. Based on the anticipated performance of securitization transactions the Company has undertaken, the Company does not believe the adoption of the new standard will have a material impact on the Company's financial statements. The Company will continuously assess the performance of new and existing securitization transactions as assumptions of cash flows change.

A securitization generally involves the transfer by the Company of the receivables generated by a pool of credit card accounts to an entity created for the securitization, generally a trust. Certificates issued ($8.5 billion outstanding as of December 31, 1996) by the trust represent undivided ownership interests in those receivables transferred into the trust. The credit quality of the receivables is supported by credit enhancement, which may be in various forms including a letter of credit, a cash collateral guaranty or account, or a subordinated interest in the receivables in the pool. The securitization results in the removal of the receivables from the Company's balance sheet for financial and regulatory accounting purposes.

The receivables transferred to a securitization pool include those outstanding in the selected accounts at the time the trust is formed and those arising under the accounts from time to time until termination of the trust. The Company also transfers to the trust the cash collected in payment of principal, interest and fees such as annual, cash advance, overlimit, past-due and other fees received and the Company's interest in any collateral.

Certificates representing participation interests in the pool 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. The amount of receivables transferred to the trust exceeds the initial principal amount of the certificates issued by the trust to investors. The Company retains an interest in the trust equal to the amount of the receivables in excess of the principal balance of the certificates. The Company's interest in the trust varies as the amount of the excess receivables in the trust fluctuates as the accountholders make principal payments and incur new charges on the selected accounts.

The Company acts as a servicing agent and receives loan servicing fees generally equal to 1.5% to 2.0% per annum of the securitized receivables. As a servicing agent, the Company continues to provide customer service, to collect past-due accounts and to provide all other services typically performed for its customers. Accordingly, its relationship with its customers is not affected by the securitization.

The certificateholders are entitled to receive periodic interest payments at a fixed rate or a floating rate. In general, the Company's floating rate issuances are based on the London Interbank Offered Rate ("LIBOR"). Amounts collected in excess of that needed to pay the rate of interest are used to pay the credit enhancement fee and servicing fee and are available to absorb the investors' share of credit losses.

Certificateholders in the Company's securitization program are generally entitled to receive principal payments either through monthly payments during an amortization period or in one lump sum after an accumulation period. Amortization may begin sooner in certain circumstances, including if the annualized portfolio yield (consisting, generally, of interest, annual fees and other credit card fees) for a three-month period drops below the sum of the certificate rate payable to investors, loan servicing fees and net credit losses during the period or certain other events occur.

Prior to the commencement of the amortization or accumulation period, all principal payments received on the trust receivables are reinvested in new receivables of the selected accounts for the benefit of the trust. During the amortization period, the investors' share of principal payments are paid to the certificateholders until they are paid in full. During the

accumulation period, the investors' share of principal payments are paid into a principal funding account designed to accumulate amounts so that the certificates can be paid in full on the expected final payment date. The trust continues in existence until all amounts required to be paid to certificateholders of all series are repaid, at which time any remaining receivables and funds held in the trust will be reassigned to the Company.

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

TABLE 2 IMPACT OF CREDIT CARD SECURITIZATIONS

	Year Ended December 31		
(dollars in thousands)	1996	1995	1994
STATEMENTS OF INCOME (AS REPORTED):			
Net interest income	$ 365,484	$ 208,013	$ 164,977
Provision for loan losses	167,246	65,895	30,727
Non-interest income	763,424	553,043	396,902
Non-interest expense	713,182	497,430	384,325
Income before income taxes	$ 248,480	$ 197,731	$ 146,827
ADJUSTMENTS FOR SECURITIZATIONS:			
Net interest income	$ 648,073	$ 421,983	$ 267,201
Provision for loan losses	345,141	145,209	65,921
Non-interest income	(302,932)	(276,774)	(201,280)
Non-interest expense			
Income before income taxes	$ -	$ -	$ -
MANAGED STATEMENTS OF INCOME (AS ADJUSTED):			
Net interest income	$ 1,013,557	$ 629,996	$ 432,178
Provision for loan losses	512,387	211,104	96,648
Non-interest income	460,492	276,269	195,622
Non-interest expense	713,182	497,430	384,325
Income before income taxes	$ 248,480	$ 197,731	$ 146,827
OPERATING DATA AND RATIOS:			
Reported:			
Average earning assets	$ 4,798,987	$ 3,890,131	$2,349,310
Return on average assets	2.79%	2.85%	3.62%
Net interest margin(1)	7.62	5.35	7.02
Managed:			
Average earning assets	$12,415,540	$10,039,201	$6,260,049
Return on average assets	1.18%	1.20%	1.46%
Net interest margin(1)	8.16	6.28	6.90
Yield on managed portfolio	14.76	13.12	11.84

(1) Net interest margin is equal to net interest income divided by average earning assets.

RISK ADJUSTED REVENUE AND MARGIN

In originating its consumer loan portfolio in recent years, the Company had pursued a low introductory interest rate strategy with accounts repricing to higher rates after six to sixteen months from the date of origination ("first generation products"). The amount of repricing is actively managed in an effort to maximize return at the customer level, reflecting the risk and expected performance of the account. Accounts also may be repriced upwards or downwards based on individual customer performance. Many of the Company's first generation products had a balance transfer feature under which customers could transfer balances held in their other credit card accounts to the Company. The Company's historic managed loan growth

has been principally the result of this balance transfer feature. Industry competitors have continuously solicited the Company's customers with similar low-rate introductory strategies. Management believes that these competitive pressures have and will continue to put additional pressure on low-rate introductory strategies.

In applying its Information-Based Strategies ("IBS") and in response to competitive pressures during late 1994, the Company began to shift a significant amount of its solicitation expense to second generation product opportunities. Second generation products consist of secured card products and other customized card products including affinity and co-branded cards, college student cards and other cards targeted to certain markets that were underserved by the Company's competitors. These products do not have the immediate impact on managed loan balances of the first generation products but typically consist of lower credit limit accounts which build balances over time. The terms of the second generation products tend to include annual membership fees and higher annual finance charge rates. The higher risk profile of the customers targeted for the second generation products and the lower credit limit associated with these products also tend to result in higher delinquency and net charge-off rates and consequently higher past-due and overlimit fees than the first generation products.

Although these second generation products have differing characteristics, both the first generation and second generation products meet the Company's objective of maximizing 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 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 percent of managed earning assets. It considers not only the finance charge yield and net interest margin, the primary focus of the first generation products, but also the fee income associated with the second generation products. By deducting net charge-offs, consideration is given to the risk inherent in these differing products.

MANAGED RISK ADJUSTED REVENUE*
(in million)

'94**	$502
'95	$701
'96	$996

*Net interest income plus non-interest income less net charge-offs.

** Pro forma.

MANAGED RISK ADJUSTED MARGIN*

'94**	7.29%
'95	6.99%
'96	8.02%

*Net interest income plus non-interest income less net charge-offs divided by average earning assets.

**Pro forma.

Risk adjusted revenue of $996.3 million for the year ended December 31, 1996 increased $294.9 million, or 42%, over risk adjusted revenue of $701.4 million in 1995. This increase resulted from an increase in managed net interest income of $383.6 million to $1.0 billion and an increase in managed non-interest income of $184.2 million to $460.5 million, offset by an increase in managed net charge-offs of $272.9 million to $477.7 million in 1996 as compared to 1995. Risk adjusted margin increased to 8.02% for the year ended December 31, 1996 from 6.99% in 1995. This increase resulted from an increase in managed net interest margin to 8.16% in 1996 from 6.28% in 1995, an increase in managed non-interest income as a percent of managed earning assets to 3.71% in 1996 from 2.75% in 1995 offset by an increase in managed net charge-offs as a percentage of managed earning assets to 3.85% in 1996 from 2.04% in 1995. The cause of increases and decreases in the various components of risk adjusted revenue are discussed in further detail in subsequent sections of this analysis.

Risk adjusted revenue of $701.4 million for the year ended December 31, 1995 increased $199.8 million, or 39.8%, over pro forma risk adjusted revenue of $501.6 million in 1994. This increase resulted from an increase in managed net interest income of $234.8 million to $630.0 million and an increase in managed non-interest income of $78.2 million to $276.3 million, offset by an increase in managed net charge-offs of $113.2 million to $204.8 million

in 1995 as compared to 1994. Risk adjusted margin decreased to 6.99% for the year ended December 31, 1995 from pro forma risk adjusted margin of 7.29% in 1994. This decrease resulted from an increase in managed net interest margin to 6.28% in 1995 from pro forma managed net interest margin of 5.74% in 1994, a decrease in managed non-interest income as a percent of managed earning assets to 2.75% in 1995 from pro forma of 2.88% in 1994 offset by an increase in managed net charge-offs as a percentage of managed earning assets to 2.04% in 1995 from pro forma of 1.33% in 1994. The cause of increases and decreases in the various components of risk adjusted revenue are discussed in further detail in subsequent sections of this analysis.

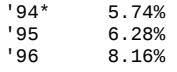
NET INTEREST INCOME

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, short-term borrowings and borrowings from senior and deposit notes. Prior to the Separation, interest expense represented amounts allocated to the Company by Signet to fund consumer loans and other assets. The interest expense paid on the allocated borrowings by the Company was based on average historic rates paid by Signet. See "Funding" for a detailed description of the funding allocations.

Net interest income for the year ended December 31, 1996 was $365.5 million compared to $208.0 million for 1995, representing an increase of $157.5 million, or 76%. Net interest income increased as a result of growth in earning assets and an increase in the net interest margin. Average earning assets increased 23% for the year ended December 31, 1996 to $4.8 billion from $3.9 billion for the year ended December 31, 1995. The reported net interest margin increased to 7.62% in 1996 from 5.35% in 1995 primarily attributable to a 269 basis point increase in the yield on consumer loans and a 38 basis point decrease in the cost of funds. The yield on consumer loans increased to 16.21% for the year ended December 31, 1996 from 13.52% for the year ended December 31, 1995. The yield increase was impacted by the repricing of introductory rate loans to higher rates in accordance with their respective terms, changes in product mix to higher yielding, second generation products and the increase in the amount of past-due fees from both a change in terms and an increase in the delinquency rate. The average rates paid on borrowed funds decreased to 6.32% for the year ended December 31, 1996 from 6.70% in 1995 primarily reflecting decreases in short-term market rates from year to year.

The managed net interest margin for the year ended December 31, 1996 increased to 8.16% from 6.28% for the year ended December 31, 1995. This increase was primarily the result of a 164 basis point increase in consumer loan yield for the year ended December 31, 1996 and a reduction of 46 basis points in borrowing costs for the same period, as compared to 1995. The increase in consumer loan yield to 14.76% for the year ended December 31, 1996 from 13.12% in 1995 principally reflected the 1996 repricing of introductory rate loans, changes in product mix and the increase in past-due fees charged on delinquent accounts as noted above. Additionally, the decrease in average rates paid on managed interest-bearing liabilities to 5.84% for the year ended December 31, 1996 versus 6.30% for the year ended December 31, 1995, reflected decreases in short-term market rates from year to year.

MANAGED NET INTEREST MARGIN



*Pro forma.

Net interest income for the year ended December 31, 1995 increased $43.0 million, or 26%, to $208.0 million from $165.0 million in 1994. This increase was the result of a 66% increase in the average balance of, and a 75 basis point increase in yield on, earning assets offset by significant increases in the cost of funds. Net interest margin decreased 167 basis points to 5.35% in 1995 from 7.02% in 1994 as the yield increase on earning assets to 11.76% from 11.01% was more than offset by a cost of funds increase of 267 basis points to 6.70% from 4.03%.

The average yield on consumer loans increased 236 basis points to 13.52% in 1995 from 11.16% in 1994. This increase primarily reflected the repricing of introductory rate consumer loans to higher rates in accordance with their terms and the repricing of variable rate consumer loans to higher rates based on the increase in average short-term market interest rates. The net interest margin

was also impacted by an increased percentage of lower yielding securities (24% of average earning assets in 1995 versus 3% in 1994). The increase in the cost of funds reflected the increase in average short-term market interest rates and incrementally higher market cost of funds paid by the Company on a stand-alone basis after the Separation versus the amounts allocated by Signet in 1994.

Table 3 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, 1996, 1995 and 1994, respectively.

TABLE 3 STATEMENT OF AVERAGE BALANCES, INCOME AND EXPENSE, YIELDS AND RATES

	Year Ended December 31								
	1996			1995			1994		
(dollars in thousands)	AVERAGE BALANCE	INCOME/ EXPENSE	YIELD/ RATE	Average Balance	Income/ Expense	Yield/ Rate	Average Balance	Income/ Expense	Yield/ Rate
ASSETS:									
Earning assets									
Consumer loans(1)	$3,651,908	$592,088	16.21%	$2,940,208	$397,654	13.52%	$2,286,684	$255,115	11.16%
Federal funds sold	394,939	21,293	5.39	453,797	26,832	5.91	49,709	2,483	5.00
Other securities	752,140	47,102	6.26	496,126	32,923	6.64	12,917	1,074	8.31
Total earning assets	4,798,987	$660,483	13.76%	3,890,131	$457,409	11.76%	2,349,310	$258,672	11.01%
Cash and due from banks	40,698			9,309			8,331		
Allowance for loan losses	(83,573)			(69,939)			(66,434)		
Premises and equipment, net	156,441			123,472			53,039		
Other assets	656,407			483,082			285,674		
Total assets	$5,568,960			$4,436,055			$2,629,920		
LIABILITIES AND EQUITY:									
Interest-bearing liabilities									
Deposits	$1,046,122	$ 56,272	5.38%	$ 769,688	$ 49,547	6.44%	$ 36,248	$ 2,364	6.52%
Short-term borrowings	454,899	28,509	6.27	1,028,075	66,214	6.44	2,286,779	91,278	3.99
Senior and deposit notes	3,168,205	210,218	6.64	1,924,087	133,635	6.95	695	53	7.63
Total interest-bearing liabilities	4,669,226	$294,999	6.32%	3,721,850	$249,396	6.70%	2,323,722	$ 93,695	4.03%
Other liabilities	222,975			170,841			66,582		
Total liabilities	4,892,201			3,892,691			2,390,304		
Equity	676,759			543,364			239,616		
Total liabilities and equity	$5,568,960			$4,436,055			$2,629,920		
Net interest spread			7.44%			5.06%			6.98%
Interest income to average earning assets			13.76%			11.76%			11.01%
Interest expense to average earning assets			6.14			6.41			3.99
Net interest margin			7.62%			5.35%			7.02%

(1) Interest income includes past-due fees on loans of approximately $94,393, $50,384 and $16,478 for the years ended December 31, 1996, 1995 and 1994, 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 4 sets forth the dollar amount of the increase (decrease) 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 4 INTEREST VARIANCE ANALYSIS

	Year Ended December 31					
	1996 VS. 1995			1995 vs. 1994		
(in thousands)	INCREASE (DECREASE)	CHANGE DUE TO (1) VOLUME	RATE	Increase (Decrease)	Change due to (1) Volume	Rate
INTEREST INCOME:						
Consumer loans	$194,434	$106,761	$ 87,673	$142,539	$ 81,791	$ 60,748
Federal funds sold	(5,539)	(3,297)	(2,242)	24,349	23,811	538
Other securities	14,179	16,127	(1,948)	31,849	32,109	(260)
Total interest income	203,074	117,398	85,676	198,737	180,092	18,645
INTEREST EXPENSE:						
Deposits	6,725	15,788	(9,063)	47,183	47,214	(31)
Short-term borrowings	(37,705)	(35,967)	(1,738)	(25,064)	(64,819)	39,755
Senior and deposit notes	76,583	82,799	(6,216)	133,582	133,587	(5)
Total interest expense	45,603	60,520	(14,917)	155,701	74,141	81,560
Net interest income(1)	$157,471	$ 55,920	$101,551	$ 43,036	$ 89,275	$(46,239)

(1) The change in interest due to both volume and 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 schedule. The totals for the volume and rate columns are not the sum of the individual lines.

SERVICING INCOME

Servicing income represents income from securitizations. This income reflects the excess of interest and fee income earned on securitized loans over loan losses and interest paid on investor certificates as well as other interest and fees earned and paid associated with credit enhancement (see "Managed Consumer Loan Portfolio").

Servicing income increased $49.9 million, or 12%, to $459.8 million for the year ended December 31, 1996 from $409.9 million in 1995, primarily due to increases in net interest income on securitized credit card loans offset by increased charge-offs on such loans. Average securitized credit card loans increased 24% for the year ended December 31, 1996 compared to 1995. Net interest income on securitized loans increased $226.1 million, or 54%, to $648.1 million for the year ended December 31, 1996 from $422.0 million for the year ended December 31, 1995, primarily as a result of loan growth and an increase in the securitized portfolio's net interest margin to 8.51% in 1996 versus 6.86% in 1995. This increase in net interest margin was the result of an increase in yield on securitized loans of 114 basis points for the year ended December 31, 1996, which was a result of repricing introductory rate accounts, and decreased cost of funds on securitized loans of 51 basis points as short-term rates declined from the prior year. Charge-offs on securitized loans for the year ended December 31, 1996 increased $199.9 million, or 138%, compared to the prior year due to the increase in average of securitized loans, worsening consumer credit and seasoning of the portfolio.

Servicing income increased $97.8 million, or 31%, to $409.9 million in 1995 from $312.1 million in 1994. Average securitized credit card loans increased 57% for the year ended December 31, 1995 as compared to the prior year. Net interest income on securitized loans increased $154.8 million, or 58%, to $422.0 million in 1995 from $267.2 million in 1994 primarily as a result of the 57% increase in average securitized loans. Net interest margin on these loans was principally flat at 6.86% in 1995 versus 6.83% in 1994. Charge-offs on these loans increased $79.3 million, or 120%, to $145.2 million in 1995 from $65.9 million in 1994 due to the increase in average loans, loan seasoning and the downturn in consumer credit.

OTHER NON-INTEREST INCOME

Other reported non-interest income increased to $303.6 million, or 112%, for the year ended December 31, 1996 compared to $143.1 million for the year ended December 31, 1995. The increase in other non-interest income was due to an increase in the average number of accounts of 30% for the year ended December 31, 1996 from 1995, an increase in charge volume, a shift to more fee intensive second generation products and changes in the timing and amount of overlimit fees charged.

Other reported non-interest income increased to $143.1 million, or 69%, for the year ended December 31, 1995, compared to $84.8 million for the year ended December 31, 1994. The increase in other non-interest income was driven by increased service fees, which include annual membership, interchange, cash advance and overlimit fees. This increase is attributable to a rise in the number of accounts and charge volume, as well as a shift to second generation products that generate higher amounts of fee income.

NON-INTEREST EXPENSE

Non-interest expense for the year ended December 31, 1996 increased $215.8 million, or 43%, to $713.2 million from $497.4 million for the year ended December 31, 1995. Contributing to the increase in non-interest expense were solicitation expenses which increased $59.8 million, or 41%, to $206.6 million in 1996 from $146.8 million in 1995. Solicitation expense represents the cost to select, print and mail the Company's product offerings to potential and existing customers utilizing its information-based strategy and account management techniques. This increase also reflects the Company's expectation that it will continue to invest in second generation products, as well as other new products and services (see "Business Outlook" for further discussion). All other non-interest expenses increased $155.9 million, or 44%, to $506.6 million for the year ended December 31, 1996 from $350.6 million in 1995. The increase in other non-interest expense, including salaries and associate benefits, was primarily a result of an increase in the average number of accounts of 30% for the year ended December 31, 1996. Other factors impacting 1996 non-interest expense levels include a product mix shift to more service-intensive, second generation accounts, additional staff associated with building infrastructure, an increase in charge volume and an increase in certain costs associated with information systems enhancements.

Non-interest expense for the year ended December 31, 1995 increased $113.1 million, or 29%, to $497.4 million from $384.3 million in the year ended December 31, 1994. The increase would have been higher without the $49.0 million expense in 1994 for settlement costs to terminate a long-term data processing services contract. Solicitation expense increased $45.9 million, or 46%, to $146.8 million in 1995 from $100.9 million in 1994.

For all periods prior to the Separation, non-interest expense includes an allocation of expenses for data processing, accounting, audit, human resources, corporate secretary, treasury, legal and other administrative support provided by Signet. Management believes the allocation methods used were reasonable.

INCOME TAXES

The Company's effective income tax rate increased to 37.5% for the year ended December 31, 1996 as compared to 36% for 1995 and includes both state and federal income tax components. The increase in the effective tax rate is primarily the result of increased state tax expense as the Company expands its operations into multiple jurisdictions. For all periods prior to Feburary 28, 1995, the Company was included in Signet's consolidated tax return and income tax expense was determined on a separate return basis at the federal statutory rate of 35%.

ASSET QUALITY

The asset quality of a portfolio is generally a function of the initial underwriting criteria used, seasoning of the accounts, account management activities and geographic, demographic, or other forms of concentration, as well as general economic conditions.

The average age of the accounts is also an important indicator of 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, 1996, 53% of managed accounts, representing 42% of the total managed loan balance, were less than 18 months old. Accordingly, it is likely that the Company's managed loan portfolio will experience increased levels of delinquency and loan losses as the average age of the Company's accounts increases.

Another factor contributing to the expectation of a rising rate of delinquency and credit losses is a shift in the product mix. As discussed in "Risk Adjusted Revenue and Margin", certain second generation products have higher delinquency and 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.

MARKETING INVESTMENT
(in millions)

'94	$101
'95	$147
'96	$207

During 1996, general economic conditions for consumer credit worsened as industry levels of charge-offs (including bankruptcies) and delinquencies both increased significantly. These trends have impacted the Company's 1996 results.

DELINQUENCIES

Table 5 shows the Company's consumer loan delinquency trends for the periods presented as reported for financial statement purposes and on a managed basis. The entire balance of an account is contractually delinquent if the minimum payment is not received by the billing date. However, the Company generally continues to accrue interest until the loan is charged off. Delinquencies not only have the potential to impact earnings in the form of net charge-offs, they also are costly in terms of the personnel and other resources dedicated to resolving them.

The 30-plus day delinquency rate for the reported consumer loan portfolio decreased to 6.08% as of December 31, 1996, from 6.29% as of December 31, 1995. The modest decrease in 1996 reported delinquency reflects the securitization of certain second generation receivables in 1996.

The delinquency rate for the total managed consumer loan portfolio was 6.24% of related loans as of December 31, 1996, up from 4.20% as of December 31, 1995, while the dollar amount of delinquent managed consumer loans increased approximately $359.9 million. The managed portfolio's delinquency rate as of December 31, 1996 principally reflected the continued seasoning of accounts and consumer loan balances, the increased presence of second generation products and general economic trends in consumer credit performance.

MANAGED NET CHARGE-OFF AND 30+ DAY DELINQUENCY RATE

[CHART]

	'94	'95	'96
Net Charge-off Rate	1.48%	2.25%	4.24%
Delinquency Rate	2.95%	4.20%	6.24%

TABLE 5 DELINQUENCIES(1)

	December 31									
	1996		1995		1994		1993		1992	
(dollars in thousands)	LOANS	% OF TOTAL LOANS	Loans	% of Total Loans	Loans	% of Total Loans	Loans	% of Total Loans	Loans	% of Total Loans
REPORTED:										
Loans outstanding	$ 4,343,902	100.00%	$ 2,921,679	100.00%	$2,228,455	100.00%	$1,862,744	100.00%	$1,304,560	100.00%
Loans delinquent:										
30-59 days	96,819	2.23	65,711	2.25	29,032	1.30	19,186	1.03	21,525	1.65
60-89 days	55,679	1.28	38,311	1.31	14,741	.66	10,618	.57	11,089	.85
90 or more days	111,791	2.57	79,694	2.73	24,445	1.10	18,255	.98	23,352	1.79
Total	$ 264,289	6.08%	$ 183,716	6.29%	$ 68,218	3.06%	$ 48,059	2.58%	$ 55,966	4.29%
MANAGED:										
Loans outstanding	$12,803,969	100.00%	$10,445,480	100.00%	$7,378,455	100.00%	$4,832,400	100.00%	$1,984,560	100.00%
Loans delinquent:										
30-59 days	279,787	2.19	165,306	1.58	90,733	1.23	46,391	.96	40,088	2.02
60-89 days	162,668	1.27	92,665	.89	45,277	.61	25,128	.52	21,433	1.08
90 or more days	356,700	2.78	181,243	1.73	81,720	1.11	43,975	.91	43,661	2.20
Total	$ 799,155	6.24%	$ 439,214	4.20%	$ 217,730	2.95%	$ 115,494	2.39%	$ 105,182	5.30%

(1) Includes consumer loans held for securitization.

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. Consumer loans are typically charged off (net of any collateral) in the next billing cycle after becoming 180 days past-due, although earlier charge-offs may occur on accounts of bankrupt or deceased customers. Bankrupt customers' accounts are generally charged off within 30 days of notification. For the year ended December 31, 1996, net charge-offs of managed consumer loans increased 133% while average managed consumer loans grew 24% over the same period. The increase in net charge-offs was the result of continued seasoning of accounts and consumer loan balances, general economic trends in consumer credit performance and the impact of intense competition. During the year ended December 31, 1995, net charge-offs of managed loans increased 123% over the year ended December 31, 1994; however, the average managed loan portfolio increased 47% over the same period. Table 6 presents the Company's net charge-offs for the periods presented on a reported and managed basis.

For the year ended December 31, 1996, the Company's net charge-offs as a percentage of average managed loans was 4.24%. Through the use of IBS, the credit quality of the Company's portfolio for the three years ended December 31, 1996 was better than industry averages. Extensive testing of credit experience with past and present cardholders has enabled the Company to continually refine its credit policies and develop an array of proprietary statistical models and approaches to the account generation, management and collection processes. The Company's policy is to optimize the profitability of each account within acceptable risk characteristics. The Company takes measures as necessary, including requiring collateral on certain accounts and other solicitation and account management techniques, to maintain the Company's credit quality standards and to manage the risk of loss on existing accounts.

For the year ended December 31, 1995, the Company's net charge-offs as a percentage of managed consumer loans was 2.25%. Management believes this was the result of the significant growth in average balances (47%), the average age of accounts (51% of accounts, representing 50% of the total managed loan balance, were less than 18 months old), prudent solicitation and underwriting processes enhanced by the application of the information-based strategy.

TABLE 6 NET CHARGE-OFFS(1)

	Year Ended December 31				
(dollars in thousands)	1996	1995	1994	1993	1992
REPORTED:					
Average loans outstanding	$ 3,651,908	$2,940,208	$2,286,684	$2,213,378	$ 772,742
Net charge-offs	132,590	59,618	25,727	26,307	30,560
Net charge-offs as a percentage of average loans outstanding	3.63%	2.03%	1.13%	1.19%	3.95%
MANAGED:					
Average loans outstanding	$11,268,461	$9,089,278	$6,197,423	$3,265,565	$1,452,742
Net charge-offs	477,732	204,828	91,648	68,332	75,291
Net charge-offs as a percentage of average loans outstanding	4.24%	2.25%	1.48%	2.09%	5.18%

(1) Includes consumer loans held for securitization.

PROVISION AND ALLOWANCE FOR LOAN LOSSES

The provision for loan losses is the periodic expense of maintaining an adequate allowance at the amount estimated to be sufficient to absorb possible future losses, net of recoveries (including recovery of collateral), inherent in the existing on-balance sheet loan portfolio. In evaluating the adequacy of the allowance for loan losses, the Company takes into consideration several factors including economic trends and conditions, overall asset quality, loan seasoning and trends in delinquencies and expected charge-offs. The Company's primary guideline is a calculation which uses current delinquency levels and other measures of asset quality to estimate net charge-offs. Once a loan is charged off, it is the Company's policy to continue to pursue the recovery of principal and interest.

Management believes that the allowance for loan losses is adequate to cover anticipated losses in the on-balance sheet 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 on-balance sheet consumer loan portfolio. Table 7 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.

TABLE 7 SUMMARY OF ALLOWANCE FOR LOAN LOSSES

	Year Ended December 31				
(dollars in thousands)	1996	1995	1994	1993	1992
Balance at beginning of year	$ 72,000	$ 68,516	$ 63,516	$ 55,993	$ 31,541
Provision for loan losses	167,246	65,895	30,727	34,030	55,012
Transfer to loans held for securitization	(27,887)	(11,504)	(4,869)	(2,902)	
Increase from consumer loan purchase	9,000				
Charge-offs	(115,159)	(64,260)	(31,948)	(39,625)	(44,666)
Recoveries	13,300	13,353	11,090	16,020	14,106
Net charge-offs(1)	(101,859)	(50,907)	(20,858)	(23,605)	(30,560)
Balance at end of year	$ 118,500	$ 72,000	$ 68,516	$ 63,516	$ 55,993
Allowance for loan losses to loans at year-end(1)	2.73%	2.85%	3.07%	3.41%	4.29%

(1) Excludes consumer loans held for securitization.

For the year ended December 31, 1996, the provision for loan losses increased to $167.2 million, or 154%, from the 1995 provision for loan losses of $65.9 million. The increase in the provision for loan losses resulted from increases in average reported consumer loans of 24%, continued loan seasoning, a shift in the composition of reported consumer loans and general economic trends in consumer credit performance. Net charge-offs as a percentage of average reported consumer loans increased to 3.63% for the year ended December 31, 1996 from 2.03% in the prior year. Additionally, growth in second generation products which have modestly higher charge-off rates than first generation products, increased the amount of provision necessary to absorb credit losses. In consideration of these factors, the Company increased the allowance for loan losses by $46.5 million during 1996.

For the year ended December 31, 1995, the increase in the provision for loan losses resulted from increases in average reported consumer loans of 37%, continued loan seasoning, a shift in the composition of reported consumer loans and a softening in U.S. consumer credit quality. Net charge-offs as a percentage of average reported consumer loans increased to 2.03% for the year ended December 31, 1995 from 1.13% in the prior year. The increase in the provision and charge-off rate reflects an 87% increase in the seller's interest in securitization trusts to $1.4 billion, or 48%, of the reported average balance for 1995 from $700 million, or 33%, of the reported average balance for 1994. This seller's interest represents an undivided interest in the trust receivables in excess of investor certificates outstanding in the trust. These receivables are generally more seasoned than the other newer on-balance sheet loans. In consideration of growth in second generation products, the Company increased the allowance for loan losses by $3.5 million during 1995.

FUNDING

Table 8 reflects the costs of short-term borrowings of the Company for each of the years ended December 31, 1996, 1995 and 1994.

TABLE 8 SHORT-TERM BORROWINGS

Following is a summary of the components of short-term borrowings as of and for each of the years ended December 31, 1996, 1995 and 1994:

(dollars in thousands)	Maximum Outstanding at Any Month-End	Outstanding at Year-End	Average Outstanding	Average Interest Rate	Year-End Interest Rate
1996					
Federal funds purchased	$ 617,303	$ 445,600	$ 342,354	5.63%	6.26%
Other short-term borrowings	207,689	85,383	112,545	8.20	6.43
Total		$ 530,983	$ 454,899	6.27%	6.29%
1995					
Federal funds purchased	$ 1,146,678	$ 709,803	$ 747,350	6.14%	5.76%
Bank facility	1,000,000	100,000	277,945	7.26	6.03
Affiliate borrowings			2,780	5.86	
Total		$ 809,803	$ 1,028,075	6.44%	5.79%
1994					
Federal funds purchased	$ 686,688	$ 686,688	$ 47,332	6.18%	6.29%
Bank facility	1,700,000	1,300,000	175,342	6.89	6.74
Affiliate borrowings	3,261,506	54,000	2,064,105	3.69	6.00
Total		$ 2,040,688	$ 2,286,779	4.00%	6.57%

Table 9 shows the maturation of certificates of deposit in denominations of $100,000 or greater (large denomination CDs) as of December 31, 1996.

TABLE 9 MATURITIES OF DOMESTIC LARGE DENOMINATION CERTIFICATES -- $100,000 OR MORE

	As of December 31, 1996	
(dollars in thousands)	BALANCE	Percent
3 months or less	$155,961	40.80%
Over 3 through 6 months	27,293	7.14
Over 6 through 12 months	198,981	52.06
Total	$382,235	100.00%

In addition to large denomination CDs, as of December 31, 1996, retail deposits of $560.8 million had been raised through the Savings Bank as an additional source of company funding.

During 1996, the Company continued its transition to longer-term financing and established increased access to the capital markets. As the chart on page 31 indicates, during 1996 the Company increased its proportion of senior note maturities in excess of three years. The Company successfully completed a number of large transactions with maturities ranging from two to ten years.

On November 25, 1996, the Company entered into a four-year, $1.7 billion unsecured revolving credit arrangement (the "Credit Facility"), which replaced the 1995 Credit Facility, discussed below. The Credit Facility is comprised of two tranches: a $1.375 billion Tranche A facility available to the Bank and the Savings Bank, including an option for up to $225 million in multi-currency availability, and a $325 million Tranche B facility available to the Corporation, the Bank and the Savings Bank, including an option for up to $100 million in multi-currency availability. Each Tranche under the facility is structured as a four-year commitment and is available for general corporate purposes. The borrowings of the Savings Bank are limited to $500 million during the first year of the Credit Facility, and $750 million thereafter. The Bank has irrevocably undertaken to honor any demand by the lenders to repay any borrowings which are due and payable by the Savings Bank but which have not been paid. Any borrowing under the Credit Facility will mature on November 24, 2000; however, the final maturity of each tranche may be extended for three additional one-year periods.

On April 30, 1996, the Bank amended and restated its existing $3.5 billion bank note program. Under the amended bank note program, the Bank may issue from time to time up to $4.5 billion of senior bank notes with maturities from 30 days to 30 years and up to $200 million of subordinated

bank notes with maturities from five to 30 years. In 1996, the Bank issued $200 million in senior bank notes due September 15, 2006, with an attached three-year, one-time investor put option that significantly reduced the Company's funding costs on this transaction. As of December 31, 1996, the Company had $3.6 billion in senior bank notes outstanding, a 43% increase from $2.5 billion outstanding as of December 31, 1995. As of December 31, 1996, bank notes issued totaling $2.9 billion have fixed interest rates and mature from one to five years. The Company had previously entered into interest rate swap agreements ("swaps") totaling $974 million to effectively convert fixed rates on senior notes to variable rates which match the variable rates earned on consumer loans (see "Interest Rate Sensitivity"). As of December 31, 1996, no subordinated bank notes have been issued.

The Corporation filed a $200 million shelf registration statement ($125 million issued as of December 31, 1996) with the Securities and Exchange Commission on September 19, 1996 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 securities will be limited to $200 million 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.

INTEREST-BEARING LIABILITIES
(in millions)

	December 31,	
	1996	1995
Interest-bearing Deposits	$ 943	$ 696
Short-term Borrowings	$ 531	$ 810
Senior Notes less than 3 years	$2,616	$2,077
Senior Notes greater than 3 years	$1,378	$ 415
	$5,468	$3,998

Also on April 30, 1996, the Bank established a deposit note program under which the Bank may issue from time to time up to $2.0 billion of deposit notes with maturities from 30 days to 30 years. As of December 31, 1996, the Company had $300 million in deposit notes outstanding.

Subsequent to year-end, the Bank through a subsidiary created as a Delaware statutory business trust issued $100 million aggregate amount of Floating Rate Subordinated Capital Income Securities that mature on February 1, 2027.

The Company's primary source of funding, securitization of consumer loans, increased to $8.5 billion as of December 31, 1996 from $7.5 billion as of December 31, 1995. In 1996, the Company securitized $2.7 billion in four transactions, consisting predominantly of LIBOR-based, variable-rate deals maturing from 1997 through 2001, $500 million of which may be extended at the Company's option until 2004.

In January 1996, the Company implemented a dividend reinvestment and stock purchase plan (the "DRIP") to provide existing stockholders with the opportunity to purchase additional shares of the Company's common stock by reinvesting quarterly dividends or making optional cash investments. The Company uses proceeds from the DRIP for general corporate purposes.

On November 17, 1995, the Company entered into a three-year, $1.7 billion unsecured revolving credit arrangement, with three tranches (A,B and C) of committed borrowings (the "1995 Credit Facility"). Under tranches A and B, the Bank could borrow up to $1.3 billion and $200 million, respectively, subject to an unused commitment fee of .17%. Tranche B allowed the Bank to borrow in major foreign currencies. Under Tranche C, the Company or the Bank could borrow up to $215 million.

For the periods prior to the Separation, the Company operated as a division of Signet Bank and, therefore, had no direct, independent funding. For the financial statements for these periods, the Company's reported interest expense was determined by taking into account the nature of the Company's assets and their interest rate repricing characteristics and by using an allocation of Signet's funding cost for the respective period.

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 Company 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. Banking regulations applicable to the bank and the Saving Bank 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 Company or the ability of the Company to pay dividends to its stockholders.

CAPITAL ADEQUACY

The Bank and the Savings Bank are subject to capital adequacy guidelines adopted by the Federal Reserve Board and the Office of Thrift Supervision (the "regulators"), respectively. The capital adequacy guidelines and the regulatory framework for prompt corrective action require the Bank and the Savings Bank to attain specific capital levels based upon quantitative measures of their assets, liabilities and off-balance sheet items as calculated under Regulatory Accounting Principles. The inability to meet and maintain minimum capital adequacy levels could result in 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 from the regulators categorized the Bank and the Savings Bank as "well capitalized". The Bank must maintain minimum Tier 1 Capital, Total Capital and Tier 1 Leverage ratios of 4%, 8% and 4%, and the Savings Bank must maintain minimum Tangible Capital, Total Capital and Core Capital ratios of 1.5%, 8% and 3%, respectively, under capital adequacy requirements, and 6%, 10% and 5%, respectively, to be well capitalized under the regulatory framework for prompt corrective action. As of December 31, 1996, the Bank's Tier 1 Capital, Total Capital and Tier 1 Leverage ratios were 11.61%, 12.87% and 9.04%, respectively. As of December 31, 1996, the Savings Bank's Tangible Capital, Total Capital and Core Capital ratios were 9.18%, 16.29% and 9.18%, respectively. In addition, the Savings Bank is subject for the first three years of its operations to additional capital requirements, including the requirement to maintain a minimum Core Capital ratio of 8% and a Total Capital ratio of 12%. As of December 31, 1996, there are no conditions or events since the notifications discussed above that Management believes have changed either the Bank's or the Savings Bank's capital category. The Bank's ratio of common equity to managed assets was 4.92%. These capital levels make the Company among the highest capitalized institutions in the credit card sector.

During 1996, the Bank received regulatory approval to establish a branch office in the United Kingdom. In connection with such approval, the Company committed to the Federal Reserve Board that, for so long as the Bank maintains such branch in the United Kingdom, the Company will maintain a minimum Tier 1 leverage ratio of 3.0%. As of December 31, 1996, the Company's Tier 1 leverage ratio was 11.13%.

Additionally, certain regulatory restrictions exist which limit the ability of the Bank and the Savings Bank to transfer funds to the Corporation. As of December 31, 1996, retained earnings of the Bank and the Savings Bank of $113.7 million and $4.6 million, respectively, were available for payment of dividends to the Corporation, without prior approval by the regulators. The Savings Bank is required to give the Office of Thrift Supervision at least 30 days' advance notice of any proposed dividend.

OFF-BALANCE SHEET RISK

The Company is subject to off-balance sheet risk in the normal course of business including commitments to extend credit, excess servicing income from securitization and interest rate swaps. In order to reduce the interest rate sensitivity and to match asset and liability repricing, the Company has entered into swaps which involve elements of credit or interest rate risk in excess of the amount recognized on the balance sheet. Swaps present the Company with certain credit, market, legal and operational risks. The Company has established credit policies for off-balance sheet items as it does for on-balance sheet instruments.

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 interest income and interest expense do not respond equally to changes in interest rates, or that all rates do not change uniformly, earnings will be affected. Prior to the Separation, the Company's interest rate sensitivity was managed by Signet, as part of Signet's overall asset and liability management process at the corporate level, not at the divisional level.

In determining interest rate sensitivity, the Company uses simulation models to identify changes in net interest income based on different interest rate scenarios. The Company manages its interest rate sensitivity through several techniques which include changing the maturity and distribution of assets and liabilities, the impact of securitizations, interest rate swaps, repricing of consumer loans and other methods.

The Company's asset/liability policy is to manage interest rate risk to limit the impact of an immediate and sustained 100 basis point change in interest rates to no more than a 5% change in managed net interest income over a twelve month period. As of December 31, 1996, the Company's interest rate sensitivity to this change in rates was 2.09%, which was substantially within Company guidelines. Management may reprice interest rates on outstanding credit card loans subject to the right of the customers in certain states to reject such repricing by giving timely written notice to the Company and thereby relinquishing charging privileges. However, the repricing of consumer loans may be limited by competitive factors as well as certain legal bounds.

Interest rate sensitivity at a point in time can also be analyzed by measuring the mismatch in balances of earning assets and interest-bearing liabilities that are subject to repricing in future periods. Table 10 reflects the interest rate repricing schedule for earning assets and interest-bearing liabilities as of December 31, 1996.

TABLE 10 INTEREST RATE SENSITIVITY

	As of December 31,1996 Subject to Repricing			
(dollars in millions)	Within 180 Days	Greater Than 180 Days-1 Year	Greater Than 1 Year-5 Years	Over 5 Years
Earning assets				
Federal funds sold	$ 450			
Interest-bearing deposits at other banks	30			
Securities available for sale	479		$ 367	$ 32
Consumer loans	2,189	$ 569	1,586	
Total earning assets	3,148	569	1,953	32
Interest-bearing liabilities				
Interest-bearing deposits	345	39	559	
Short-term borrowings	531			
Senior and deposit notes	1,054	161	2,439	340
Total interest-bearing liabilities	1,930	200	2,998	340
Non-rate related net assets				(234)
Interest sensitivity gap	1,218	369	(1,045)	(542)
Impact of swaps	(1,580)	539	1,041	
Impact of consumer loan securitzations	(2,145)	215	1,930	
Interest sensitivity gap adjusted for impact of securitization and swaps	$(2,507)	$ 1,123	$ 1,926	$ (542)
Adjusted interest sensitivity gap as a percentage of managed assets	(16.80)%	7.52%	12.90%	(3.63)%
Cumulative interest sensitivity gap	$(2,507)	$(1,384)	$ 542	
Adjusted cumulative interest sensitivity gap as a percentage of total assets	(16.80)%	(9.27)%	3.63%	0.00%

The Company entered into swaps for purposes of managing its interest rate sensitivity. The Company designates swaps to on-balance sheet instruments to alter the interest rate characteristics of such instruments and to modify interest rate sensitivity. The Company also designates swaps to off-balance sheet items to reduce interest rate sensitivity. Table 11 reflects the type and terms of outstanding interest rate swaps as of December 31, 1996 and 1995.

The Company entered into swaps to effectively convert certain of the bank notes from fixed to variable. The swaps, which had a notional amount totaling $974 million as of December 31, 1996, will mature in 1997 through 2000 to coincide with maturities of fixed bank notes. As of December 31, 1996, these swaps paid three-month LIBOR at a weighted average contractual rate of 5.59% and received a weighted average fixed rate of 7.71%.

The Company has entered into swaps to reduce the interest rate sensitivity associated with its securitizations. In 1995, the Company entered into swaps with notional amounts totaling $591 million which are scheduled to mature in 1998 and 1999 to coincide with the final payment date of a 1993 securitization. In 1994, the Company entered into swaps with notional amounts totaling $539 million which are scheduled to mature in 1997 to coincide with the final payment date of the remaining term of a 1994 securitization. These swaps paid floating rates of three-month LIBOR (weighted average contractual rate of 5.55% and 5.78% as of December 31, 1996 and 1995, respectively) and received a weighted average fixed rate of 7.23% as of December 31, 1996 and 1995.

TABLE 11 MATURITY OF INTEREST RATE SWAPS(1)

(dollars in millions)	Within One Year	Over One to Five Years	Total	Average Life (Years)
Receive fixed/pay floating:				
December 31, 1996				
Notional amount	$ 1,063	$1,041	$2,104	1.15
Weighted average rates received	7.36%	7.55%	7.45%	
Weighted average rates paid	5.55	5.59	5.57	
December 31, 1995				
Notional amount	$ 40	$2,104	$2,144	2.03
Weighted average rates received	7.07%	7.45%	7.45%	
Weighted average rates paid	5.88	5.73	5.73	
Received floating/pay floating:				
December 31, 1995				
Notional amount	$ 260		$ 260	0.56
Weighted average rates received	5.84%		5.84%	
Weighted average rates paid	5.94		5.94	

(1) Weighted average rates received and paid are based on the contractual rates in effect as of December 31, 1996 and 1995, respectively. Floating rates under the swap contracts are based on varying terms of LIBOR.

Table 12 reflects a roll forward of activity by notional amount for the Company's swaps.

TABLE 12 SUMMARY OF INTEREST RATE SWAPS

(dollars in millions)	Notional Amount
Receive floating/pay fixed:	
December 31, 1994	
Additions	$4,800
Maturities	4,800
December 31, 1995	$ -
Receive fixed/pay floating:	
December 31, 1994	$ 539
Additions	1,605
December 31, 1995	2,144
Maturities	40
December 31, 1996	$2,104
Receive floating/pay floating:	
December 31, 1994	$ -
Additions	260
December 31, 1995	260
Maturities	260
December 31, 1996	$ -

Swaps designated to on-balance sheet assets and liabilities had the effect of increasing net interest income $20.0 million, $15.9 million, and $0.4 million for the years ended December 31, 1996, 1995 and 1994, respectively, from that which would have been recorded had the Company not entered into these transactions. Swaps designated to off-balance sheet items had the effect of increasing servicing income $18.0 million, $12.7 million and $1.0 million for the years ended December 31, 1996, 1995 and 1994, respectively.

LIQUIDITY

Liquidity refers to the Company's ability to meet its cash needs. The Company meets its cash requirements by securitizing assets and by debt funding. As discussed in "Managed Consumer Loan Portfolio," a significant source of liquidity for the Company has been the securitization of credit card loans. Maturity terms of the existing securitizations vary from 1997 to 2001 (extendable to 2004) and typically have accumulation periods during which principal payments are aggregated to make payments to investors. As payments on the loans are accumulated for the participants in the securitization 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.

Table 13 shows the amounts of investor principal of securitized credit card loans that will amortize or be otherwise paid off over the periods indicated based on outstanding securitized credit card loans as of January 1, 1997. As of December 31, 1996 and 1995, 66% and 72%, respectively, of the Company's total managed loans were securitized.

The Company believes that it can securitize consumer loans, 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. Government securities, interest-bearing deposits with other banks and overnight federal funds in order to provide adequate liquidity and to meet its ongoing cash needs. As of December 31, 1996, the Company had $1.0 billion of cash and cash equivalents and securities available for sale with maturities of 90 days or less.

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, 1996, the Company, the Bank and the Savings Bank collectively had $1.7 billion in unused commitments under the credit facility available for liquidity needs.

LIQUID ASSETS
(in millions)

	December 31, 1996	1995
Federal Funds Sold	$ 450	$ 465
Cash and Interest-bearing Deposits	$ 79	$ 407
Securities Available for Sale	$ 865	$ 413
	$1,394	$1,285

TABLE 13 SECURITIZATIONS - SCHEDULED AMORTIZATION TABLE

(dollars in thousands)	1997	1998	1999	2000	2001-2004
Beginning balance, January 1	$8,460,067	$7,367,986	$4,656,588	$3,824,468	$1,830,764
Less repayment amounts	1,092,081	2,711,398	832,120	1,993,704	1,830,764
Ending balance, December 31	$7,367,986	$4,656,588	$3,824,468	$1,830,764	$ -

BUSINESS OUTLOOK

This business outlook section summarizes the Company's expectations for earnings for the year ending December 31, 1997 and its primary goals and strategies for continued growth. The statements contained in this section are based on management's current expectations. Certain of the statements are forward looking statements and, therefore, actual results could differ materially. Factors which could materially influence results are set forth in the last paragraph of this section and in the Company's Annual Report on Form 10-K for the year ended December 31, 1996 (Part I, Item I, Cautionary Statements).

The Company has set a target that its earnings per share for the year ending December 31, 1997 will increase by approximately 20% over earnings per share for the year ended December 31, 1996. As discussed above, the Company's actual earnings are a function of its revenues (interest income and non-interest income on its earning assets), consumer usage patterns, credit quality of its earning assets, solicitation expenses and operating expenses. Each of these in turn are subject to the factors discussed in this section.

The Company's strategy for future growth has been, and it is expected to continue to be, to apply its proprietary IBS to its credit card business as well as to other businesses, both financial and non-financial, to identify new product opportunities and to make informed investment decisions regarding its existing products. See the Company's Annual Report on Form 10-K for the year ended December 31, 1996 for a further description of the Company's IBS (Part I, Item 1, Business).

Historically, the Company has concentrated its efforts on credit card opportunities. These opportunities have included, and are expected to continue to include, various first generation low-rate balance transfer products, as well as second generation credit card products. Generally, these second generation products tend to have lower credit lines, balances that build over time, less attrition, higher margins (including fees), higher operational costs and, in some cases, higher delinquencies and credit losses than the Company's traditional low-rate balance transfer products. In general, these second generation products have had overall higher returns than the traditional balance transfer products in recent market conditions. The Company uses its IBS in an effort to balance the mix of credit card products to optimize profitability within the context of acceptable risk. The Company continues to test market a wide variety of first and second generation credit card products. The Company believes that its testing approach will enable it to react effectively as general market conditions change. In this manner, the Company intends to remain flexible in the allocation of marketing expenses spent on specific products to take advantage of market opportunities as they emerge and will make its marketing decisions based on the then current market conditions. As a result, the Company expects to continue to offer a variety of first and second generation credit card products; however, the mix of such products in the Company's portfolio may vary significantly over time.

The Company expects to increase its solicitation (marketing) expenses in 1997, as compared to 1996, and to invest in existing and new first and second generation products as marketing opportunities develop. These opportunities are subject to a variety of external and internal factors that may affect the actual amount of solicitation expense, such as competition in the credit card industry, general economic conditions affecting consumer credit performance and the asset quality of the Company's portfolio. Moreover, the first generation and second generation products have different account growth, loan growth and asset quality characteristics. As a result, although the Company expects that its growth in consumer accounts and managed consumer loan growth will continue in 1997, actual growth may vary significantly depending on the actual mix of products that the Company may offer in 1997.

The Company currently expects continued increases in the delinquency and net charge-off rates of its portfolio. Actual amount of increases will be affected by continued seasoning of the portfolio, general economic trends in consumer credit and the product mix. To the extent the Company markets first generation products and experiences greater consumer loan growth, the increases in delinquency and net charge-off rates will be less, as delinquencies and net charge-off characteristics of new portfolios generally are lower than more seasoned portfolios. However, because second generation products generally have higher delinquencies and net charge-offs than first generation products, to the extent the Company increases the proportion of second generation products in its portfolio, the increases in delinquency and net charge-off rates will be greater. These factors notwithstanding, the Company believes that the credit quality of its portfolio is enhanced as a result of the application of IBS.

The Company also has been applying, and expects to continue applying, its IBS to other financial products and non-financial products ("third generation products"). The Company has established the Savings Bank and several non-bank operating subsidiaries to identify and explore new product opportunities. The Company is in various stages of developing and test marketing a number of new products or services including, but not limited to, selected non-card consumer lending products and the reselling of telecommunication services. During 1996, the Company allocated an increased percentage of its marketing expenses to non-card products or services. To date, only a relatively small dollar percentage of assets and a relatively small percentage of accounts have been generated as a result of such expenditures. As the Company continues to apply its IBS to non-card opportunities and builds the infrastructure necessary to support new businesses, the Company expects that it may increase the percentage of its 1997 marketing and operating expenses attributable to such businesses.

The Company expects to maintain a flexible approach to its marketing investment. The Company intends to continue applying its IBS to all products, even established products and businesses, and the results of ongoing testing will influence the amount and allocation of future marketing investment. Management believes that, through the continued application of IBS, the Company can develop product and service offerings to sustain growth and that it has the personnel, financial resources and business strategy necessary for continued success. However, as the Company attempts to apply IBS to diversify and expand its product offerings beyond credit cards, there can be no assurance that the historical financial information of the Company will necessarily reflect the results of operations and financial condition of the Company in the future. The Company's actual results will be influenced by, among other things, the factors discussed in this section.

The Company's strategies and objectives outlined above and the other forward looking statements contained in this section involve a number of risks and uncertainties. The Company 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 which compete with the Company's businesses; with respect to financial products, changes in the Company's aggregate accounts or consumer loan balances and the growth rate thereof, including changes resulting from factors such as shifting product mix, amount of actual marketing expenses made by the Company and attrition of accounts and loan balances; an increase in credit losses (including increases due to a worsening of general economic conditions); difficulties or delays in the development, production, testing and marketing of new products or services; losses associated with new products or services; financial, legal, regulatory or other difficulties that may affect investment in, or the overall performance of a product or business; the amount of, and rate of growth in, the Company's expenses (including associate and marketing expenses) as the Company's business develops or changes or as it expands into new market areas; the availability of capital necessary to fund the Company's new businesses; the ability of the Company to build the operational and organizational infrastructure necessary to engage in new businesses; the ability of the Company 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 Company's SEC reports, including but not limited to the Annual Report on Form 10-K for the year ended December 31, 1996 (Part I, Item 1, Cautionary Statements).

SELECTED QUARTERLY FINANCIAL DATA

(unaudited)	1996 FOURTH QUARTER	1996 THIRD QUARTER	1996 SECOND QUARTER	1996 FIRST QUARTER	1995 Fourth Quarter	1995 Third Quarter	1995 Second Quarter	1995 First Quarter
SUMMARY OF OPERATIONS (in thousands)								
Interest income	$201,353	$188,235	$137,753	$133,142	$134,997	$128,913	$104,432	$ 89,067
Interest expense	87,784	81,581	63,300	62,334	69,941	69,252	59,210	50,993
Net interest income	113,569	106,654	74,453	70,808	65,056	59,661	45,222	38,074
Provision for loan losses	63,035	53,933	25,110	25,168	21,347	18,652	17,260	8,636
Net interest income after provision for loan losses	50,534	52,721	49,343	45,640	43,709	41,009	27,962	29,438
Non-interest income	214,961	206,716	170,599	171,148	151,234	136,860	134,789	130,160
Non-interest expense	200,575	196,823	159,334	156,450	135,834	124,808	116,432	120,356
Income before income taxes	64,920	62,614	60,608	60,338	59,109	53,061	46,319	39,242
Income taxes	24,670	23,793	22,425	22,325	21,301	19,113	16,673	14,133
Net income	$ 40,250	$ 38,821	$ 38,183	$ 38,013	$ 37,808	$ 33,948	$ 29,646	$ 25,109
PER COMMON SHARE								
Net income	$ .60	$ .58	$ .57	$ .57	$ .57	$ .51	$ .45	$ .38
Dividends	.08	.08	.08	.08	.08	.08	.08	
Market prices								
High	36 5/8	31 7/8	32 1/8	27 7/8	29 1/4	29 5/8	22 1/2	20
Low	29 7/8	25 7/8	25	21 7/8	22 3/4	19 1/2	18 1/4	15 3/8
Average common and common equivalent shares (000's)	67,643	67,058	66,893	66,806	66,710	66,727	66,466	66,251
AVERAGE BALANCE SHEET DATA (in millions)								
Consumer loans	$ 4,648	$ 3,955	$ 3,249	$ 2,742	$ 3,166	$ 3,333	$ 2,883	$ 2,365
Allowance for loan losses	(105)	(81)	(74)	(74)	(74)	(70)	(68)	(67)
Securities	1,164	1,228	933	1,302	1,248	926	853	805
Other assets	929	990	793	721	704	775	494	473
Total assets	$ 6,636	$ 6,092	$ 4,901	$ 4,691	$ 5,044	$ 4,964	$ 4,162	$ 3,576
Interest-bearing deposits	$ 1,298	$ 1,234	$ 789	$ 859	$ 843	$ 899	$ 741	$ 591
Short-term borrowings	472	466	349	527	935	956	843	1,384
Senior and deposit notes	3,843	3,435	2,875	2,510	2,492	2,322	1,854	1,008
Other liabilities	290	259	244	164	183	232	196	95
Stockholders' equity	733	698	644	631	591	555	528	498
Total liabilities and equity	$ 6,636	$ 6,092	$ 4,901	$ 4,691	$ 5,044	$ 4,964	$ 4,162	$ 3,576

The above schedule is a tabulation of the Company's unaudited quarterly results of operations for the years ended December 31, 1996 and 1995. 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 14,562 and 13,247 common stockholders of record as of December 31, 1996 and 1995, 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 generally accepted accounting principles 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 public accountants, 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 consolidated 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, 1996, 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, 1996, in all material respects, the Company maintained effective internal controls over financial reporting.

RICHARD D. FAIRBANK
Chairman and Chief Executive Officer

NIGEL W. MORRIS
President and Chief Operating Officer

JAMES M. ZINN
Senior Vice President and Chief Financial Officer

REPORT OF INDEPENDENT AUDITORS

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, 1996 and 1995, 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, 1996. 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 generally accepted auditing standards. 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, 1996 and 1995, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 1996, in conformity with generally accepted accounting principles.

/s/ ERNST & YOUNG LLP

Washington, D.C.
January 21, 1997

CONSOLIDATED BALANCE SHEETS

(dollars in thousands, except per share data)	December 31 1996	1995
ASSETS:		
Cash and due from banks	$ 48,724	$ 51,680
Federal funds sold	450,000	465,000
Interest-bearing deposits at other banks	30,252	355,780
Cash and cash equivalents	528,976	872,460
Securities available for sale	865,001	413,016
Consumer loans held for securitization		400,000
Consumer loans	4,343,902	2,521,679
Less: Allowance for loan losses	(118,500)	(72,000)
Net loans	4,225,402	2,449,679
Premises and equipment, net	174,661	139,074
Interest receivable	78,590	55,573
Accounts receivable from securitizations	502,520	359,379
Other assets	92,295	70,140
Total assets	$6,467,445	$4,759,321
LIABILITES:		
Interest-bearing deposits	$ 943,022	$ 696,037
Short-term borrowings	530,983	809,803
Senior notes	3,694,237	2,491,869
Deposit notes	299,996	
Interest payable	80,362	73,931
Other liabilities	178,454	88,490
Total liabilities	5,727,054	4,160,130
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 300,000,000 shares, 66,325,261 and 66,174,567 issued and outstanding as of December 31, 1996 and 1995, respectively	663	662
Paid-in capital, net	481,383	469,830
Retained earnings	258,345	128,699
Total stockholders' equity	740,391	599,191
Total liabilities and stockholders' equity	$6,467,445	$4,759,321

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME

(in thousands, except per share data)	Year Ended December 31 1996	1995	1994
INTEREST INCOME:			
Consumer loans, including fees	$592,088	$397,654	$255,115
Federal funds sold	21,293	26,832	2,483
Other	47,102	32,923	1,074
Total interest income	660,483	457,409	258,672
INTEREST EXPENSE:			
Deposits	56,272	49,547	2,364
Short-term borrowings	28,509	66,214	91,278
Senior and deposit notes	210,218	133,635	53
Total interest expense	294,999	249,396	93,695
Net interest income	365,484	208,013	164,977
Provision for loan losses	167,246	65,895	30,727
Net interest income after provision for loan losses	198,238	142,118	134,250
NON-INTEREST INCOME:			
Servicing	459,833	409,927	312,108
Service charges	218,988	86,029	46,083
Interchange	51,399	33,457	25,580
Other	33,204	23,630	13,131
Total non-interest income	763,424	553,043	396,902
NON-INTEREST EXPENSE:			
Salaries and associate benefits	215,155	135,833	94,739
Solicitation	206,620	146,810	100,886
Communications and data processing	76,841	61,508	70,084
Supplies and equipment	60,053	42,081	21,794
Occupancy	22,330	13,655	6,746
Contract termination			49,000
Other	132,183	97,543	41,076
Total non-interest expense	713,182	497,430	384,325
Income before income taxes	248,480	197,731	146,827
Income taxes	93,213	71,220	51,564
Net income	$155,267	$126,511	$ 95,263
Earnings per share	$ 2.30	$ 1.90	$ 1.44
Dividends paid per share	$ .32	$ .24	
Weighted average common and common equivalent shares outstanding	67,588	66,593	66,067

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

(dollars in thousands, except per share data)	Common Stock Shares	Common Stock Amount	Paid-in Capital, Net	Retained Earnings/ Division Equity	Total Stockholders'/ Division Equity
Balance, December 31, 1993				$ 168,879	$168,879
Net income				95,263	95,263
Recapitalization and capital contribution from Signet			$357,875	(253,069)	104,806
Issuance of common stock					
Initial public offering	65,602,850	$656	101,259		101,915
Restricted stock grants	464,400	5	(5)		
Amortization of deferred compensation			3,715		3,715
Change in unrealized losses on securities available for sale, net of income taxes of $12				(21)	(21)
Balance, December 31, 1994	66,067,250	661	462,844	11,052	474,557
Net income				126,511	126,511
Cash dividends - $.24 per share				(15,883)	(15,883)
Issuance of common stock	65,645	1	1,256		1,257
Exercise of stock options	6,582		132		132
Tax benefit from stock awards			1,578		1,578
Restricted stock, net	35,090				
Amortization of deferred compensation			4,020		4,020
Change in unrealized gains on securities available for sale, net of income taxes of $3,780				7,019	7,019
Balance, December 31, 1995	66,174,567	662	469,830	128,699	599,191
Net income				155,267	155,267
Cash dividends - $.32 per share				(20,573)	(20,573)
Issuance of common stock	139,858	1	3,108		3,109
Exercise of stock options	11,500		186		186
Tax benefit from stock awards			338		338
Restricted stock, net	(664)				
Amortization of deferred compensation			193		193
Common stock issuable under incentive plan			7,728		7,728
Foreign currency translation				(132)	(132)
Change in unrealized gains on securities available for sale, net of income taxes of $2,647				(4,916)	(4,916)
BALANCE, DECEMBER 31, 1996	66,325,261	$663	$481,383	$ 258,345	$740,391

See notes to consolidated financial statements.

WCONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)	Year Ended December 31 1996	1995	1994
OPERATING ACTIVITIES:			
Net income	$ 155,267	$ 126,511	$ 95,263
Adjustments to reconcile net income to cash provided by operating activities:			
Provision for loan losses	167,246	65,895	30,727
Depreciation and amortization	41,894	33,424	16,173
Stock compensation plans	7,921	4,020	3,715
Increase in interest receivable	(23,017)	(40,958)	(6,322)
Increase in accounts receivable from securitizations	(143,141)	(122,364)	(129,967)
Increase in other assets	(27,246)	(8,685)	(35,645)
Increase in interest payable	6,431	64,667	9,264
Increase (decrease) in other liabilities	89,964	(4,780)	62,406
Net cash provided by operating activities	275,319	117,730	45,614
INVESTING ACTIVITIES:			
Purchases of securities available for sale	(945,027)	(403,218)	(98,519)
Proceeds from maturities of securities available for sale	490,813	100,000	
Proceeds from securitization of consumer loans	2,695,000	3,525,000	2,393,937
Net increase in loans	(4,251,269)	(4,293,988)	(2,796,465)
Recoveries of loans previously charged off	13,300	13,353	11,090
Additions of premises and equipment, net	(74,871)	(61,623)	(58,078)
Net cash used for investing activities	(2,072,054)	(1,120,476)	(548,035)
FINANCING ACTIVITIES:			
Net increase in interest-bearing deposits	246,985	243,836	452,201
Net (decrease) increase in short-term borrowings	(278,820)	(1,230,885)	249,224
Issuances of senior and deposit notes	2,105,864	2,469,869	22,000
Maturities of senior and deposit notes	(603,500)		
Proceeds from exercise of stock options	186	132	
Net proceeds from issuance of common stock	3,109	1,257	101,915
Dividends paid	(20,573)	(15,883)	
Capital contributed from Signet			83,006
Net cash provided by financing activities	1,453,251	1,468,326	908,346
(Decrease) increase in cash and cash equivalents	(343,484)	465,580	405,925
Cash and cash equivalents at beginning of year	872,460	406,880	955
Cash and cash equivalents at end of year	$ 528,976	$ 872,460	$ 406,880

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(dollars 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 provide a variety of 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 was established in 1996, and provides certain consumer lending and deposit services. The Corporation and its subsidiaries are collectively referred to as the "Company."

Prior to November 1994, the Company operated as the credit card division of Signet Bank, a wholly owned subsidiary of Signet Banking Corporation ("Signet"). On November 22, 1994, Signet Bank contributed designated assets and liabilities of its credit card division and approximately $358,000 of equity capital into the Bank (the "Separation").

The historic financial statements for the Company for the periods prior to November 22, 1994 have been prepared based upon the transfer of assets and assumption of liabilities contemplated by an agreement entered into among the Corporation, Signet and Signet Bank at the time of the Separation (the "Separation Agreement"). Prior to the Separation, the operations of the Company were conducted as a division within Signet Bank, to which Signet and its various subsidiaries had provided significant financial and operational support. As of December 31, 1996, substantially all services previously performed by Signet were performed by the Company.

The following is a summary of the significant accounting policies used in preparing the accompanying financial statements.

CASH AND CASH EQUIVALENTS: Cash and cash equivalents includes cash and due from banks, federal funds sold and interest-bearing deposits at other banks. Cash paid for interest for the years ended December 31, 1996, 1995 and 1994, was $288,568, $184,729 and $84,431, respectively. Cash paid for income taxes for the years ended December 31, 1996, 1995 and 1994, was $107,065, $82,561 and $46,094, 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 retained earnings. The amortized cost of debt securities is adjusted for amortization of premiums and accretion of discounts to maturity. Such amortization is included in other interest income.

CONSUMER LOANS HELD FOR SECURITIZATION: Consumer loans held for securitization are loans management intends to securitize, generally within three to six months, and are carried at the lower of aggregate cost or market value.

CONSUMER LOANS: Interest income is generally recognized until a loan is charged off. Consumer loans are typically charged off (net of any collateral) in the next billing cycle after becoming 180 days past-due, although earlier charge-offs may occur on accounts of bankrupt or deceased customers. Bankrupt customers' accounts are generally charged off within 30 days of verification. The accrued interest portion of a charged off loan balance is deducted from current period interest income with the remaining principal balance charged off against the allowance for loan losses. 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 $58,059 and $33,438 as of December 31, 1996 and 1995, respectively.

ALLOWANCE FOR LOAN LOSSES: The allowance for loan losses is maintained at the amount estimated to be sufficient to absorb possible future losses, net of recoveries (including recovery of collateral), inherent in the existing on-balance sheet loan portfolio. The provision for loan losses is the periodic cost of maintaining an adequate allowance. In evaluating the adequacy of the allowance for loan losses, management takes into consideration several of the following factors: historical charge-off and recovery activity (noting any particular trend changes over recent periods); trends in delinquencies; trends in loan volume and size of credit risks; the degree of risk inherent in the composition of the loan portfolio; current and anticipated economic conditions; credit evaluations and underwriting policies.

SECURITIZATIONS: The Company securitizes credit card loans and records such securitizations as sales in accordance with Statement of Financial Accounting Standards ("SFAS") No. 77, "Reporting by Transferors for Transfers of Receivables with Recourse." Due to the relatively short average life of credit card loans securitized (approximately 8 to 12 months), no gains are recorded at the time of sale. Rather, excess servicing fees related to the securitizations are recorded over the life of each sale transaction. The excess servicing fee is based upon the difference between finance charges received from the cardholders less the yield paid to investors, credit losses and a normal servicing fee, which is also retained by the Company. In accordance with the sale agreements, a fixed amount of excess servicing fees is set aside to absorb potential credit losses. Accounts receivable from securitization principally represents excess servicing fees earned and due to the Company. Transaction expenses are deferred and amortized over the reinvestment period of the transaction as a reduction of loan servicing fees. The monthly pattern of recording loan servicing fees is similar to the revenue recognition that the Company would have experienced if the loans had not been securitized.

In June 1996, the Financial Accounting Standards Board ("FASB") issued SFAS No. 125 ("SFAS 125"), "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities," which establishes the accounting for certain financial asset transfers including securitization transactions. SFAS 125 requires an entity, after a transfer of financial assets that meets the criteria for sale accounting, to recognize the financial and servicing assets it controls and the liabilities it has incurred and to derecognize financial assets for which control has been surrendered. The provisions of SFAS 125 are effective January 1, 1997. Based on the anticipated performance of securitization transactions the Company has undertaken, the Company does not believe the adoption of the new standard will have a material impact on the Company's financial statements.

PREMISES AND EQUIPMENT: Premises and equipment are stated at cost less accumulated depreciation and amortization ($99,104 and $61,452 as of December 31, 1996 and 1995, respectively). Depreciation and amortization expense are computed generally by the straight-line method over the estimated useful lives of the assets.

SOLICITATION: The Company expenses the costs related to the solicitation of new accounts as incurred.

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.

EARNINGS PER SHARE: Earnings per share are based on the weighted average number of common and common equivalent shares, including dilutive stock options and restricted stock outstanding during the year, after giving retroactive effect to the initial capitalization of the Company as if the issuance of all shares had occurred on January 1, 1994. Income that would have been generated from the proceeds of the Company's common stock on November 22, 1994 was not considered in the calculation of earnings per share.

INTEREST RATE SWAP AGREEMENTS: The Company enters into interest rate swap agreements ("swaps") for purposes of managing its interest rate sensitivity. The Company designates swaps to on-balance sheet instruments to alter the interest rate characteristics of such instruments and to modify interest rate sensitivity. The Company also designates swaps to off-balance sheet items to reduce the interest rate sensitivity associated with off-balance sheet cash flows (i.e., securitizations).

Swaps involve the periodic exchange of payments over the life of the agreements. Amounts received or paid on swaps that are used to manage interest rate sensitivity and alter the interest rate characteristics of on-balance sheet instruments or reduce interest rate sensitivity associated with off-balance sheet items are recorded on an accrual basis as an adjustment to the related income or expense of the item to which the agreements are designated. The related amount receivable from counterparties of $41,548 and $26,652 as of December 31, 1996 and 1995, respectively, was included in other assets. Changes in the fair value of swaps are not reflected in the accompanying financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(dollars in thousands, except per share data)

The Company's credit exposure on swaps is limited to the value of the swaps that have become favorable to the Company in the event of nonperformance by the counterparties. The Company does not require collateral from counterparties on its existing agreements. The Company actively monitors the credit ratings of counterparties and does not anticipate nonperformance by the counterparties with which it transacts its swaps.

USE OF ESTIMATES: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

NOTE B SECURITIES AVAILABLE FOR SALE

Securities available for sale as of December 31, 1996 were as follows:

	Maturity Schedule				
	1 Year or less	1-5 Years	Over 10 Years	Value Totals	Cost Totals
Commercial Paper	$ 84,297			$ 84,297	$ 84,297
U.S. Government Agency Discount Notes	243,302			243,302	243,258
U.S. Treasury Notes	150,281	$354,680		504,961	501,916
Collateralized Mortgage Obligations			$20,834	20,834	20,479
Mortgage Backed Securities			11,607	11,607	11,849
	$477,880	$354,680	$32,441	$865,001	$861,799

	Weighted Average Yields		
	1 Year or less	1-5 Years	Over 10 Years
Commercial Paper	5.90%		
U.S. Government Agency Discount Notes	5.54		
U.S. Treasury Notes	7.08	7.11%	
Collateralized Mortgage Obligations			6.99%
Mortgage Backed Securities			7.02
	6.09%	7.11%	7.00%

Securities available for sale as of December 31, 1995 consisted of U.S. Government obligations maturing in 1997 and 1998, which had an amortized cost of $402,250, a fair value of $413,016 and a weighted average yield of 7.15%.

Securities available for sale as of December 31, 1994 consisted of a U.S. Government obligation that matured in March 1995 and had an amortized cost of $99,103, a fair value of $99,070 and a yield of 5.39%.

NOTE C ALLOWANCE FOR LOAN LOSSES

The following is a summary of changes in the allowance for loan losses:

	Year Ended December 31		
	1996	1995	1994
Balance at beginning of year	$ 72,000	$ 68,516	$ 63,516
Provision for loan losses	167,246	65,895	30,727
Transfer to loans held for securitization	(27,887)	(11,504)	(4,869)
Increase from consumer loan purchase	9,000		
Charge-offs	(115,159)	(64,260)	(31,948)
Recoveries	13,300	13,353	11,090
Net charge-offs	(101,859)	(50,907)	(20,858)
Balance at end of year	$ 118,500	$ 72,000	$ 68,516

NOTE D BORROWINGS

Borrowings as of December 31, 1996 and 1995 were as follows:

	1996		1995	
	OUTSTANDING	WEIGHTED AVERAGE RATE	Outstanding	Weighted Average Rate
INTEREST-BEARING DEPOSITS	$ 943,022	4.31%	$ 696,037	6.07%
SHORT-TERM BORROWINGS				
Federal funds purchased	$ 445,600	6.26%	$ 709,803	5.76%
Credit facility			100,000	6.03
Other	85,383	6.43		
Total	$ 530,983		$ 809,803	
SENIOR NOTES				
Bank - fixed rate	$3,140,237	7.31%	$1,804,869	7.74%
Bank - variable rate	429,000	5.99	687,000	6.33
Corporation	125,000	7.25		
Total	$3,694,237		$2,491,869	
DEPOSIT NOTES				
Fixed rate	$ 224,996	6.71%		
Variable rate	75,000	5.86		
Total	$ 299,996			

On November 25, 1996, the Company entered into a four-year, $1,700,000 unsecured revolving credit arrangement (the "Credit Facility"), which replaced the 1995 Credit Facility, discussed below. The Credit Facility is comprised of two tranches: a $1,375,000 Tranche A facility available to the Bank and the Savings Bank, including an option for up to $225,000 in multi-currency availability, and a $325,000 Tranche B facility available to the Corporation, the Bank and the Savings Bank, including an option for up to $100,000 in multi-currency availability. Each tranche under the facility is structured as a four-year commitment and will be available for general corporate purposes. The borrowings of the Savings Bank are limited to $500,000 during the first year of the Credit Facility and $750,000 thereafter. The Bank has irrevocably undertaken to honor any demand by the lenders to repay any borrowings which are due and payable by the Savings Bank but which have not been paid. Any borrowing under the Credit Facility will mature on November 24, 2000; however, the final maturity of each tranche may be extended for three additional one-year periods.

On April 30, 1996, the Bank amended and restated its existing $3,500,000 bank note program. Under the amended bank note program, the Bank may issue from time to time up to $4,500,000 of senior bank notes with maturities from 30 days to 30 years and up to $200,000 of subordinated bank notes (none issued as of December 31, 1996) with maturities from five to 30 years.

The Corporation filed a $200,000 shelf registration statement ($125,000 issued as of December 31, 1996) with the Securities and Exchange Commission on September 19, 1996 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 securities will be limited to a $200,000 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.

On April 30, 1996, the Bank established a deposit note program under which the Bank may issue from time to time up to $2,000,000 of deposit notes with maturities from 30 days to 30 years.

Subsequent to year-end, the Bank through a subsidiary created as a Delaware statutory business trust issued $100,000 aggregate amount of Floating Rate Subordinated Capital Income Securities that mature on February 1, 2027.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(dollars in thousands, except per share data)

On November 17, 1995, the Company entered into a three-year, $1,715,000 unsecured revolving credit arrangement (the "1995 Credit Facility"), which was replaced in 1996 by the Credit Facility discussed above. The 1995 Credit Facility, which replaced the 1994 syndicated bank facility, consisted of three tranches. Tranches A and B, for $1,300,000 and $200,000, respectively, were available to the Bank. In addition, Tranche B allowed the Bank to borrow in major foreign currencies. Tranche C was for $215,000 and was available to the Corporation and the Bank.

The Company entered into swaps to effectively convert certain of the interest rates on bank notes from fixed to variable. The swaps, which had a notional amount totaling $974,000 as of December 31, 1996, will mature in 1997 through 2000 to coincide with maturities of fixed bank notes. These swaps paid three-month London Interbank Offered Rate ("LIBOR") at a weighted average contractual rate of 5.59% as of December 31, 1996 and received a weighted average fixed rate of 7.71%.

As of December 31, 1995, swaps with a notional amount totaling $1,014,000, with maturity dates from 1996 through 2000, paid three-month LIBOR at a weighted average contractual rate of 5.69% and received a weighted average fixed rate of 7.68%. In 1995, the Company entered into basis swaps (notional amounts totaling $260,000) to effectively convert bank notes, with a variable rate based on six-month LIBOR to a variable rate based on three-month LIBOR. These swaps and bank notes matured in 1996.

Senior and deposit notes as of December 31, 1996, mature as follows (all other borrowings mature in 1997):

	Senior Notes	Deposit Notes	Total
1997	$ 891,436		$ 891,436
1998	800,166	$299,996	1,100,162
1999	625,000		625,000
2000	599,614		599,614
2001	438,115		438,115
Thereafter	339,906		339,906
Total	$3,694,237	$299,996	$3,994,233

NOTE E ASSOCIATE BENEFIT 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 matches a portion of associate contributions and makes discretionary contributions based upon the Company's earnings per common share. Effective January 1, 1996, the Company is required to make additional contributions for pay-based credits for eligible associates which were previously provided under the Cash Balance Pension Plan. The Company's contributions to this plan were $9,048, $2,701 and $3,890 for the years ended December 31, 1996, 1995 and 1994, respectively.

Through December 31, 1995, the Company provided its associate pension benefits through the Cash Balance Pension Plan and postretirement medical coverage and life insurance benefits through the Associate Welfare Benefits Plan. Effective December 31, 1995, the Company amended the Cash Balance Pension Plan so that no future pay-based credits will accrue. Future pay-based credits will accrue to the Associate Savings Plan discussed above. Neither the remaining obligations under the Cash Balance Pension Plan nor the obligations under the unfunded Associate Welfare Benefits Plan were material to the Company's financial statements.

NOTE F STOCK PLANS

The Company has three stock-based compensation plans which are described below. 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 equals the market price of the underlying stock on the date of grant, nor for the stock purchase plan, which is considered to be noncompensatory. For the performance-based option plan discussed below, compensation cost for these options is measured as the difference between the exercise price and the market price required for vesting and is recognized over the estimated vesting period.

During 1995, the FASB issued SFAS No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123") which 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 estimated fair value of the options is amortized to expense over the options' vesting period. For the year ended December 31, 1996 and 1995, the Company's pro forma net income and earnings per share information would have been $151,853, or $2.25 per share, and $125,296, or $1.88 per share, respectively.

For the purpose of pro forma disclosures above, the fair value of the options was estimated at the date of grant using a Black-Scholes option-pricing model with the following weighted-average assumptions for 1996 and 1995, respectively: dividend yield of 0.90%, volatility factors of the expected market price of the Company's common stock of 32% and 33%, risk-free interest rates of 5.90% and 6.30% and expected option lives of six and four years.

Under the 1994 Stock Incentive Plan, the Company has reserved 7,370,880 common shares as of December 31, 1996 (5,370,880 as of December 31, 1995 and 1994) 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 the market price of the Company's stock on the date of grant, and an option's maximum term is 10 years. The number of shares available for future grants were 1,508,352, 2,061,640 and 3,334,473 as of December 31, 1996, 1995 and 1994, respectively. Other than the performance-based options discussed below, options generally vest annually over three to five years and expire beginning November 2004. The restrictions on restricted stock (of which 23,215 shares were issued in 1995 at the then fair value of $16.75 per share) expire annually over three years.

On April 18, 1996, stockholders approved an increase of 2,000,000 in shares available for issuance under the 1994 Stock Incentive Plan. With this approval, a September 15, 1995 grant to the Company's Chief Executive Officer and its President and Chief Operating Officer became effective. This grant was for performance-based options to purchase 2,500,000 common shares at the September 15, 1995 market price of $29.19 per share. Options vest if the fair market value of the common stock remains at or above the following specified levels for at least ten trading days in any 30 consecutive calendar day period: Fifty percent of the options vest if the Company's stock reaches $37.50 per share, 25% vest if the stock reaches $43.75 per share and the remaining 25% vest if the stock reaches $50.00 per share. If these price levels are not achieved within five years from the date of grant, the portion of the options not previously vested will expire. The Company recognized $7,728 of compensation cost for the year ended December 31, 1996.

On April 26, 1995, the Company adopted the 1995 Non-Associate Directors Stock Incentive Plan. This plan authorizes a maximum of 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. As of December 31, 1996 and 1995, respectively, 417,500 and 452,500 shares were available for grant under this plan. The options vest after one year and their maximum term is 10 years. Restrictions on the restricted stock (of which 12,500 shares were issued in 1995 at the then fair value of $19.88 per share) expire after one year. The exercise price of each option equals the market price of the Company's stock on the date of grant.

A summary of the status of the Company's options as of December 31, 1996, 1995 and 1994, and changes for the years then ended is presented below:

	1996		1995		1994	
	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 - beginning of year	3,315	$19.67	2,036	$16.00		
Granted	2,694	29.04	1,361	25.08	2,036	$16.00
Exercised	(12)	16.40	(6)	16.00		
Canceled	(103)	21.82	(76)	18.25		
Outstanding - end of year	5,894	$23.92	3,315	$19.67	2,036	$16.00
Exercisable - end of year	1,196	$18.98	454	$16.00		
Weighted-average fair value of options granted during the year		$11.22		$ 8.19		

The following table summarizes information about options outstanding as of December 31, 1996:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding (000s)	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Number Exercisable (000s)	Weighted-Average Exercise Price
$16.00 - $24.99	2,463	8.0 years	$16.75	950	$16.33
$25.00 - $33.99	3,431	8.7	29.07	246	29.18

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(dollars in thousands, except per share data)

Under the Company's Associate Stock Purchase Plan (the "Purchase Plan"), associates of the Company and its subsidiaries are eligible to purchase common stock through monthly salary deductions of a maximum of 15% and a minimum of 1% of monthly base pay. The amounts deducted are applied to the purchase of unissued common stock of the Company at 85% of the current market price. An aggregate of 1,000,000 common shares have been authorized for issuance under the plan, of which 822,001 and 934,355 shares were available for issuance as of December 31, 1996 and 1995, respectively.

Additionally, pursuant to a Marketing and Management Services Agreement between Signet Bank and Fairbank Morris, Inc. ("FMI"), a corporation controlled by members of the Company's executive management, 464,400 shares of restricted stock, at the then fair value of $16.00 per share, were awarded to FMI for services rendered for the period from January 1, 1994 to December 31, 1995. In connection with this award, $3,715 in compensation cost was recognized in both 1995 and 1994. The restrictions on this stock expired on November 15, 1995, one year after the grant date.

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. Each Right entitles a registered holder to purchase from the Company one one-hundredth of a share of the Company's authorized Cumulative Participating Junior Preferred Stock (the "Junior Preferred Shares") at a price of $150 (the "Purchase Price"), subject to adjustment. The Company has reserved 1,000,000 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 one one-hundredth 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. 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.

NOTE G OTHER NON-INTEREST EXPENSE

Other non-interest expense consisted of the following:

	Year Ended December 31		
	1996	1995	1994
Professional services	$ 43,968	$28,787	$ 9,203
Fraud losses	26,773	27,721	10,852
Bankcard association assessments	15,045	13,116	8,344
Other	46,397	27,919	12,677
Total	$132,183	$97,543	$41,076

NOTE H REGULATORY MATTERS

The Bank and the Savings Bank are subject to capital adequacy guidelines adopted by the Federal Reserve Board and the Office of Thrift Supervision (the "regulators"), respectively. The capital adequacy guidelines and the regulatory framework for prompt corrective action require the Bank and the Savings Bank to attain specific capital levels based upon quantitative measures of their assets, liabilities and off-balance sheet items as calculated under Regulatory Accounting Principles. The inability to meet and maintain minimum capital adequacy levels could result in 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 from the regulators categorized the Bank and the Savings Bank as "well capitalized". The Bank must maintain minimum Tier 1 Capital, Total Capital and Tier 1 Leverage ratios of 4%, 8% and 4%, and the Savings Bank must maintain minimum Tangible Capital, Total Capital and Core Capital ratios of 1.5%, 8% and 3%, respectively, under capital adequacy guidelines, and 6%, 10% and 5%, respectively, to be well capitalized under the regulatory framework for prompt corrective action. As of December 31, 1996, the Bank's Tier 1 Capital, Total Capital and Tier 1 Leverage ratios were 11.61%, 12.87% and 9.04%, respectively. As of December 31, 1996, the Savings Bank's Tangible Capital, Total Capital and Core Capital ratios were 9.18%, 16.29% and 9.18%, respectively. In addition, the Savings Bank is subject for the first three years of its operations to additional capital requirements, including the requirement to maintain a minimum Core Capital ratio of 8% and a Total Capital ratio of 12%. As of December 31, 1996, there are no conditions or events since the notifications discussed above that Management believes have changed either the Bank's or the Savings Bank's capital category.

During 1996, the Bank received regulatory approval to establish a branch office in the United Kingdom. In connection with such approval, the Company committed to the Federal Reserve Board that, for so long as the Bank maintains such branch in the United Kingdom, the Company will maintain a minimum Tier 1 Leverage ratio of 3.0%. As of December 31, 1996, the Company's Tier 1 Leverage ratio was 11.13%.

Additionally, certain regulatory restrictions exist which limit the ability of the Bank and the Savings Bank to transfer funds to the Corporation. As of December 31, 1996, retained earnings of the Bank and the Savings Bank of $113,700 and $4,600, respectively, were available for payment of dividends to the Corporation, without prior approval by the regulators. The Savings Bank is required to give the Office of Thrift Supervision at least 30 days' advance notice of any proposed dividend.

NOTE I 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, 1996 and 1995 were as follows:

	December 31	
	1996	1995
Deferred tax assets:		
Allowance for loan losses	$41,475	$26,177
Stock incentive plan	2,758	
Other	7,542	2,590
Total deferred tax assets	51,775	28,767
Deferred tax liabilities:		
Service charge accrual	5,368	
Deferred issuance & replacement costs	3,119	2,376
Depreciation	2,546	1,872
Unrealized gains on securities available for sale	1,121	3,768
Finance charge accrual		9,794
Other	542	2,054
Total deferred tax liabilities	12,696	19,864
Net deferred tax assets	$39,079	$ 8,903

Significant components of the provision for income taxes attributable to continuing operations were as follows:

	Year Ended December 31		
	1996	1995	1994
Federal taxes	$119,027	$63,162	$51,942
State taxes	1,715	600	
Deferred income taxes	(27,529)	7,458	(378)
Income taxes	$ 93,213	$71,220	$51,564

The reconciliation of income tax attributable to continuing operations computed at the U.S. federal statutory tax rates to income tax expense was:

	Year Ended December 31		
	1996	1995	1994
Income tax at statutory federal tax rate of 35%	$86,968	$69,206	$51,389
State taxes, net of federal benefit	1,115	390	
Other	5,130	1,624	175
Income taxes	$93,213	$71,220	$51,564

NOTE J COMMITMENTS AND CONTINGENCIES

As of December 31, 1996, the Company had outstanding lines of credit of approximately $26,800,000 committed to its customers. Of that total commitment, approximately $14,000,000 was unused. While this amount represented the total available lines of credit to customers, the Company had 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 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 2006, 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 rental expense amounted to $12,603, $5,394 and $3,700 for the years ended December 31, 1996, 1995 and 1994, respectively.

Future minimum rental commitments as of December 31, 1996 for all non-cancelable operating leases with initial or remaining terms of one year or more are as follows:

1997	$10,813
1998	10,603
1999	8,483
2000	6,800
2001	5,227
Thereafter	14,863
	$56,789

During 1995, the Company and the Bank became involved in three purported class action suits relating to certain collection practices engaged in by Signet Bank and, subsequently, by the Bank. The complaints in these three cases allege that Signet Bank and/or the Company violated a variety of federal and state statutes and constitutional and common law duties by filing collection lawsuits, obtaining judgments and pursuing garnishment proceedings in the Virginia state courts against defaulted credit

(dollars in thousands, except per share data)

card customers who were not residents of Virginia. These cases were filed in the Superior Court of California in the County of Alameda, Southern Division, on behalf of a class of California residents, in the United States District Court for the District of Connecticut on behalf of a nationwide class and in the United States District Court for the Middle District of Florida on behalf of a nationwide class (except for California). The complaints in these three cases seek unspecified statutory damages, compensatory damages, punitive damages, restitution, attorneys' fees and costs, a permanent injunction and other equitable relief.

On July 31, 1996, the Florida case was dismissed without prejudice, which permits further proceedings. The plaintiff has since noticed her appeal to the United States Court of Appeals for the Eleventh Circuit and refiled certain claims arising out of state law in Florida state court.

On September 30, 1996, the Connecticut court entered judgement in favor of the Bank on plaintiff's federal claims and dismissed without prejudice plaintiff's state law claims. The plaintiff has refiled, on behalf of a class of Connecticut residents, her claims arising out of state law in a Connecticut state court.

Subsequent to year-end 1996, the California court entered judgment in favor of the Bank on all of the plaintiff's claims. The time period in which plaintiffs may file an appeal of the court's decision has not yet expired.

In connection with the transfer of substantially all of Signet Bank's credit card business to the Bank in November 1994, the Company and the Bank agreed to indemnify Signet Bank for certain liabilities incurred in litigation arising from that business, which may include liabilities, if any, incurred in the three purported class action cases described above. Because no specific measure of damages is demanded in any of the complaints and each of these cases is in early stages of litigation, an informed assessment of the ultimate outcome of these cases cannot be made at this time. Management believes, however, that there are meritorious defenses to these lawsuits and intends to defend them vigorously.

The Company is commonly subject to various other pending and threatened legal actions arising from the conduct of its normal business activities. In the opinion of the Management of the Company, 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 K RELATED PARTY TRANSACTIONS

In the ordinary course of business, executive officers and directors of the Company may have credit card 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 with unrelated persons and do not involve more than the normal risk of collectability.

Prior to November 22, 1994, and on a declining basis thereafter, Signet and its various subsidiaries provided significant financial and operational support to the Company, the estimated costs of which have been allocated to the Company. Since the Company operated as a division of Signet Bank for all periods prior to November 22, 1994, these allocations did not necessarily represent expenses that would have been incurred directly by the Company had it operated on a stand-alone basis historically. The following table summarizes the effects of these allocations (including interest expense) and servicing income related to the retained credit card portfolio reflected in the financial statements. Revenues and expenses generated in 1995 from agreements with Signet through February 28, 1995 were immaterial.

	Year Ended December 31 1994
Revenues:	
Loan servicing income pertaining to retained credit card portfolio	$11,046
Expenses:	
Interest expense on affiliate borrowings	67,161
Salaries and associate benefits	7,509
Data processing services	16,524
Contract termination	49,000
Other	6,303

Incremental expenses, other than interest expense, that the Company would have incurred directly had it operated on a stand-alone basis were estimated to be $6,000 (unaudited) for the year ended December 31, 1994.

Premises and equipment with a net book value of $21,800 were transferred from Signet on November 22, 1994.

Effective November 22, 1994, the Company entered into a Separation Agreement, Interim Service Agreement and long-term Intercompany Servicing Agreements, a Tax Sharing Agreement and an Associate Benefits Agreement, which provide for certain ongoing operational and financial relationships between the

Company and Signet that expire in 1997.

NOTE L SECURITIZATIONS

The Company securitized $2,695,000 and $3,525,000 of credit card receivables in 1996 and 1995, respectively, and had $8,460,607 of investors' undivided interests in the receivables under securitizations outstanding as of December 31, 1996, with expected maturities from 1997 to 2001 (extendable to 2004). The income from securitizations is included in credit card servicing income.

The Company has entered into swaps to reduce the interest rate sensitivity associated with these securitizations. In 1995, the Company entered into swaps with notional amounts totaling $591,000 which are scheduled to mature in 1998 and 1999 to coincide with the final payment date of a 1995 securitization. In 1994, the Company entered into swaps with notional amounts totaling $539,000 which are scheduled to mature in 1997 to coincide with the final payment date of the remaining term of a 1993 securitization. These swaps paid floating rates of three-month LIBOR (weighted average contractual rate of 5.55% and 5.78% as of December 31, 1996 and 1995, respectively) and received a weighted average fixed rate of 7.23% as of December 31, 1996 and 1995.

The terms of securitizations require the Company to maintain a certain level of assets, retained by the trust, to absorb potential credit losses. The amount available to absorb potential credit losses was included in accounts receivable from securitizations and was $266,813 and $235,188 as of December 31, 1996 and 1995, respectively.

NOTE M 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.

The geographic distribution of the Company's consumer loans was as follows:

	Year Ended December 31			
	1996		1995	
	LOANS	%	Loans	%
GEOGRAPHIC REGION:				
Northeast	$ 2,465,237	19.25%	$ 2,010,326	19.25%
South	4,615,596	36.05	3,777,644	36.17
Midwest	2,386,918	18.64	1,949,113	18.66
West	3,277,717	25.60	2,698,613	25.83
Other	58,501	.46	9,784	.09
	12,803,969	100.00%	10,445,480	100.00%
Less securitized balances	(8,460,067)		(7,523,801)	
Total loans	$ 4,343,902		$ 2,921,679	

NOTE N DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS

The following discloses the fair value of financial instruments as of December 31, 1996 and 1995, whether or not recognized in the balance sheets, for which it is practical to estimate fair value. 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 generally accepted accounting principles, these disclosures exclude certain financial instruments and all nonfinancial instruments from its disclosure requirements. Accordingly, the aggregate fair value amounts presented do not represent the underlying value of the Company.

The following methods and assumptions were used by the Company in estimating the fair value as of December 31, 1996 and 1995, for its financial instruments:

CASH AND DUE FROM BANKS: The carrying amount approximated fair value.

CASH EQUIVALENTS: The carrying amounts of federal funds sold 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.

CONSUMER LOANS: The net carrying amount 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 fair value.

BORROWINGS: The carrying amounts of interest-bearing deposits, short-term

borrowings and deposit notes approximated fair value. The fair value of senior notes was $3,722,000 and $2,553,000 as of December 31, 1996 and 1995, respectively, determined based on quoted market prices.

INTEREST PAYABLE: The carrying amount approximated fair value.

INTEREST RATE SWAP AGREEMENTS: The fair value was the estimated amount that the Company would have received to terminate the swap agreements at the respective dates, taking into account the forward yield curve and the creditworthiness of the swap counterparties. As of December 31, 1996 and 1995, the estimated fair value was $32,700 and $85,200, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(dollars in thousands, except per share data)

NOTE O CAPITAL ONE FINANCIAL CORPORATION (PARENT COMPANY ONLY) CONDENSED FINANCIAL INFORMATION

Balance Sheets	December 31 1996	1995
ASSETS		
Cash and cash equivalents	$ 16,073	$ 7,792
Investment in subsidiaries	748,365	587,518
Loans to subsidiaries	105,000	
Other	2,333	3,881
Total assets	$871,771	$599,191
LIABILITIES		
Senior notes	$125,000	
Other	6,380	
Total liabilities	131,380	
STOCKHOLDERS' EQUITY	740,391	$599,191
Total liabilities and stockholders' equity	$871,771	$599,191

Statements of Income	Year Ended December 31 1996	1995	Period from Inception (November 22, 1994) to December 31, 1994
Interest from temporary investments	$ 2,296	$ 560	$ 79
Interest expense	3,013		
Dividends from subsidiaries	117,400	11,000	
Non-interest expense	571	456	7
Income before income taxes and equity in undistributed earnings of subsidiaries	116,112	11,104	72
Income taxes	(490)	37	28
	116,602	11,067	44
Equity in undistributed earnings of subsidiaries	38,665	115,444	11,029
Net income	$ 155,267	$126,511	$11,073

Statements of Cash Flows	Year Ended December 31 1996	1995	Period from Inception (November 22, 1994) to December 31, 1994
OPERATING ACTIVITIES:			
Net income	$ 155,267	$ 126,511	$ 11,073
Adjustments to reconcile net income to net cash provided by operating activities:			
Equity in undistributed earnings of subsidiaries	(38,665)	(115,444)	(11,029)
Amortization of deferred compensation	62	4,020	3,715
Increase (decrease) in other assets	2,017	(3,161)	(720)
Increase (decrease) in other liabilities	6,380	(1,054)	1,054
Net cash provided by operating activities	125,061	10,872	4,093
INVESTING ACTIVITIES:			
Increase in investment in subsidiaries	(119,502)	(2,470)	(92,124)
Increase in loans to subsidiaries	(105,000)		
Net cash used for investing activities	(224,502)	(2,470)	(92,124)

FINANCING ACTIVITIES:			
Issuance of senior notes	125,000		
Proceeds from issuance of common stock	3,109	1,257	101,915
Proceeds from exercise of stock options	186	132	
Dividends paid	(20,573)	(15,883)	
Net cash provided by (used for) financing activities	107,722	(14,494)	101,915
Increase (decrease) in cash and cash equivalents	8,281	(6,092)	13,884
Cash and cash equivalents at beginning of period	7,792	13,884	
Cash and cash equivalents at end of period	$ 16,073	$ 7,792	$ 13,884

Exhibit 21

CAPITAL ONE FINANCIAL CORPORATION

SIGNIFICANT SUBSIDIARIES OF REGISTRANT

1. Capital One Bank	Incorporated in the Commonwealth of Virginia
2. Capital One F.S.B.	Federal Savings Bank
3. Capital One Services, Inc.	Incorporated in the State of Delaware
4. America One Communications, Inc.	Incorporated in the State of Delaware

EXHIBIT 23

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 21, 1997, included in the 1996 Annual Report to Stockholders of Capital One Financial Corporation.

We also consent to the incorporation by reference in the following Registration Statements of our report dated January 21, 1997, 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, 1996:

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
333-04586	Form S-8	1994 Stock Incentive Plan
33-99748	Form S-3	Dividend Reinvestment and Stock Purchase Plan
333-3580	Form S-3	Debt Securities, Preferred Stock and Common Stock in the amount of $200 million

ERNST & YOUNG LLP

Washington, D.C.
March 26, 1997

YEAR	
	DEC-31-1996
	JAN-01-1996
	DEC-31-1996
	528,976
	865,001
	4,343,902
	118,500
	0
	0
	174,661
	0
	6,467,445
	0
	0
	0
	0
	663
	739,728
	6,467,445
	0
	1,423,907
	0
	1,175,427
	713,182
	167,246
	294,999
	248,480
	93,213
	155,267
	0
	0
	0
	155,267
	2.30
	2.30

Non-classified balance sheet
Net of accumulated depreciation of $99,104