

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

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE
SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2000

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES
EXCHANGE ACT OF 1934
For the transition period from _____ to _____.

Commission file number 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)

(703) 205-1000

(Registrant's telephone number, including area code)

(Not Applicable)

(Former name, former address and former fiscal year, if changed since last
report)

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

As of July 31, 2000 there were 196,214,267 shares of the registrant's Common
Stock, par value \$.01 per share, outstanding.

CAPITAL ONE FINANCIAL CORPORATION
FORM 10-Q

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June 30, 2000

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Item 1.

CAPITAL ONE FINANCIAL CORPORATION
Condensed Consolidated Balance Sheets
(dollars in thousands, except per share data) (unaudited)

	June 30 2000	December 31 1999
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Assets:		
Cash and due from banks	\$ 100,999	\$ 134,065
Federal funds sold and resale agreements	10,000	
Interest-bearing deposits at other banks	78,226	112,432
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Cash and cash equivalents	189,225	246,497
Securities available for sale	1,507,770	1,856,421
Consumer loans	11,382,780	9,913,549
Less: Allowance for loan losses	(407,000)	(342,000)
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Net loans	10,975,780	9,571,549
Premises and equipment, net	545,262	470,732
Interest receivable	51,799	64,637
Accounts receivable from securitizations	1,302,424	661,922
Other	554,631	464,685
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Total assets	\$ 15,126,891	\$ 13,336,443
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Liabilities:		
Interest-bearing deposits	\$ 5,288,927	\$ 3,783,809
Other borrowings	2,773,050	2,780,466
Senior notes	4,176,394	4,180,548
Interest payable	96,493	116,405
Other	1,146,451	959,608
<hr/>		
Total liabilities	13,481,315	11,820,836
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Stockholders' Equity:		
Preferred stock, par value \$.01 per share; authorized 50,000,000 shares, none issued or outstanding		
Common stock, par value \$.01 per share; authorized 1,000,000,000 and 300,000,000 shares, and 199,670,421 issued as of June 30, 2000 and December 31, 1999, respectively	1,997	1,997
Paid-in capital, net	578,915	613,590
Retained earnings	1,231,193	1,022,296
Cumulative other comprehensive loss	(33,823)	(31,262)
Less: Treasury stock, at cost; 3,649,375 and 2,624,006 shares as of June 30, 2000 and December 31, 1999, respectively	(132,706)	(91,014)
<hr/>		
Total stockholders' equity	1,645,576	1,515,607
<hr/>		
Total liabilities and stockholders' equity	\$ 15,126,891	\$ 13,336,443
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See Notes to Condensed Consolidated Financial Statements.

CAPITAL ONE FINANCIAL CORPORATION
Condensed Consolidated Statements of Income
(in thousands, except per share data) (unaudited)

	Three Months Ended June 30		Six Months Ended June 30	
	2000	1999	2000	1999
Interest Income:				
Consumer loans, including fees	\$ 511,886	\$ 353,193	\$ 1,000,823	\$ 678,260
Securities available for sale	22,845	23,522	47,579	49,745
Other	1,776	1,058	3,552	2,839
Total interest income	536,507	377,773	1,051,954	730,844
Interest Expense:				
Deposits	63,619	26,438	115,739	50,380
Other borrowings	46,914	21,196	88,368	46,748
Senior notes	62,016	80,654	130,392	153,149
Total interest expense	172,549	128,288	334,499	250,277
Net interest income	363,958	249,485	717,455	480,567
Provision for loan losses	151,010	74,301	277,535	148,887
Net interest income after provision for loan losses	212,948	175,184	439,920	331,680
Non-Interest Income:				
Servicing and securitizations	282,640	293,606	553,398	565,560
Service charges and other fees	374,706	244,874	715,938	467,327
Interchange	53,461	33,567	96,531	63,786
Total non-interest income	710,807	572,047	1,365,867	1,096,673
Non-Interest Expense:				
Salaries and associate benefits	236,618	194,461	471,454	373,655
Marketing	211,560	178,242	413,498	354,330
Communications and data processing	72,933	62,478	143,755	120,550
Supplies and equipment	58,167	42,303	110,441	79,007
Occupancy	27,250	16,381	52,542	30,295
Other	135,736	112,272	260,494	196,553
Total non-interest expense	742,264	606,137	1,452,184	1,154,390
Income before income taxes	181,491	141,094	353,603	273,963
Income taxes	68,966	53,616	134,369	104,106
Net income	\$ 112,525	\$ 87,478	\$ 219,234	\$ 169,857
Basic earnings per share	\$ 0.57	\$ 0.44	\$ 1.11	\$ 0.86
Diluted earnings per share	\$ 0.54	\$ 0.41	\$ 1.05	\$ 0.80
Dividends paid per share	\$ 0.03	\$ 0.03	\$ 0.05	\$ 0.05

See Notes to Condensed Consolidated Financial Statements.

CAPITAL ONE FINANCIAL CORPORATION
Condensed Consolidated Statements of Changes in Stockholders' Equity
(dollars in thousands, except per share data) (unaudited)

	Common Stock		Paid-In	Retained	Cumulative	Treasury	Total
	Shares	Amount	Capital, Net	Earnings	Other Comprehensive Income (Loss)	Stock	Stockholders' Equity
Balance, December 31, 1998	199,670,376	\$1,997	\$ 598,167	\$ 679,838	\$ 60,655	\$ (70,251)	\$ 1,270,406
Comprehensive income:							
Net income				169,857			169,857
Other comprehensive income, net of income tax:							
Unrealized losses on securities, net of income tax benefit of \$31,048					(50,657)		(50,657)
Foreign currency translation adjustments					2,720		2,720
Other comprehensive income					(47,937)		(47,937)
Comprehensive income							121,920
Cash dividends - \$.0533 per share				(10,328)			(10,328)
Purchases of treasury stock						(53,410)	(53,410)
Issuances of common stock	45		1,311	20		2,002	3,333
Exercise of stock options			(21,215)			43,697	22,482
Common stock issuable under incentive plan			46,372				46,372
Other items, net			2,161				2,161
Balance, June 30, 1999	199,670,421	\$1,997	\$ 626,796	\$ 839,387	\$ 12,718	\$ (77,962)	\$ 1,402,936
Balance, December 31, 1999	199,670,421	\$1,997	\$ 613,590	\$1,022,296	\$ (31,262)	\$ (91,014)	\$ 1,515,607
Comprehensive income:							
Net income				219,234			219,234
Other comprehensive income, net of income tax:							
Unrealized losses on securities, net of income tax benefit of \$981					(1,601)		(1,601)
Foreign currency translation adjustments					(960)		(960)
Other comprehensive income					(2,561)		(2,561)
Comprehensive income							216,673
Cash dividends - \$.0533 per share				(10,337)			(10,337)
Purchases of treasury stock						(99,486)	(99,486)
Issuances of common stock			(1,299)			9,347	8,048
Exercise of stock options			(41,245)			48,447	7,202
Common stock issuable under incentive plan			5,083				5,083
Other items, net			2,786				2,786
Balance, June 30, 2000	199,670,421	\$1,997	\$ 578,915	\$1,231,193	\$ (33,823)	\$ (132,706)	\$ 1,645,576

See Notes to Condensed Consolidated Financial Statements.

CAPITAL ONE FINANCIAL CORPORATION
Condensed Consolidated Statements of Cash Flows
(in thousands) (unaudited)

	Six Months Ended June 30	
	2000	1999
Operating Activities:		
Net income	\$ 219,234	\$ 169,857
Adjustments to reconcile net income to cash provided by operating activities:		
Provision for loan losses	277,535	148,887
Depreciation and amortization, net	55,843	76,294
Stock compensation plans	5,083	46,372
Decrease (increase) in interest receivable	12,838	(7,941)
Increase in accounts receivable from securitizations	(642,973)	(102,057)
Increase in other assets	(96,846)	(120,326)
(Decrease) increase in interest payable	(19,912)	9,513
Increase in other liabilities	186,843	91,619
Net cash (used in) provided by operating activities	(2,355)	312,218
Investing Activities:		
Purchases of securities available for sale	(150,062)	(455,572)
Proceeds from maturities of securities available for sale	66,423	141,207
Proceeds from sales of securities available for sale	432,046	462,071
Proceeds from securitization of consumer loans	616,511	1,225,043
Net increase in consumer loans	(2,412,433)	(2,676,109)
Recoveries of loans previously charged off	106,811	55,967
Additions of premises and equipment, net	(115,079)	(157,732)
Net cash used in investing activities	(1,455,783)	(1,405,125)
Financing Activities:		
Net increase in interest-bearing deposits	1,505,118	414,954
Net decrease in other borrowings	(7,416)	(287,905)
Issuances of senior notes	994,176	1,120,059
Payments of senior notes	(998,638)	(320,000)
Dividends paid	(10,337)	(10,328)
Purchases of treasury stock	(99,486)	(53,410)
Net proceeds from issuances of common stock	10,247	5,086
Proceeds from exercise of stock options	7,202	22,482
Net cash provided by financing activities	1,400,866	890,938
Decrease in cash and cash equivalents	(57,272)	(201,969)
Cash and cash equivalents at beginning of period	246,497	300,167
Cash and cash equivalents at end of period	\$ 189,225	\$ 98,198

See Notes to Condensed Consolidated Financial Statements.

Note A: 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 offers consumer lending (including credit cards) and deposit products. The Corporation and its subsidiaries are collectively referred to as the "Company."

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles ("GAAP") for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete consolidated financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates. Operating results for the three and six months ended June 30, 2000 are not necessarily indicative of the results for the year ending December 31, 2000. The notes to the consolidated financial statements contained in the Annual Report on Form 10-K for the year ended December 31, 1999 should be read in conjunction with these condensed consolidated financial statements. All significant intercompany balances and transactions have been eliminated. Certain prior period amounts have been reclassified to conform to the 2000 presentation.

Note B: Significant Accounting Policies

Cash and Cash Equivalents

Cash paid for interest for the six months ended June 30, 2000 and 1999 was \$354,411 and \$237,337, respectively. Cash paid for income taxes for the six months ended June 30, 2000 and 1999 was \$152,500 and \$136,510, respectively.

Note C: Recent Accounting Pronouncement

In June 2000, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities - an amendment of FASB Statement No. 133". In June 1999, the FASB issued SFAS No. 137, "Accounting for Derivative Instruments and Hedging Activities - Deferral of the Effective Date of FASB Statement No. 133". SFAS No. 138, SFAS No. 137 and SFAS No. 133 (all together "SFAS 133 as amended") will require the Company to recognize all derivatives on the balance sheet at fair value. Derivatives that are not hedges must be adjusted to fair value through earnings. If the derivative is a hedge, depending on the nature of the hedge, changes in the fair value of derivatives will either be offset against the change in fair value of the hedged assets, liabilities or firm commitments through earnings or recognized in other comprehensive income until the hedged item is recognized in earnings. The ineffective portion of a derivative's change in fair value will be immediately recognized in earnings. SFAS 133 as amended is effective for all fiscal quarters of all fiscal years beginning after June 15, 2000. The adoption of SFAS 133 as amended is not expected to have a material effect on the Company's financial position or results of operations.

Note D: Borrowings

In June 2000, the Bank entered into a Senior and Subordinated Global Bank Note Program, from which it may issue and sell up to a maximum of U.S. \$5,000,000 aggregate principal amount (or the equivalent thereof in other currencies) of senior global bank notes and subordinated global bank notes with maturities from 30 days to 30 years. This Global Bank Note Program must be renewed annually. As of June 30, 2000, the Bank had issued and outstanding \$200,000 in floating rate and \$800,000 in fixed rate senior global bank notes with maturities of three and five years, respectively.

Note E: Comprehensive Income

Comprehensive income for the three months ended June 30, 2000 and 1999 was as follows:

	Three Months Ended June 30	
	2000	1999
Comprehensive Income:		
Net income	\$ 112,525	\$ 87,478
Other comprehensive income	(2,021)	(9,836)
Total comprehensive income	\$ 110,504	\$ 77,642

Note F: Associate Stock Plan

In May 2000, the Company's Board of Directors approved a stock options grant to certain members of the Company's management. This grant was composed of 1,690,380 options to all managers, excluding the Company's Chief Executive

Officer and Chief Operating Officer, at the fair market value on the date of grant. All options under this grant will vest ratably over three years.

Note G: Earnings Per Share

Basic earnings per share is based on the weighted average number of common shares outstanding, excluding any dilutive effects of options. Diluted earnings per share is based on the weighted average number of common and common equivalent shares, dilutive stock options or other dilutive securities outstanding during the year.

The following table sets forth the computation of basic and diluted earnings per share:

(shares in thousands)	Three Months Ended June 30		Six Months Ended June 30	
	2000	1999	2000	1999
Numerator:				
Net income	\$ 112,525	\$ 87,478	\$ 219,234	\$ 169,857
Denominator:				
Denominator for basic earnings per share - Weighted-average shares	196,012	197,642	196,328	197,632
Effect of dilutive securities:				
Stock options	12,621	13,857	12,343	13,495
Denominator for diluted earnings per share - Adjusted weighted-average shares	208,633	211,499	208,671	211,127
Basic earnings per share	\$ 0.57	\$ 0.44	\$ 1.11	\$ 0.86
Diluted earnings per share	\$ 0.54	\$ 0.41	\$ 1.05	\$ 0.80

Note H: Commitments and Contingencies

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 (which was acquired by First Union Bank on November 30, 1997) for certain liabilities incurred in litigation arising from that business, which may include liabilities, if any, incurred in the purported class action case described below.

During 1995, the Company and the Bank became involved in a purported class action suit relating to certain collection practices engaged in by Signet Bank and, subsequently, by the Bank. The complaint in this case alleges that Signet Bank and/or the Bank violated a variety of California 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. This case was filed in the Superior Court of California in the County of Alameda, Southern Division, on behalf of a class of California residents. The complaint in this case seeks unspecified statutory damages, compensatory damages, punitive damages, restitution, attorneys' fees and costs, a permanent injunction and other equitable relief.

In early 1997, the California court entered judgement in favor of the Bank on all of the plaintiffs' claims. The plaintiffs appealed the ruling to the California Court of Appeals First Appellate District Division 4. In early 1999, the Court of Appeals affirmed the trial court's ruling in favor of the Bank on six counts, but reversed the trial court's ruling on two counts of the plaintiffs' complaint. The California Supreme Court rejected the Bank's Petition for Review of the remaining two counts and remitted them to the trial court for further proceedings. In August 1999, the trial court denied without prejudice plaintiffs' motion to certify a class on the one remaining common law claim. In November 1999, the United States Supreme Court denied the Bank's writ of certiorari on the remaining two counts, declining to exercise its discretionary power to review these issues.

Subsequently, the Bank moved for summary judgement on the two remaining counts and for a ruling that a class cannot be certified in this case. The motion for summary judgement was granted in favor of the Bank on both counts, but the plaintiffs were granted leave to amend the complaint.

Because no specific measure of damages is demanded in the complaint of the California case and the trial court entered judgement in favor of the Bank before the parties completed any significant discovery, an informed assessment of the ultimate outcome of this case cannot be made at this time. Management believes, however, that there are meritorious defenses to this lawsuit and intends to defend it 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, 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.

CAPITAL ONE FINANCIAL CORPORATION

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 using its Information-Based Strategy ("IBS"). The principal subsidiaries are Capital One Bank (the "Bank"), which offers credit card products, and Capital One, F.S.B. (the "Savings Bank"), which offers consumer lending products (including credit cards) and deposit products. The Corporation and its subsidiaries are collectively referred to as the "Company." As of June 30, 2000, the Company had 27.1 million customers and \$21.9 billion in managed consumer loans outstanding and was one of the largest providers of MasterCard and Visa credit cards in the world. The Company's profitability is affected by the net interest income and non-interest income earned on earning assets, consumer usage patterns, credit quality, the level of marketing expense and operating efficiency.

Earnings Summary

Net income for the three months ended June 30, 2000 of \$112.5 million, or \$.54 per share, compares to net income of \$87.5 million, or \$.41 per share, for the same period in 1999. The increase in net income is primarily a result of an increase in asset and account volumes and rates. Net interest income increased \$114.5 million, or 46%, as the net interest margin increased to 12.45% from 10.80% and average earning assets increased by 27%. The provision for loan losses increased \$76.7 million, or 103%, and average reported loans increased by 35%. Non-interest income increased \$138.8 million, or 24%, primarily as a result of an increase in average accounts of 40% and an increase in the frequency of certain fees charged due to increased purchase volume. Marketing expense increased \$33.3 million, or 19%, to \$211.6 million as the Company continues to invest in new product opportunities. Salaries and associate benefits expense increased \$42.2 million, or 22%. The \$60.6 million, or 26%, increase in all other non-interest expenses as well as the increase in salaries and associate benefits expense primarily reflected increased staff, the cost of operations and the building of infrastructure to manage the growth in accounts and new product opportunities. Each component is discussed in further detail in subsequent sections of this analysis.

Net income for the six months ended June 30, 2000 was \$219.2 million, or \$1.05 per share, compared to \$169.9 million, or \$.80 per share, for the same period in 1999. This 29% increase in net income primarily reflected the increases in asset and account volumes accompanied by an increase in net interest margin as discussed above. Each component is discussed in further detail in subsequent sections of this analysis.

Managed Consumer Loan Portfolio

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

The Company's managed consumer loan portfolio is comprised of reported and off-balance sheet loans. Off-balance sheet loans are those which have been securitized and accounted for as sales in accordance with Statement of Financial Accounting Standards ("SFAS") No. 125, "Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities" ("SFAS 125"), and are not assets of the Company. Therefore, those loans are not shown on the balance sheet.

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

Table 1 - Managed Consumer Loan Portfolio

(in thousands)	Three Months Ended June 30	
	2000	1999
Period-End Balances:		
Reported consumer loans	\$ 11,382,780	\$ 7,426,974
Off-balance sheet consumer loans	10,499,775	10,433,163
Total managed consumer loan portfolio	\$ 21,882,555	\$ 17,860,137
Average Balances:		
Reported consumer loans	\$ 10,028,330	\$ 7,406,257
Off-balance sheet consumer loans	10,886,795	10,191,314
Total average managed consumer loan portfolio	\$ 20,915,125	\$ 17,597,571
Six Months Ended June 30		
(in thousands)	2000	1999

Average Balances:		
Reported consumer loans	\$ 9,866,632	\$ 7,120,578
Off-balance sheet consumer loans	10,681,618	10,396,421

Total average managed consumer loan portfolio	\$ 20,548,250	\$ 17,516,999

Since 1990, the Company has actively engaged in consumer loan securitization transactions. Securitization involves the transfer by the Company of a pool of loan receivables to an entity created for securitizations, generally a trust or other special purpose entity ("the trusts"). The credit quality of the receivables is supported by credit enhancements, which may be in various forms including a letter of credit, a cash collateral guaranty or account, or a subordinated interest in the receivables in the pool. Certificates representing undivided ownership interests in the receivables are sold to the public through an underwritten offering or to private investors in private placement transactions. The Company receives the proceeds of the sale. The Company retains an interest in the trusts ("seller's interest") equal to the amount of the receivables transferred to the trust in excess of the principal balance of the certificates. The Company's interest in the trusts varies as the amount of the excess receivables in the trusts fluctuates as the accountholders make principal payments and incur new charges on the selected accounts. The securitization generally results in the removal of the receivables, other than the seller's interest, from the Company's balance sheet for financial and regulatory accounting purposes.

The Company's relationship with its customers is not affected by the securitization. The Company acts as a servicing agent and receives a fee for doing so.

Collections received from securitized receivables are used to pay interest to certificateholders, servicing and other fees, and are available to absorb the investors' share of credit losses. Amounts collected in excess of that needed to pay the above amounts are remitted to the Company, as described in Servicing and Securitizations Income.

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 and 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.

Prior to the commencement of the amortization or accumulation period, all principal payments received on the trusts' receivables are reinvested in new receivables to maintain the principal balance of certificates. During the amortization period, the investors' share of principal payments is paid to the certificateholders until they are paid in full. During the accumulation period, the investors' share of principal payments is 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.

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

Table 2 - OPERATING DATA AND RATIOS

	Three Months Ended June 30		Six Months Ended June 30	
(dollars in thousands)	2000	1999	2000	1999
Reported:				
Average earning assets	\$ 11,694,459	\$ 9,237,115	\$ 11,626,081	\$ 9,061,481
Net interest margin(1)	12.45%	10.80%	12.34%	10.61%
Loan yield	20.42	19.08	20.29	19.05
Managed:				
Average earning assets	\$ 22,581,254	\$ 19,428,429	\$ 22,307,699	\$ 19,457,902
Net interest margin(1)	10.88%	10.85%	11.06%	10.70%
Loan yield	17.94	17.43	18.00	17.27

(1) Net interest margin is equal to net interest income divided by average earning assets.

Risk Adjusted Revenue and Margin

The Company's products are designed with the 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 managed portfolio. Risk adjusted revenue is defined as net interest income and non-interest income less net charge-offs. Risk adjusted margin measures risk adjusted revenue as a percentage of average earning assets. It considers not only the loan yield and net interest margin, but also the fee income associated with these products. By deducting net charge-offs, consideration is given to the risk inherent in these differing products.

The Company markets its card products to specific consumer populations. The terms of each card product are actively managed in an effort to maximize

return at the consumer level, reflecting the risk and expected performance of the account. For example, card product terms typically include the ability to reprice individual accounts upwards or downwards based on the consumer's performance. In addition, since 1998, the Company has aggressively marketed low non-introductory rate cards to consumers with the best established credit profiles to take advantage of the favorable risk return characteristics of this consumer type. Industry competitors have continuously solicited the Company's customers with similar interest rate strategies. Management believes the competition has put, and will continue to put, additional pressure on the Company's pricing strategies.

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

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

Table 3 - Managed risk adjusted revenue				
(dollars in thousands)	Three Months Ended June 30		Six Months Ended June 30	
	2000	1999	2000	1999
Managed Income Statement:				
Net interest income	\$ 614,352	\$ 527,099	\$ 1,233,206	\$ 1,041,037
Non-interest income	554,425	398,477	1,043,722	756,124
Net charge-offs	(207,643)	(164,004)	(402,919)	(335,133)
Risk adjusted revenue	\$ 961,134	\$ 761,572	\$ 1,874,009	\$ 1,462,028
Ratios(1):				
Net interest margin	10.88%	10.85%	11.06%	10.70%
Non-interest income	9.82	8.20	9.36	7.77
Net charge-offs	(3.67)	(3.37)	(3.62)	(3.44)
Risk adjusted margin	17.03%	15.68%	16.80%	15.03%

(1) As a percentage of average managed earning assets.

Net Interest Income

Net interest income is interest and past-due fees earned from the Company's consumer loans and securities less interest expense on borrowings, which includes interest-bearing deposits, other borrowings and borrowings from senior notes.

Reported net interest income for the three months ended June 30, 2000 was \$364.0 million, compared to \$249.5 million for the same period in the prior year, representing an increase of \$114.5 million, or 46%. For the six months ended June 30, 2000, net interest income was \$717.5 million compared to \$480.6 million for the same period in 1999, representing an increase of \$236.9 million, or 49%. Net interest margin increased 165 and 173 basis points for the three and six months ended June 30, 2000, respectively, compared to the same periods in the prior year. These increases were primarily a result of the increases in the yield on earning assets of 199 and 197 basis points for the three and six months ended June 30, 2000, respectively, to 18.35% from 16.36% and to 18.10% from 16.13% as compared to the same periods in the prior year. The increase in the yield on earning assets was primarily attributable to an increase in the average balance in the consumer loan portfolio of 35% and 39% for the three and six months ended June 30, 2000, respectively, as well as an increase in the yield on those consumer loans. The yield on consumer loans increased 134 and 124 basis points, respectively, as a result of a slight shift in the mix of the portfolio to higher yielding assets and an increase in the frequency of past-due fees charged as compared to the same periods in the prior year.

Managed net interest income increased \$87.3 million and \$192.2 million, or 17% and 18%, for the three and six months ended June 30, 2000, respectively, compared to the same periods in the prior year. The increases in managed net interest income were the result of a 16% and 15% increase in managed average earning assets and the managed net interest margin increasing 3 and 36 basis points to 10.88% and 11.06% for the three and six months ended June 30, 2000, respectively. The increases in managed net interest margin principally reflect the increases in average earning asset composition and earning asset yields discussed above.

Table 4 provides average balance sheet data, an analysis of net

interest income, net interest spread (the difference between the yield on earning assets and the cost of interest-bearing liabilities) and net interest margin for the three and six months ended June 30, 2000 and 1999.

Table 4 - STATEMENTS OF AVERAGE BALANCES, INCOME AND EXPENSE, YIELDS AND RATES

(dollars in thousands)	Three Months Ended June 30					
	2000			1999		
	Average Balance	Income/Expense	Yield/Rate	Average Balance	Income/Expense	Yield/Rate
Assets:						
Earning assets						
Consumer loans(1)	\$ 10,028,330	\$ 511,886	20.42%	\$ 7,406,257	\$ 353,193	19.08%
Securities available for sale	1,519,369	22,845	6.01	1,673,433	23,522	5.62
Other	146,760	1,776	4.84	157,425	1,058	2.69
Total earning assets	11,694,459	\$ 536,507	18.35%	9,237,115	\$ 377,773	16.36%
Cash and due from banks	91,330			16,961		
Allowance for loan losses	(377,833)			(253,500)		
Premises and equipment, net	537,187			320,661		
Other	1,751,490			1,324,335		
Total assets	\$ 13,696,633			\$10,645,572		
Liabilities and Equity:						
Interest-bearing liabilities						
Deposits	\$ 4,495,242	\$ 63,619	5.66%	\$ 2,270,769	\$ 26,438	4.66%
Other borrowings	2,687,569	46,914	6.98	1,599,977	21,196	5.30
Senior notes	3,659,603	62,016	6.78	4,620,921	80,654	6.98
Total interest-bearing liabilities	10,842,414	\$ 172,549	6.37%	8,491,667	\$ 128,288	6.04%
Other	1,227,904			780,168		
Total liabilities	12,070,318			9,271,835		
Equity	1,626,315			1,373,737		
Total liabilities and equity	\$ 13,696,633			\$10,645,572		
Net interest spread			11.98%			10.32%
Interest income to average earning assets			18.35%			16.36%
Interest expense to average earning assets			5.90			5.56
Net interest margin			12.45%			10.80%

(1) Interest income includes past-due fees on loans of approximately \$184,589 and \$111,913 for the three months ended June 30, 2000 and 1999, respectively.

Six Months Ended June 30

(dollars in thousands)	2000			1999		
	Average Balance	Income/Expense	Yield/Rate	Average Balance	Income/Expense	Yield/Rate
Assets:						
Earning assets						
Consumer loans(1)	\$ 9,866,632	\$ 1,000,823	20.29%	\$ 7,120,578	\$ 678,260	19.05%
Securities available for sale	1,600,453	47,579	5.95	1,774,473	49,745	5.61
Other	158,996	3,552	4.47	166,430	2,839	3.41
Total earning assets	11,626,081	\$ 1,051,954	18.10%	9,061,481	\$ 730,844	16.13%
Cash and due from banks	91,146			10,512		
Allowance for loan losses	(367,833)			(246,417)		
Premises and equipment, net	516,894			297,168		
Other	1,494,304			1,276,324		
Total assets	\$ 13,360,592			\$ 10,399,068		
Liabilities and Equity:						
Interest-bearing liabilities						
Deposits	\$ 4,194,746	\$ 115,739	5.52%	\$ 2,186,397	\$ 50,380	4.61%
Other borrowings	2,596,147	88,368	6.81	1,688,486	46,748	5.54
Senior notes	3,839,544	130,392	6.79	4,406,571	153,149	6.95
Total interest-bearing liabilities	10,630,437	\$ 334,499	6.29%	8,281,454	\$ 250,277	6.04%
Other	1,133,546			779,782		
Total liabilities	11,763,983			9,061,236		
Equity	1,596,609			1,337,832		
Total liabilities and equity	\$ 13,360,592			\$ 10,399,068		
Net interest spread			11.81%			10.09%
Interest income to average earning assets			18.10%			16.13%
Interest expense to average earning assets			5.76			5.52
Net interest margin			12.34%			10.61%

(1) Interest income includes past-due fees on loans of approximately \$347,364 and \$219,061 for the six months ended June 30, 2000 and 1999, respectively.

Interest Variance Analysis

Net interest income is affected by changes in the average interest rate earned on earning assets and the average interest rate paid on interest-bearing liabilities. In addition, net interest income is affected by changes in the volume of earning assets and interest-bearing liabilities. Table 5 sets forth the dollar amount of the increases (decreases) in interest income and interest expense resulting from changes in the volume of earning assets and interest-bearing liabilities and from changes in yields and rates.

Table 5 - INTEREST VARIANCE ANALYSIS

(in thousands)	Three Months Ended June 30, 2000 vs 1999			Six Months Ended June 30, 2000 vs 1999		
	Increase (Decrease)	Change due to(1) Volume	Yield/Rate	Increase (Decrease)	Change due to(1) Volume	Yield/Rate
Interest Income:						
Consumer loans	\$ 158,693	\$ 132,382	\$ 26,311	\$ 322,563	\$ 276,101	\$ 46,462
Securities available for sale	(677)	(7,850)	7,137	(2,166)	(8,782)	6,616
Other	718	(473)	1,191	713	(353)	1,066
Total interest income	158,734	108,893	49,841	321,110	224,465	96,645
Interest Expense:						
Deposits	37,181	30,475	6,706	65,359	53,797	11,562
Other borrowings	25,718	17,527	8,191	41,620	29,171	12,449
Senior notes	(18,638)	(16,351)	(2,287)	(22,757)	(19,324)	(3,433)
Total interest expense	44,261	37,104	7,157	84,222	75,543	10,679
Net interest income (1)	\$ 114,473	\$ 72,797	\$ 41,676	\$ 236,888	\$ 150,112	\$ 86,776

(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 table. The totals for the volume and yield/rate columns are not the sum of the individual lines.

Servicing and Securitizations Income

Servicing and securitization income represents servicing fees, excess spread and other fees relating to consumer loan receivables sold through securitization transactions, as well as gains and losses recognized as a result of the securitization transactions. Servicing and securitizations income decreased \$11.0 million, or 4% to \$282.6 million for the three months ended June 30, 2000, from \$293.6 million in the same period in the prior year. Servicing and securitizations income decreased \$12.2 million, or 2% to \$553.4 million for the six months ended June 30, 2000, from \$565.6 million in the same period in the prior year. These decreases were primarily due to the increase in interest expense as a result of increased interest rates, as well as a slight increase in the average securitization liabilities.

In accordance with SFAS 125, the Company records gains or losses on the securitizations of consumer loan receivables on the date of sale based on the estimated fair value of assets sold and retained and liabilities incurred in the sale. Gains represent the present value of estimated excess cash flows the Company has retained over the estimated outstanding period of the receivable and are included in servicing and securitization income. This excess cash flow essentially represents an "interest only" ("I/O") strip, consisting of the excess of finance charges and past-due fees over the sum of the return paid to certificateholders, estimated contractual servicing fees and credit losses. However, exposure to credit losses on the securitized loans is contractually limited to these cash flows.

Certain estimates inherent in the determination of the fair value of the I/O strip are influenced by factors outside the Company's control, and as a result, such estimates could materially change in the near term. Any future gains that will be recognized in accordance with SFAS 125 will be dependent on the timing and amount of future securitizations. The Company will continuously assess the performance of new and existing securitization transactions as estimates of future cash flows change.

Other Non-Interest Income

Interchange income increased to \$53.5 million and \$96.5 million, or 59%, and 51%, for the three and six months ended June 30, 2000, respectively, compared to \$33.6 million and \$63.8 million for the same periods in the prior year. These increases are primarily attributable to increased purchase volume and new account growth in the three months ended June 30, 2000. Service charges and other fees increased \$129.8 million and \$248.6 million, 53%, to \$374.7 million and \$715.9 million for the three and six months ended June 30, 2000, respectively, compared the same periods in the prior year. These increases were primarily due to the increase in average accounts of 40% for the three and six months ended June 30, 2000, respectively, compared to the same periods in the prior year and increased ancillary product sales through the use of IBS.

Non-Interest Expense

Non-interest expense for the three and six months ended June 30, 2000 was \$742.3 million and \$1.5 billion, respectively, an increase of 22% and 26% over \$606.1 million and \$1.2 billion, respectively, for the same periods in the prior year. Contributing to the increase in non-interest expense for the three and six months ended June 30, 2000 was salaries and associate benefits expense which increased \$42.2 million, or 22%, and \$97.8 million, or 26%, respectively. Marketing expense increased \$33.3 million and \$59.2 million, or 19% and 17%, to \$211.6 million and \$413.5 million for the three and six months ended June 30, 2000, respectively, as the Company continued to invest in new and existing product opportunities. All other non-interest expenses increased \$60.7 million and \$140.8 million, or 26% and 33%, to \$294.1 million and \$567.2 million for the three and six months ended June 30, 2000, respectively, from \$233.4 million and \$426.4 million for the same periods in the prior year. These increases were primarily a result of a 40% increase in the average number of accounts for the three and six months ended June 30, 2000, as compared to the same periods in the prior year, as well as the Company's continued expansion into new product and geographic markets, which resulted in a corresponding increase in all operational costs.

Income Taxes

The Company's income tax rate was 38% for the three months ended June 30, 2000 and 1999 and includes both state and federal income tax components.

Asset Quality

The asset quality of a portfolio is generally a function of the initial underwriting criteria used, seasoning of the accounts, levels of competition, account management activities and demographic concentration, as well as general economic conditions. The seasoning 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.

Delinquencies

Table 6 shows the Company's consumer loan delinquency trends for the periods presented on a reported and managed basis. The entire balance of an account is contractually delinquent if the minimum payment is not received by the payment due date. Delinquencies not only have the potential to impact earnings if the account charges off, they also are costly in terms of the personnel and other resources dedicated to resolving the delinquencies.

Table 6 - Delinquencies				
June 30				
2000		1999		
(dollars in thousands)	Loans	% of Total Loans	Loans	% of Total Loans
Reported:				
Loans outstanding	\$ 11,382,780	100.00%	\$ 7,426,974	100.00%
Loans delinquent:				
30-59 days	299,055	2.63	167,399	2.25
60-89 days	172,491	1.52	91,717	1.24
90 or more days	304,286	2.67	138,264	1.86
Total	\$ 775,832	6.82%	\$ 397,380	5.35%
Managed:				
Loans outstanding	\$ 21,882,555	100.00%	\$ 17,860,137	100.00%
Loans delinquent:				
30-59 days	457,586	2.09	341,120	1.91
60-89 days	263,988	1.21	192,264	1.07
90 or more days	449,498	2.05	310,231	1.74
Total	\$ 1,171,072	5.35%	\$ 843,615	4.72%

The 30-plus day delinquency rate for the reported consumer loan portfolio was 6.82% as of June 30, 2000, up 147 basis points from 5.35% as of June 30, 1999, and up 31 basis points from 6.51% as of March 31, 2000. The

30-plus day delinquency rate for the managed consumer loan portfolio was 5.35% as of June 30, 2000, up 63 basis points from 4.72% as of June 30, 1999 and up 9 basis points from 5.26% as of March 31, 2000. Both the reported and managed consumer loan delinquency rate increases as of June 30, 2000 principally reflected more seasoned accounts. In addition, the mix of the reported loan portfolio in the current period includes more accounts that tend to have higher delinquencies than the portfolio average.

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. Table 7 shows the Company's net charge-offs for the periods presented on a reported and managed basis.

Table 7 - Net Charge-Offs				
(dollars in thousands)	Three Months Ended June 30		Six Months Ended June 30	
	2000	1999	2000	1999
Reported:				
Average loans outstanding	\$ 10,028,330	\$ 7,406,257	\$ 9,866,632	\$ 7,120,578
Net charge-offs	113,746	59,805	209,415	115,055
Net charge-offs as a percentage of average loans outstanding	4.54%	3.23%	4.24%	3.23%
Managed:				
Average loans outstanding	\$ 20,915,125	\$ 17,597,571	\$ 20,548,250	\$ 17,516,999
Net charge-offs	207,643	164,004	402,919	335,133
Net charge-offs as a percentage of average loans outstanding	3.97%	3.73%	3.92%	3.83%

Net charge-offs of managed loans increased \$43.6 million and \$67.8 million, or 27% and 20%, while average managed consumer loans grew 19% and 17% for the three and six months ended June 30, 2000, respectively, compared to the same periods in the prior year. For the three and six months ended June 30, 2000, the Company's net charge-offs as a percentage of average managed loans outstanding were 3.97% and 3.92%, respectively, compared to 3.73% and 3.83% for the same periods in the prior year.

Provision and Allowance for Loan Losses

The allowance for loan losses is maintained at an amount estimated to be sufficient to absorb probable future losses, net of recoveries (including recovery of collateral), inherent in the existing reported loan portfolio. The provision for loan losses is the periodic cost of maintaining an adequate allowance. Management believes that the allowance for loan losses is adequate to cover anticipated losses in the reported homogeneous consumer loan portfolio under current conditions. There can be no assurance as to future credit losses that may be incurred in connection with the Company's consumer loan portfolio, nor can there be any assurance that the loan loss allowance that has been established by the Company will be sufficient to absorb such future credit losses. The allowance is a general allowance applicable to the reported homogeneous consumer loan portfolio. The amount of allowance necessary is determined primarily based on a migration analysis of delinquent and current accounts. In evaluating the sufficiency of the allowance for loan losses, management also takes into consideration the following factors: recent trends in delinquencies and charge-offs including bankrupt, deceased and recovered amounts; historical trends in loan volume; forecasting uncertainties and size of credit risks; the degree of risk inherent in the composition of the loan portfolio; economic conditions; credit evaluations and underwriting policies.

Table 8 sets forth the activity in the allowance for loan losses for the periods indicated. See "Asset Quality," "Delinquencies" and "Net Charge-Offs" for a more complete analysis of asset quality.

Table 8 - Summary of allowance for loan losses

(dollars in thousands)	Three Months Ended June 30		Six Months Ended June 30	
	2000	1999	2000	1999
Balance at beginning of period	\$ 372,000	\$ 251,000	\$ 342,000	\$ 231,000
Provision for loan losses	151,010	74,301	277,535	148,887
Other	(2,264)	504	(3,120)	1,168
Charge-offs	(168,572)	(90,627)	(316,226)	(171,022)
Recoveries	54,826	30,822	106,811	55,967
Net charge-offs	(113,746)	(59,805)	(209,415)	(115,055)
Balance at end of period	\$ 407,000	\$ 266,000	\$ 407,000	\$ 266,000
Allowance for loan losses to loans at period-end	3.58%	3.58%	3.58%	3.58%

For the three and six months ended June 30, 2000, the provision for loan losses increased to \$151.0 million and \$277.5 million, or 103% and 86%, respectively, from \$74.3 million and \$148.9 million for the comparable periods in the prior year.

Funding

The Company has established access to a variety of funding alternatives, in addition to securitization of its consumer loans. In June 2000, the Company established a \$5.0 billion global senior and subordinated bank note program, of which \$994 million was outstanding as of June 30, 2000, with original terms of three to five years. The Company has historically issued senior unsecured debt of the Bank through its \$8.0 billion domestic bank note program, of which \$2.6 billion was outstanding as of June 30, 2000, with original terms of one to ten years. Internationally, the Company has funding programs designed for foreign investors or to raise funds in foreign currencies. Both of the Company's committed revolving credit facilities offer foreign currency funding options, allowing the Bank to offer securities to both U.S. and non-U.S. investors. In addition, the Bank has established a \$1.0 billion Euro Medium Term Note program that is targeted specifically to non-U.S. investors. The Company funds its foreign assets by directly or synthetically borrowing or securitizing in the local currency to mitigate the financial statement effect of currency translation.

The Company has significantly expanded its retail deposit gathering efforts through both direct and broker marketing channels. The Company uses its IBS capabilities to test and market a variety of retail deposit origination strategies, as well as to develop customized account management programs. As of June 30, 2000, the Company had \$5.3 billion in interest-bearing deposits, with original maturities of up to ten years.

Table 9 shows the maturation of certificates of deposit in denominations of \$100,000 or greater ("large denomination CDs") as of June 30, 1999.

Table 9 - Maturities of large denomination certificates-\$100,000 or more

June 30, 2000		
(dollars in thousands)	Balance	Percent
Three months or less	\$ 326,721	18.72%
Over 3 through 6 months	200,794	11.51
Over 6 through 12 months	377,469	21.63
Over 12 months through 10 years	840,073	48.14
Total	\$ 1,745,057	100.00%

The Company's other borrowings portfolio consists of \$2.1 billion in borrowings maturing within one year and \$647 million in borrowings maturing after one year.

Table 10 shows the Company's unsecured funding availability and outstandings as of June 30, 2000.

Table 10 - FUNDING AVAILABILITY

June 30, 2000

Effective/

Final

(dollars or dollar equivalents in millions)	Issue Date	Availability(1)	Outstanding	Maturity(4)
Domestic revolving credit facility	5/99	\$1,200		5/03
UK/Canada revolving credit facility	8/97	350		8/00
Senior global bank note program	6/00	5,000	\$ 994	-
Senior domestic bank note program(2)	4/97	8,000	2,628	-
Non-U.S. bank note program	10/97	1,000	5	-
Corporation Shelf Registration	8/99	1,550	549	-
Capital securities(3)	1/97	100	98	2/27

- (1) All funding sources are revolving except for the Corporation Shelf Registration and the Capital Securities. Funding availability under the credit facilities is subject to compliance with certain representations, warranties and covenants. Funding availability under all other sources is subject to market conditions.
- (2) Includes availability to issue up to \$200 million of subordinated bank notes, none outstanding as of June 30, 2000.
- (3) Qualifies as Tier 1 capital at the Corporation and Tier 2 capital at the Bank.
- (4) Maturity date refers to the date the facility terminates, where applicable.

In May 1999, the Company entered into a four-year, \$1,200,000 unsecured revolving credit arrangement (the "Credit Facility"). The Credit Facility is comprised of two tranches: a \$810,000 Tranche A facility available to the Bank and the Savings Bank, including an option for up to \$250,000 in multicurrency availability, and a \$390,000 Tranche B facility available to the Corporation, the Bank and the Savings Bank, including an option for up to \$150,000 in multicurrency availability. Each tranche under the facility is structured as a four-year commitment and is available for general corporate purposes. All borrowings under the Credit Facility are based on varying terms of LIBOR. The Bank has irrevocably undertaken to honor any demand by the lenders to repay any borrowings which are due and payable by the Savings Bank but have not been paid. Any borrowings under the Credit Facility will mature on May 24, 2003; however, the final maturity of each tranche may be extended for three additional one-year periods with the lenders' consent.

The UK/Canada revolving credit facility is used to finance the Company's expansion in the United Kingdom and Canada. The facility is comprised of two tranches: a Tranche A facility in the amount of (pound)156.5 million (\$249.8 million equivalent based on the exchange rate at closing) and a Tranche B facility in the amount of C\$139.6 million (\$100.2 million equivalent based on the exchange rate at closing). An amount of (pound)34.6 million or C\$76.9 million (\$55.2 million equivalent based on the exchange rates at closing) may be transferred between the Tranche A facility and the Tranche B facility, respectively, upon the request of the Company. The Corporation serves as the guarantor of all borrowings under the UK/Canada revolving facility. The commitment terminates on August 29, 2000; however, it may be extended for two additional one-year periods.

The Corporation has three shelf registration statements under which the Corporation from time to time may offer and sell (i) senior or subordinated debt securities, consisting of debentures, notes and/or other unsecured evidences, (ii) preferred stock, which may be issued in the form of depository shares evidenced by depository receipts and (iii) common stock. The amount of securities registered is limited to a \$1.6 billion 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. As of June 30, 2000, the Corporation had existing unsecured senior debt outstanding under the shelf registrations of \$550 million including \$125 million maturing in 2003, \$225 million maturing in 2006, and \$200 million maturing in 2008.

Liquidity

Liquidity refers to the Company's ability to meet its cash needs. The Company meets its cash requirements by securitizing assets, gathering deposits and through issuing debt. As discussed in "Managed Consumer Loan Portfolio," a significant source of liquidity for the Company has been the securitization of consumer loans. Maturity terms of the existing securitizations vary from 1999 to 2008 and typically have accumulation periods during which principal payments are aggregated to make payments to investors. As payments on the loans are accumulated and are no longer reinvested in new loans, the Company's funding requirements for such new loans increase accordingly. The occurrence of certain events may cause the securitization transactions to amortize earlier than scheduled, which would accelerate the need for funding.

As such loans amortize or are otherwise paid, the Company believes 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. Treasuries and other U.S. government obligations, commercial paper, interest-bearing deposits with other banks, federal funds and other cash equivalents in order to provide adequate liquidity and to meet its ongoing cash needs. As of June 30, 2000, the Company held \$1.6 billion in such securities.

Capital Adequacy

The Bank and the Savings Bank are subject to capital adequacy guidelines adopted by the Federal Reserve Board (the "Federal Reserve") and the Office of Thrift Supervision (the "OTS") (collectively, the "regulators"), respectively. The capital adequacy guidelines and the regulatory framework for prompt corrective action require the Bank and the Savings Bank to maintain specific capital levels based upon quantitative measures of their assets, liabilities and off-balance sheet items.

The most recent notifications received from the regulators categorized the Bank and the Savings Bank as "well-capitalized." To be categorized as "well-capitalized," the Bank and the Savings Bank must maintain minimum capital ratios as set forth in Table 11. As of June 30, 2000, there were no conditions or events since the notifications discussed above that management believes would have changed either the Bank or the Savings Bank's capital category.

Table 11 - Regulatory Capital Ratios

Ratios	Minimum for Capital Adequacy Purposes	To Be "Well-Capitalized" Under Prompt Corrective Action Provisions
June 30, 2000		
Capital One Bank		
Tier 1 Capital	4.00%	6.00%
Total Capital	8.00	10.00
Tier 1 Leverage	4.00	5.00
Capital One, F.S.B.		
Tier 1 Capital	4.00%	6.00%
Total Capital	8.00	10.00
Tier 1 Leverage	4.00	5.00
June 30, 1999		
Capital One Bank		
Tier 1 Capital	4.00%	6.00%
Total Capital	8.00	10.00
Tier 1 Leverage	4.00	5.00
Capital One, F.S.B. (1)		
Tier 1 Capital	4.00%	6.00%
Total Capital	12.00	10.00
Tier 1 Leverage	8.00	5.00

(1) Before June 30, 1999, the Savings Bank was subject to capital requirements that exceed minimum capital adequacy requirements, including the requirement to maintain a minimum Tier 1 Leverage/Core Capital ratio of 8% and a Total Capital ratio of 12%.

During 1996, the Bank received regulatory approval and established a branch office in the United Kingdom. In connection with such approval, the Company committed to the Federal Reserve that, for so long as the Bank maintains a branch in the United Kingdom, the Company will maintain a minimum Tier 1 Leverage ratio of 3.0%. As of June 30 2000, the Company's Tier 1 Leverage ratio was 12.51%.

Additionally, certain regulatory restrictions exist which limit the ability of the Bank and the Savings Bank to transfer funds to the Corporation. As of June 30, 2000, retained earnings of the Bank and the Savings Bank of \$172.5 million and \$41.5 million, respectively, were available for payment of dividends to the Corporation without prior approval by the Federal Reserve and the OTS. The Savings Bank, however, is required to give the OTS at least 30 days' advance notice of any proposed dividend and OTS, in its discretion, may object to such 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, reduce the interest rate sensitivity of its securitization transactions and its off-balance sheet financial instruments. The Company enters into interest rate swap agreements in the management of its interest rate exposure. The Company also enters into forward foreign currency exchange contracts and currency swaps to reduce its sensitivity to changing foreign currency exchange rates. These off-balance sheet financial instruments involve elements of credit, interest rate or foreign currency exchange rate risk in excess of the amount recognized on the balance sheet. These instruments also present the Company with certain credit, market, legal and operational risks. The Company has established credit policies for off-balance sheet instruments as it has 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 managed interest income and expense do not respond equally to changes in interest rates, or that all rates do not change uniformly, earnings could be affected. The Company's managed net interest income is affected by changes in short-term interest rates, primarily LIBOR, as a result of its issuance of interest-bearing deposits, variable rate loans and variable rate securitizations. The Company manages and mitigates its interest rate sensitivity through several techniques which include, but are not limited to, changing the maturity, repricing and distribution of assets and liabilities and entering into interest rate swaps.

The Company measures exposure to its interest rate risk through the use of a simulation model. The model generates a distribution of possible twelve-month managed net interest income outcomes based on (i) a set of plausible interest rate scenarios, as determined by management based upon

historical trends and market expectations, (ii) all existing financial instruments, including swaps, and (iii) an estimate of ongoing business activity over the coming twelve months. The Company's asset/liability management policy requires that based on this distribution there be at least a 95% probability that managed net interest income achieved over the coming twelve months will be no more than 3% below the mean managed net interest income of the distribution. As of June 30, 2000, the Company was in compliance with the policy; more than 99% of the outcomes generated by the model produced a managed net interest income of no more than 1.0% below the mean outcome. The interest rate scenarios evaluated as of June 30, 2000, included scenarios in which short-term interest rates rose by over 400 basis points or fell by as much as 250 basis points over twelve months.

The analysis does not consider the effects of the changed level of overall economic activity associated with various interest rate scenarios. Further, in the event of a rate change of large magnitude, management would likely take actions to further mitigate its exposure to any adverse impact. For example, management may reprice interest rates on outstanding credit card loans subject to the right of the consumers in certain states to reject such repricing by giving timely written notice to the Company and thereby relinquishing charging privileges. However, the repricing of credit card loans may be limited by competitive factors as well as certain legal constraints.

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.

Business Outlook

Earnings, Goals and Strategies

This business outlook section summarizes Capital One's expectations for earnings for the year ending December 31, 2000, and our primary goals and strategies for continued growth. The statements contained in this section are based on management's current expectations. Certain statements are forward looking and, therefore, actual results could differ materially. Factors which could materially influence results are set forth throughout this section and in Capital One's Annual Report on Form 10-K for the year ended December 31, 1999 (Part I, Item 1, Risk Factors).

We have set targets, dependent on the factors set forth below, to achieve a 25% return on equity in 2000 and to increase Capital One's earnings per share in 2000 by approximately 30% over 1999 earnings per share. As discussed elsewhere in this report and below, Capital One's actual earnings are a function of our revenues (net interest income and non-interest income on our earning assets), consumer usage and payment patterns, credit quality of our earning assets (which affects fees and charge-offs), marketing expenses and operating expenses.

Product and Market Opportunities

Our strategy for future growth has been, and is expected to continue to be, to apply our proprietary IBS to our lending business as well as to other businesses, both financial and non-financial, including telecommunications and Internet services. We will seek to identify new product opportunities and to make informed investment decisions regarding new and existing products. Our lending and other financial and non-financial products are subject to competitive pressures, which management anticipates will increase as these markets mature.

Lending. Lending includes credit card and other consumer lending products, including automobile financing. Credit card opportunities include, and are expected to continue to include, a wide variety of highly customized products with interest rates, credit lines and other features specifically tailored for numerous consumer segments. We expect continued growth across a broad spectrum of new and existing customized products, which are distinguished by a range of credit lines, pricing structures and other characteristics. For example, our low non-introductory rate products, which are marketed to consumers with the best established credit profiles, are characterized by higher credit lines, lower yields and an expectation of low delinquencies and credit losses. On the other hand, certain other customized card products are characterized by lower credit lines, higher yields (including fees) and in some cases, higher delinquencies and credit losses. These products also involve higher operational costs but exhibit better response rates, less adverse selection, less attrition and a greater ability to reprice than traditional products. More importantly, as a whole, all of these customized products continue to have less volatile returns than the traditional products in recent market conditions. Based in part on the success of this range of products, we are currently on track to attain our fifth consecutive year of approximately 40% net account growth, and we believe that leveraging our customer relationships will be a key to our future growth.

International Expansion. We have expanded our existing operations outside of the United States and have experienced growth in the number of accounts and loan balances in our international business. To date, our principal operations outside of the United States have been in the United Kingdom, with additional operations in Canada. To support the continued growth of our United Kingdom business and any future business in Europe, we recently received approval to open a bank in the United Kingdom from the UK Financial Services Authority. We are seeking similar approval from the Federal Reserve Board. We anticipate entering and doing business in additional countries from time to time as opportunities arise.

Internet Services and Products. Our Internet services include credit card account decisioning, real-time account numbering, retail deposit-taking and account servicing. We have set targets to originate one million accounts and service two million accounts online by the end of 2000, provided that we can continue to limit fraud and safeguard our customers' privacy.

Telecommunications. We market telecommunication services through our subsidiary America One Communications, Inc. We are testing various wireless products and services with a focus on underserved markets.

We will continue to apply our IBS in an effort to balance the mix of credit card products with other financial and non-financial products and services to optimize profitability within the context of acceptable risk. Our growth through expansion and product diversification will be affected by our ability to build internally or acquire the necessary operational and organizational infrastructure, recruit experienced personnel, fund these new businesses and manage expenses. Although we believe we have the personnel, financial resources and business strategy necessary for continued success, there can be no assurance that our results of operations and financial condition in the future will reflect our historical financial performance.

Marketing Investment

We expect our 2000 marketing expenses to exceed 1999's expense level and to increase significantly through the first quarter of 2001, as we continue to invest in various credit card products and services, brand management and other financial and non-financial products and services. We caution, however, that an increase in marketing expenses does not necessarily equate to a comparable increase in outstanding balances or accounts based on historical results. As our portfolio continues to grow, generating balances and accounts to offset attrition requires increasing amounts of marketing. In addition, the cost to acquire new accounts varies across product lines and is expected to rise as we move beyond the domestic card business. With competition affecting the

profitability of traditional card products, we have been allocating, and expect to continue to allocate, a greater portion of our marketing expense to other customized credit card products and other financial and non-financial products. We intend to continue a flexible approach in our allocation of marketing expenses. We are also developing a brand marketing strategy to supplement current strategies. The actual amount of marketing investment is subject to a variety of external and internal factors, such as competition in the consumer credit and wireless service industries, general economic conditions affecting consumer credit performance, the asset quality of our portfolio and the identification of market opportunities across product lines that exceed our targeted rates of return on investment.

The amount of marketing expense allocated to various products or businesses will influence the characteristics of our portfolio as various products or businesses are characterized by different account growth, loan growth and asset quality characteristics. We currently expect continued strong account growth and loan growth in 2000, particularly in prime customer markets. Actual growth, however, may vary significantly depending on our actual product mix and the level of attrition in our managed portfolio, which is primarily affected by competitive pressures.

Impact of Delinquencies, Charge-Offs and Attrition

Our earnings are particularly sensitive to delinquencies and charge-offs on our portfolio and to the level of attrition due to competition in the credit card industry. As delinquency levels fluctuate, the resulting amount of past due and overlimit fees, which are significant sources of our revenue, will also fluctuate. Further, the timing of revenues from increasing or decreasing delinquencies precedes the related impact of higher or lower charge-offs that ultimately result from varying levels of delinquencies. Delinquencies and net charge-offs are impacted by general economic trends in consumer credit performance, including bankruptcies, the degree of seasoning of our portfolio and the product mix.

As of June 30, 2000, we had the third-lowest net charge-off rate among the top ten credit card issuers in the United States. However, we expect delinquencies to increase moderately through 2000 and that, as a result, charge-offs will also increase in 2000. We caution that delinquency and charge-off levels are not always predictable and may vary from projections. In the case of an economic downturn or recession, delinquencies and charge-offs are likely to increase more quickly. In addition, competition in the credit card industry, as measured by the volume of mail solicitations, has declined but remains very high. Competition can affect our earnings by increasing attrition of our outstanding loans (thereby reducing interest and fee income) and by making it more difficult to retain and attract profitable customers.

Cautionary Factors

The strategies and objectives outlined above, and the other forward-looking statements contained in this section, involve a number of risks and uncertainties. Capital One cautions readers that any forward-looking information is not a guarantee of future performance and that actual results could differ materially. In addition to the factors discussed above, among the other factors that could cause actual results to differ materially are the following: continued intense competition from numerous providers of products and services which compete with our businesses; with respect to financial and other products, changes in our aggregate accounts or consumer loan balances and the growth rate thereof, including changes resulting from factors such as shifting product mix, amount of our actual marketing expenses and attrition of accounts and loan balances; an increase in credit losses (including increases due to a worsening of general economic conditions); our ability to continue to securitize our credit cards and consumer loans and to otherwise access the capital markets at attractive rates and terms to fund our operations and future growth; difficulties or delays in the development, production, testing and marketing of new products or services; losses associated with new products or services or expansion internationally; financial, legal, regulatory or other difficulties that may affect investment in, or the overall performance of, a product or business, including changes in existing laws to regulate further the credit card and consumer loan industry and the financial services industry, in general, including the flexibility of financial services companies to obtain, use and share consumer data; the amount of, and rate of growth in, our expenses (including salaries and associate benefits and marketing expenses) as our business develops or changes or as we expand into new market areas; the availability of capital necessary to fund our new businesses; our ability to build the operational and organizational infrastructure necessary to engage in new businesses or to expand internationally; our ability to recruit experienced personnel to assist in the management and operations of new products and services; and other factors listed from time to time in our SEC reports, including, but not limited to, the Annual Report on Form 10-K for the year ended December 31, 1999 (Part I, Item 1, Risk Factors).

Part II. Other Information

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits:

Index of Exhibits

Exhibit	Description of Exhibit
10	Distribution Agreement dated June 6, 2000 among Capital One Bank, J.P. Morgan Securities Inc. and the agents named therein
27	Financial Data Schedule

(b) Reports on Form 8-K:

The Company filed a Current Report on Form 8-K, dated April 13, 2000, Commission File No. 1-13300, enclosing its press release dated April 13, 2000.

SIGNATURES

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

CAPITAL ONE FINANCIAL CORPORATION
(Registrant)

Date: August 11, 2000

/s/ David M. Willey

David M. Willey
Senior Vice President,
Corporate Financial Management
(Chief Accounting Officer
and duly authorized officer
of the Registrant)

Capital One Bank
Senior and Subordinated Global Bank Notes
Due From 30 Days to 30 Years or More from Date of Issue

DISTRIBUTION AGREEMENT

June 6, 2000

J.P. MORGAN SECURITIES INC.
60 Wall Street
New York, New York 10260

AND EACH OF THE DISTRIBUTION AGENTS LISTED
ON SCHEDULE 1 HERETO

Ladies and Gentlemen:

Capital One Bank, a banking association chartered under the laws of the Commonwealth of Virginia (the "Bank"), confirms its agreement with J.P. Morgan Securities Inc. and each of the distribution agents listed on Schedule 1 hereto (each referred to as a "Distribution Agent" and collectively referred to as the "Distribution Agents") with respect to the issue and sale by it of its (i) senior unsecured debt obligations not insured by the Federal Deposit Insurance Corporation (the "FDIC") (the "Senior Notes") and (ii) subordinated unsecured debt obligations not insured by the FDIC (the "Subordinated Notes", and together with the Senior Notes, the "Bank Notes"). The Bank Notes have maturities of 30 days to 30 years or more from date of issue. The Bank Notes are to be issued pursuant to a Global Agency Agreement, dated as of June 6, 2000 (the "Global Agency Agreement"), among the Bank and The Chase Manhattan Bank, as domestic paying agent (the "Domestic Paying Agent") and registrar (the "Registrar"), The Chase Manhattan Bank, London Branch, as London paying agent (the "London Paying Agent") and London issuing agent (the "London Issuing Agent"), Chase Manhattan Bank Luxembourg S.A., as Luxembourg listing agent and paying agent ("Luxembourg Agent") and Kredietbank S.A. Luxembourgise, as Luxembourg listing (the "Luxembourg Listing Agent", and together with the Domestic Paying Agent and the London Paying Agent, the "Paying Agents" and each individually, a "Paying Agent"). As of the date hereof, the Bank has authorized the issuance of up to U.S.\$5,000,000,000 (or the equivalent thereof in other currencies calculated as described in the Offering Circular dated June 6, 2000) aggregate principal amount at any one time outstanding of its Bank Notes. It is understood, however, that the Bank may from time to time authorize the issuance of an additional outstanding amount of Bank Notes and that the Bank Notes may be distributed through or sold to one or more of the Distribution Agents pursuant to the terms of this Agreement, all as though the issuance of the Bank Notes were authorized as of the date hereof. The Bank is a subsidiary of Capital One Financial Corporation (the "Parent").

This Agreement provides both for the sale of Bank Notes by the Bank to the Distribution Agents as principal for resale to investors and other purchasers and for the sale of Bank Notes by the Bank directly to investors through the Distribution Agents (as may from time to time be agreed to by the Bank and the Distribution Agents), in which case the Distribution Agents will act as agents of the Bank in soliciting Bank Note purchasers.

SECTION 1. Appointment as Distribution Agents.

(a) Appointment of Distribution Agents. Subject to the terms and conditions stated herein and subject to the reservation by the Bank of the right to sell Bank Notes directly to investors on its own behalf in those jurisdictions where it is authorized to do so, the Bank hereby agrees that Bank Notes will be sold exclusively to or through the Distribution Agents. The Distribution Agents are authorized to engage the services of any other broker or dealer in connection with the offer or sale of the Bank Notes purchased by a Distribution Agent as principal for resale to others but are not authorized to appoint sub-agents. In connection with sales by the Distribution Agents of Bank Notes purchased by a Distribution Agent as principal to other brokers or dealers, a Distribution Agent may allow any portion of the discount it has received in connection with such purchase from the Bank to such brokers or dealers.

(b) Sale of Bank Notes. The Bank shall not approve the solicitation of purchases of Bank Notes in excess of the amount which shall be authorized to be outstanding by the Bank from time to time or in excess of the aggregate principal amount of Bank Notes specified in the Offering Circular. The Distribution Agents will have no responsibility for maintaining records with respect to the aggregate principal amount of Bank Notes sold or outstanding, or of otherwise monitoring the availability of Bank Notes for sale.

(c) Purchases as Principal. The Distribution Agents shall not have any obligation to purchase Bank Notes from the Bank as principal, but the Distribution Agents may agree from time to time to purchase Bank Notes as principal. Any such purchase of Bank Notes by a Distribution Agent as principal shall be made in accordance with Section 3(a) hereof.

(d) Solicitations as Distribution Agent. If agreed upon by a Distribution Agent and the Bank, the Distribution Agent, acting solely as agent for the Bank and not as principal, will solicit purchases of the Bank Notes. The Distribution

Agent will communicate to the Bank, orally or in writing, each offer to purchase Bank Notes solicited by such Distribution Agent on an agency basis, other than those offers rejected by the Distribution Agent. The Distribution Agent shall have the right, in its discretion reasonably exercised, to reject any proposed purchase of Bank Notes, as a whole or in part, and any such rejection shall not be deemed a breach of any Distribution Agent's agreement contained herein. The Bank may accept or reject any proposed purchase of the Bank Notes in whole or in part. The Distribution Agent shall make reasonable efforts to assist the Bank in obtaining performance by each purchaser whose offer to purchase Bank Notes has been solicited by the Distribution Agent and accepted by the Bank. The Distribution Agent shall not have any liability to the Bank in the event any such agency purchase is not consummated for any reason. If the Bank shall default on its obligation to deliver Bank Notes to a purchaser whose offer it has accepted, the Bank shall (i) hold the Distribution Agent harmless against any loss, claim or damage arising from or as a result of such default by the Bank and (ii) notwithstanding such default, pay to the Distribution Agent any commission to which it would be entitled in connection with such sale.

(e) Reliance. The Bank and the Distribution Agents agree that the Bank Notes purchased by the Distribution Agents shall be purchased, and the Bank Notes the placement of which a Distribution Agent arranges shall be placed by such Distribution Agent, in reliance on the representations, warranties, covenants and agreements of the Bank contained herein and on the terms and conditions and in the manner provided herein.

SECTION 2. Representations and Warranties.

(a) The Bank represents and warrants to each Distribution Agent as of the date hereof, as of the date of each acceptance by the Bank of an offer for the purchase of Bank Notes (whether to the Distribution Agent as principal or through the Distribution Agent as agent), as of the date of each delivery of Bank Notes (whether to such Distribution Agent as principal or through such Distribution Agent as agent) (the date of each such delivery to a Distribution Agent as principal being hereafter referred to as a "Settlement Date"), and as of the times referred to in Section 8(b) hereof (each of the times referenced above being referred to hereafter as a "Representation Date"), as follows:

(i) Offering Circular. The Bank has prepared an offering circular, dated June 6, 2000 (as such document may hereafter be amended or supplemented (including by any pricing supplement) by the Bank), including the material incorporated therein by reference, the "Offering Circular"), to be used by the Distribution Agents in connection with the Distribution Agents' solicitation of purchasers of, or offering of, the Bank Notes. The Bank has been authorized by the Parent to incorporate by reference in the Offering Circular the Parent's annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and each other document filed by the Parent pursuant to Section 13(a), 13(c), 14 or 15(d) (and any and all amendments thereto) of the Securities Exchange Act of 1934, as amended (the "1934 Act"), and the rules and regulations thereunder. The Offering Circular, as of the date hereof, does not and, as of the applicable Representation Date, will not, contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which they are made, not misleading; provided, however, that the representations and warranties in this subsection shall not apply to statements in or omissions from the Offering Circular made in reliance upon, and in conformity with, information furnished to the Bank in writing by the Distribution Agents expressly for use therein.

The Bank has incorporated by reference in the Offering Circular the publicly available portions of each of its Consolidated Reports of Condition and Income (each, a "Call Report"), and any amendments or supplements thereto, beginning with and including the Call Report for the period ended December 31, 1997 to and including the most recent Call Report filed or published prior to the offering of Bank Notes. The publicly available portions of any Call Reports filed by the Bank subsequent to the date of the Offering Circular and prior to the termination of the offering of the Bank Notes will be incorporated therein by reference.

The documents incorporated by reference into the Offering Circular, at the time they were or hereafter are filed with the applicable federal regulatory authorities, compiled or when so filed will comply in all material respects with the 1934 Act or the rules and regulations otherwise applicable thereto, as the case may be and, when read together with the other information in the Offering Circular, did not and will not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were or are made, not misleading.

(ii) Due Organization, Valid Existence and Good Standing. The Bank is a banking corporation duly organized, validly existing and in good standing under the laws of the Commonwealth of Virginia, and is licensed, registered or qualified to conduct the business in which it is engaged in each jurisdiction in which the conduct of its business or its ownership or leasing of property requires such license, registration or qualification, except to the extent that the failure to be so licensed, registered or qualified or to be in good standing would not have a material adverse effect on the Bank and its subsidiaries taken as a whole. The Bank is a subsidiary of the Parent, a Delaware corporation which has securities registered under the 1934 Act.

(iii) Due Authorization, Execution and Delivery of this Agreement, the Global Agency Agreement, the Interest Calculation Agreement, the Exchange Rate Agent Agreement and the Letters of Representations. This Agreement, the Global Agency Agreement, the Interest Calculation Agreement dated as of June 6, 2000 between the Bank and The Chase Manhattan Bank (the "Interest

Calculation Agreement"), the Exchange Rate Agent Agreement between the Bank and The Chase Manhattan Bank dated June 6, 2000 and the Short-Term and Medium-Term Letters of Representation dated June 6, 2000 (the "Letter[s] of Representations"), between the Bank, The Chase Manhattan Bank and The Depository Trust Company, have been duly authorized, executed and delivered by the Bank and are valid and legally binding agreements of the Bank, enforceable against the Bank in accordance with their respective terms, subject to applicable bankruptcy, liquidation, insolvency, fraudulent transfer, reorganization, moratorium, conservatorship, receivership and similar laws of general applicability relating to, or affecting, creditors' rights, to general equity principles and with respect to any indemnification or contribution obligation, to public policies which might affect such obligations.

- (iv) Due Authorization, Execution and Delivery of the Bank Notes. The Bank Notes have been duly authorized for issuance and sale pursuant to this Agreement and, when issued and authenticated against payment of the consideration therefor, the Bank Notes will be valid and legally binding obligations of the Bank, enforceable against the Bank in accordance with their respective terms, subject to applicable bankruptcy, liquidation, insolvency, fraudulent transfer, reorganization, moratorium, conservatorship, receivership and similar laws of general applicability relating to, or affecting, creditors' rights to general equity principles and with respect to any indemnification or contribution obligation, to public policies which might affect such obligations.
- (v) Exemption from Registration. The Bank Notes are exempt from registration under Section 3(a)(2) of the Securities Act of 1933, as amended (the "1933 Act"), and neither registration of the Bank Notes under the 1933 Act, nor qualification of an indenture under the Trust Indenture Act of 1939, as amended, is required in connection with the offer, sale, issuance or delivery of the Bank Notes pursuant to this Agreement or any applicable Terms Agreement (as defined in Section 3(a) hereof).
- (vi) Exemption from Investment Company Act. The Bank is not required to register under the provisions of the Investment Company Act of 1940, as amended (the "Investment Company Act"), or to take any other action with respect to or under the Investment Company Act.
- (vii) No Other Approvals Required. No consent, approval or authorization of or filing with any governmental body or agency is required for the performance by the Bank of its obligations under this Agreement, the Bank Notes, the Global Agency Agreement, the Interest Calculation Agreement, the Exchange Rate Agent Agreement, the Letters of Representations and any applicable Terms Agreement (provided that the representations contained in the immediately preceding clause with respect to approvals under the laws of foreign countries shall only be to the best knowledge of the Bank) or the consummation by the Bank of the transactions contemplated by this Agreement and any agreement with a Distribution Agent to purchase such Bank Notes as principal, except such as may be required by the securities or Blue Sky laws of the various states in connection with the offer and sale of the Bank Notes.
- (viii) Description of Bank Notes. The Bank Notes are substantially in the form heretofore delivered to the Distribution Agents and conform in all material respects to the description thereof contained in the Offering Circular under the caption "Description of Notes."
- (ix) Priority of Bank Notes. The Senior Notes are unsecured and unsubordinated debt obligations of the Bank and rank pari passu among themselves and with all other unsecured and unsubordinated debt obligations of the Bank except, (A) pursuant to Section 11(d)(11) of the Federal Deposit Insurance Act, the Bank's unsecured deposit obligations and (B) pursuant to Section 6.1 - 110.9 of the Code of Virginia, the Bank's deposit obligations. The Subordinated Notes are unsecured and subordinated debt obligations of the Bank, rank pari passu among themselves, and are subordinated and junior in right of payment to the Bank's obligations to depositors and general creditors, other than obligations which, by their express terms, rank on a parity with or junior to the Subordinated Notes. Upon issuance, the Subordinated Notes will qualify as Tier 2 capital of the Bank (within the meaning of Appendix A to 12 C.F.R. Part 208).
- (x) No Violation. Neither the Bank or any of its subsidiaries nor the Parent or any of its subsidiaries is in violation of its charter or by-laws or in default in the performance or observance of any obligation, agreement, covenant or condition contained in any contract, indenture, mortgage loan agreement, note, lease or other instrument to which it is a party or by which it or any of them or their properties may be bound which might result in a material adverse change in the condition, financial or otherwise, or in the earnings, business affairs or business prospects of the Bank and its subsidiaries, considered as one enterprise, or might materially and adversely affect the properties or assets thereof or might materially and adversely affect the consummation of this Agreement, the Global Agency Agreement, the Interest Calculation Agreement, the Exchange Rate Agent Agreement, the Letters of Representations or the Bank Notes or any transaction contemplated hereby or thereby. The execution, issuance and delivery by the Bank of the Bank Notes, and the execution, delivery and performance by the Bank of this Agreement, the Global Agency Agreement, the Interest Calculation Agreement, the Exchange Rate Agent Agreement, the Letters of Representations and any applicable Terms Agreement, will not violate any law, rule, regulation, order, judgment or decree applicable to the Parent and its subsidiaries or to the Bank and any of its subsidiaries or violate any provision of the Bank's charter or by-laws, or conflict with or result in a material breach of or constitute a material default under, or result in the creation or imposition of any material lien, charge or encumbrance upon any property or assets of the Parent and its subsidiaries or the Bank and any of its subsidiaries pursuant to any contract, indenture, mortgage loan agreement, note, lease or other instrument to which the Parent or any of its subsidiaries or the Bank or any of its

subsidiaries, or the property of any of them, is bound or subject.

(xi) No Material Adverse Change. Since the respective dates as of which information is given or incorporated by reference in the Offering Circular (a) there has not been any material adverse change in the condition, financial or otherwise, or business affairs or business prospects of the Bank and its subsidiaries or of the Parent and its subsidiaries, as the case may be, considered as one enterprise, whether or not arising in the ordinary course of business, other than as set forth or contemplated in the Offering Circular (including the material incorporated by reference therein), and (b) there have been no material transactions entered into by the Bank or any of its subsidiaries or the Parent and any of its subsidiaries considered as one enterprise, other than those in the ordinary course of business.

(xii) Rating. The Senior Notes of the Bank have been rated by a "nationally recognized statistical rating agency" (as that term is defined by the Securities and Exchange Commission ("the Commission") for purposes of Rule 436(g)(2) under the 1933 Act), in one of its four highest categories. The Bank "has unsecured non-convertible debt with a term of issue of at least four (4) years, or unsecured non-convertible preferred securities, rated by a nationally recognized statistical rating organization" within the meaning of Conduct Rule 2710(b)(7) of the National Association of Securities Dealers, Inc.

(xiii) Financial Statements and Financial Information. The financial statements and other financial information of the Parent and its consolidated subsidiaries and the Bank and its consolidated subsidiaries included or incorporated by reference in the Offering Circular present fairly the consolidated financial position of the Parent and its consolidated subsidiaries and the Bank and its consolidated subsidiaries, as the case may be, as of the dates indicated therein and the consolidated results of their operations for the periods specified therein; and except as stated therein, such financial statements have been prepared in conformity with generally accepted accounting principles in the United States applied on a consistent basis; financial information of certain financial institutions, if any, proposed to be acquired by the Parent and the Bank included or incorporated by reference in the Offering Circular present fairly the financial position of such financial institutions as of the dates indicated therein and the results of their operations for the periods specified therein.

(xiv) Legal Proceedings. Except as may be set forth in the Offering Circular, there is no action, suit or proceeding before or by any court or governmental agency or body, domestic or foreign, now pending, or, to the knowledge of the Bank, threatened against or affecting, the Parent or any of its subsidiaries or the Bank or any of its subsidiaries, which might, in the opinion of the Bank, result in any material adverse change in the condition, financial or otherwise, or in the earnings, business affairs or business prospects of the Bank and its subsidiaries considered as one enterprise, or might materially and adversely affect the properties or assets thereof or might materially and adversely affect the consummation of this Agreement, the Global Agency Agreement, the Interest Calculation Agreement, the Exchange Rate Agent Agreement or the Bank Notes or any transaction contemplated hereby or thereby.

(xv) Commodity Exchange Act. The Bank Notes, when issued, authenticated and delivered pursuant to the provisions of this Agreement and the Global Agency Agreement, will be excluded or exempted under the provisions of the Commodity Exchange Act.

(b) Additional Certifications. Any certificate signed by any officer of the Bank or the Parent and delivered to the Distribution Agents or to counsel for the Distribution Agents in connection with an offering of Bank Notes, or the sale of Bank Notes to a Distribution Agent as principal, contemplated by this Agreement shall be deemed a representation and warranty by the Bank to the Distribution Agents as to the matters covered thereby on the date of such certificate and at each Representation Date referred to in Section 2(a) hereof subsequent thereto.

SECTION 3. Purchases as Principal; Solicitations as Distribution Agents.

(a) Purchases as Principal. Unless otherwise agreed to by a Distribution Agent and the Bank, Bank Notes shall be purchased by the Distribution Agent as principal. Such purchases shall be made in accordance with terms agreed upon by the Distribution Agent and the Bank with respect to such information (as applicable) as is specified in Exhibit A hereto (which terms shall be agreed upon orally, and which may or may not be confirmed in writing in the form of Exhibit A, prepared by the Distribution Agent and mailed or sent via facsimile transmission to the Bank) and, in the case of sales to Distribution Agents on a syndicated basis, a separate terms agreement substantially in the form of Exhibit H hereto. Any oral or written agreement entered into pursuant to the previous sentence, including any agreement in the form of Exhibit H hereof, is referred to herein as a "Terms Agreement". The Distribution Agent's commitment to purchase Bank Notes as principal shall be deemed to have been made on the basis of the representations and warranties of the Bank herein contained and shall be subject to the terms and conditions herein set forth. Each purchase of Bank Notes, unless otherwise agreed, shall be at a discount from the principal amount of each such Bank Note equivalent to the applicable commission set forth in Exhibit B hereto. The Distribution Agent may engage the services of any other broker or dealer in connection with the resale of the Bank Notes purchased as principal and may allow any portion of the discount received in connection with such purchases from the Bank to such brokers and dealers. At the time of each purchase of Bank Notes by a Distribution Agent as principal, the Distribution Agent shall specify the requirements for the opinions of counsel, officers' certificates and the accountant's letter pursuant to Sections 6(a), 6(b) and 6(d) hereof. The resale of any Bank Notes acquired by such Distribution Agent as principal shall be subject to all of the applicable selling restrictions set forth in Exhibit G hereto.

(b) Solicitations as Distribution Agents. On the basis of the representations and warranties herein contained, but subject to the terms and conditions herein set forth, when agreed upon by the Bank and a Distribution Agent, such Distribution Agent, as an agent of the Bank, will use its reasonable efforts to solicit offers to purchase the Bank Notes upon the terms and conditions set forth herein and in the Offering Circular. All Bank Notes sold through a Distribution Agent as agent will be sold at 100% of their principal amount unless otherwise agreed to by the Bank and the Distribution Agent.

The Bank reserves the right, in its sole discretion, to suspend solicitation of purchases of the Bank Notes through the Distribution Agents, as agents, commencing at any time for any period of time or permanently. Upon receipt of instructions from the Bank, the Distribution Agents will forthwith suspend solicitation of purchases from the Bank until such time as the Bank has advised the Distribution Agents that such solicitation may be resumed. During such period, the Bank shall not be required to comply with the provisions of Sections 8(b), (c) and (d). Upon advising the Distribution Agents that such solicitation may be resumed, however, the Bank shall simultaneously provide the documents required to be delivered by Sections 8(b), (c) and (d), and the Distribution Agents shall have no obligation to solicit offers to purchase the Bank Notes until such documentation has been received by the Distribution Agents.

The Bank agrees to pay each Distribution Agent a commission, in the form of a discount, equal to the applicable percentage of the principal amount of each Bank Note sold by the Bank as a result of a solicitation made by such Distribution Agent as set forth in Exhibit B hereto, or as otherwise agreed to by the Bank and such Distribution Agent. The Distribution Agents may reallocate any portion of the commission payable pursuant hereto to dealers in connection with the offer and sale of the Bank Notes.

(c) Administrative Procedures. The purchase price, interest rate or formula, maturity date and other terms of the Bank Notes (as applicable) specified in Exhibit A hereto shall be agreed upon by the Bank and the applicable Distribution Agent and set forth in a pricing supplement to the Offering Circular to be prepared in connection with each sale of Bank Notes. Administrative procedures with respect to the sale of Bank Notes shall be agreed upon from time to time by the Distribution Agents and the Bank (the "Procedures"). The initial Procedures, as agreed upon by the Distribution Agents and the Bank, are attached hereto as Exhibit I. The Distribution Agents and the Bank agree to perform the respective duties and obligations specifically provided to be performed by the Distribution Agents and the Bank herein and in the Procedures.

(d) Delivery. The documents required to be delivered by Section 6 hereof shall be delivered at the office of Brown & Wood LLP, on the date hereof, or at such other time as the Distribution Agents and the Bank may agree upon in writing (the "Closing Time").

SECTION 4. Covenants of the Bank.

The Bank covenants with the Distribution Agents as follows:

(a) Amending Offering Circular. The Bank will give the Distribution Agents notice of its intention to prepare any additional offering circular supplement with respect to the sale of the Bank Notes or any amendment or supplement to the Offering Circular and will furnish the Distribution Agents with copies of any such amendment or supplement or other documents proposed to be distributed a reasonable time in advance of such proposed distribution and will not distribute any such amendment or supplement or other documents in a form to which the Distribution Agents or counsel for the Distribution Agents shall reasonably object.

(b) Copies of Offering Circular. The Bank will deliver to the Distribution Agents as many copies of the Offering Circular (as amended or supplemented, including documents incorporated by reference therein) as the Distribution Agents shall reasonably request in connection with sales or solicitations of offers to purchase the Bank Notes.

(c) Revisions of Offering Circular -- Material Changes. Except as otherwise provided in Subsection (d) of this Section 4, if any event shall occur or condition exist as a result of which it is necessary, in the reasonable opinion of counsel for the Distribution Agents or counsel for the Bank, to amend or supplement the Offering Circular in order that the Offering Circular will not include any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made therein not misleading in the light of the circumstances existing at the time it is delivered to a purchaser, immediate notice shall be given, and confirmed in writing, to the Distribution Agents to cease the solicitation of offers to purchase the Bank Notes in their capacity as agents and to cease sales of the Bank Notes the Distribution Agents may then own as principal, and the Bank will promptly prepare such amendment or supplement as may be necessary to correct such untrue statement or omission. The Distribution Agents shall, at such time as the Bank shall have furnished to the Distribution Agents an amended or supplemented Offering Circular in form satisfactory to the Distribution Agents and their counsel, resume solicitation of offers to purchase Bank Notes using the Offering Circular so amended and supplemented. The Bank agrees to update the Offering Circular no less than annually within 120 days after its fiscal year-end.

(d) Suspension of Certain Obligations. The Bank shall not be required to comply with the provisions of subsection (c) of this Section 4 during any period from the later of the time (i) the Distribution Agents shall have suspended solicitation of purchases of the Bank Notes in their capacity as agents pursuant to a request from the Bank and (ii) no Distribution Agent shall then hold any Bank Notes purchased as principal pursuant hereto, until the time the Bank shall determine that solicitation of purchases of the Bank Notes should be resumed or the Distribution Agent shall subsequently purchase Bank Notes from the Bank as principal.

(e) Regulatory Reports. The Bank shall provide the Distribution Agents with copies of the publicly available portion of any reports required to be filed by the Bank or the Parent with any United States or state supervisory or regulatory authority as promptly as reasonably practicable after such reports become publicly available.

(f) Preparation of Pricing Supplements. The Bank will prepare, with respect to the Bank Notes to be sold through or to the Distribution Agents pursuant to this Agreement, a pricing supplement with respect to the Bank Notes in a form previously approved by the Distribution Agents.

(g) Blue Sky Qualifications. The Bank will endeavor, in cooperation with the Distribution Agents, to qualify the Bank Notes for offering and sale under the applicable securities laws of such states and other jurisdictions of the United States as the Distribution Agents may designate, and will maintain such qualifications in effect for as long as may be required for the distribution of the Bank Notes; provided, however, that the Bank shall not be obligated to file any general consent to service of process or to qualify as a foreign corporation in any jurisdiction in which it is not so qualified. The Bank will file such statements and reports as may be required by the laws of each jurisdiction in which the Bank Notes have been qualified as above provided. The Bank will promptly advise the Distribution Agents of the receipt by the Bank of any notification with respect to the suspension of the qualification of the Bank Notes for sale in any such state or jurisdiction or the initiating or threatening of any proceeding for such purpose.

(h) Stand-Off Agreement. In connection with a purchase by a Distribution Agent of Bank Notes as principal, between the date of the agreement to purchase such Bank Notes and the Settlement Date with respect to such purchase, the Bank will not, without the prior consent of the Distribution Agent who is party to such agreement, offer or sell, or enter into any agreement to sell, any debt securities of the Bank (other than the Bank Notes that are to be sold pursuant to such agreement and deposit and other bank obligations issued and sold directly by the Bank in the ordinary course of its business).

SECTION 5. Payment of Expenses.

Whether or not the transactions contemplated hereunder are consummated or this Agreement or any agreement by a Distribution Agent to purchase Bank Notes as principal is terminated, the Bank will pay all expenses incident to the performance of the Bank's obligations under this Agreement including, without limitation: (a) the preparation, printing and delivery of the Offering Circular and all amendments and supplements thereto; (b) the preparation and reproduction of this Agreement; (c) the preparation, issuance and delivery of the Bank Notes, including fees and expenses related to the use of book-entry notes; (d) the fees and disbursements of the Bank's counsel and accountants, of the Paying Agents, London Issuing Agent, Registrar, Transfer Agent and Listing Agent and of any calculation agents or exchange rate agents; (e) the reasonable fees and disbursements of counsel to the Distribution Agents incurred in connection with the establishment of the program relating to the Bank Notes and incurred from time to time in connection with the transactions contemplated thereby; (f) any fees charged by rating agencies for rating of the Bank Notes; (g) any advertising and other out-of-pocket expenses of the Distribution Agents incurred with the approval of the Bank; (h) the qualification of the Bank Notes under state securities laws in accordance with the provisions of Section 4(g) hereof, including the filing fees and the reasonable fees and disbursements of counsel for the Distribution Agents in connection therewith and in connection with the preparation of any Blue Sky Survey and any Legal Investment Survey; (i) the cost of preparing and providing any CUSIP or other identification numbers for the Bank Notes and (j) all fees payable to any exchange in connection with listing the Bank Notes on such exchange.

SECTION 6. Conditions of Distribution Agents' Obligations.

The obligations of the Distribution Agents to solicit offers to purchase the Bank Notes as agents of the Bank, the obligations of any purchasers of Bank Notes sold through a Distribution Agent as agent, and any obligation of a Distribution Agent to purchase Bank Notes pursuant to any agreement by such Distribution Agent to purchase Bank Notes as principal (or otherwise), will be subject at all times to the accuracy in all material respects of the representations and warranties on the part of the Bank herein and to the accuracy in all material respects of the statements of the Bank's and the Parent's officers made in any certificate furnished pursuant to the provisions hereof, to the performance and observance in all material respects by the Bank of all covenants and agreements herein contained and to the following additional conditions precedent:

(a) Legal Opinions. On the date hereof, and, if required pursuant to Section 8(c) hereof, on each Settlement Date, the Distribution Agents shall have received the following legal opinions, dated as of the date hereof or the Settlement Date, as the case may be, and in form and substance satisfactory to the Distribution Agents:

- (i) Opinions of Counsel to the Bank and the Parent. The opinion of John G. Finneran, Jr., Counsel to the Bank and the Parent, substantially in the form of Exhibit C.
- (ii) Opinion of Counsel to the Distribution Agents. The opinion of Brown & Wood LLP, counsel to the Distribution Agents, covering such matters as they may request.

(b) Officers' Certificates. On the date hereof, and, if required pursuant to Section 8(b) hereof, on each Settlement Date, the Distribution Agents shall have received a certificate of (i) the President, Senior Vice President or Vice President, and the Chief Financial Officer, Chief Accounting Officer or Treasurer of the Bank satisfactory to the Distribution Agents, substantially in the form of Exhibit D hereto and (ii) the President, Senior Vice President or Vice President, and the Chief Financial Officer, Chief Accounting Officer or Treasurer of the Parent satisfactory to the Distribution Agents, substantially

in the form of Exhibit E hereto, each dated the date hereof or the Settlement Date, as the case may be.

(c) Representations Certificate. On the date hereof, the Distribution Agents shall have received a certificate of the Parent, substantially in the form of Exhibit F hereto.

(d) Accountants' Letter. On the date hereof, and, if required pursuant to Section 8(d) hereof, on each Settlement Date, the Distribution Agents shall have received a letter from Ernst & Young LLP, independent accountants to the Bank and the Parent, dated as of the date hereof or the Settlement Date, as the case may be, and in form and substance satisfactory to the Distribution Agents.

(e) Other Documents. On the date hereof and on each Settlement Date, counsel to the Distribution Agents shall have been furnished with such documents and opinions as such counsel may reasonably request for the purpose of enabling such counsel to pass upon the issuance and sale of the Bank Notes as herein contemplated and related proceedings, or in order to evidence the accuracy and completeness of any of the representations and warranties, or the fulfillment of any of the conditions, herein contained; and all proceedings taken by the Bank in connection with the issuance and sale of Bank Notes as herein contemplated shall be satisfactory in form and substance to the Distribution Agents and to counsel to the Distribution Agents.

If any condition specified in this Section 6 shall not have been fulfilled when and as required to be fulfilled, this Agreement (or, at the option of the Distribution Agent, any applicable agreement by such Distribution Agent to purchase Bank Notes as principal) may be terminated by the Distribution Agents by written notice to the Bank at any time at or prior to the Closing Time and any such termination shall be without liability of any party to any other party, except that the provisions of Section 5 hereof, the indemnity and contribution agreement set forth in Sections 9 and 10 hereof, and the provisions of Sections 11, 14 and 15 hereof shall remain in effect.

SECTION 7. Delivery of and Payment for Bank Notes Sold through a Distribution Agent.

Delivery of Bank Notes sold through a Distribution Agent as agent shall be made by the Bank to such Distribution Agent for the account of any purchaser only against payment therefor in immediately available funds. In the event that a purchaser shall fail either to accept delivery of or to make payment for a Bank Note on the date fixed for settlement, the Distribution Agent shall promptly notify the Bank and deliver the Bank Note to the Bank, and, if the Distribution Agent has theretofore paid the Bank for the Bank Note, the Bank will promptly return such funds to the Distribution Agent. If such failure shall have occurred for any reason other than default by the applicable Distribution Agent to perform its obligations hereunder, the Bank will reimburse such Distribution Agent on an equitable basis for its loss of the use of funds during the period when the funds were credited to the account of the Bank.

SECTION 8. Additional Covenants of the Bank.

The Bank covenants and agrees with each Distribution Agent that:

(a) Reaffirmation of Representations and Warranties. Each acceptance by the Bank of an offer for the purchase of Bank Notes (whether to a Distribution Agent as principal or through the Distribution Agent as agent), and each delivery of Bank Notes to the Distribution Agents, shall be deemed to be an affirmation that the representations and warranties of the Bank contained in this Agreement and in any certificate theretofore delivered to the Distribution Agents pursuant hereto are true and correct in all material respects at the time of such acceptance or sale, as the case may be, and an undertaking that such representations and warranties will be true and correct in all material respects at the time of delivery to the purchaser or his agent, or to the applicable Distribution Agent, of the Bank Note or Bank Notes relating to such acceptance or sale, as the case may be, as though made at and as of each such time (and it is understood that such representations and warranties shall relate to the Offering Circular as amended and supplemented to each such time, including any amendment resulting from the incorporation by reference of documents filed by the Bank or the Parent).

(b) Subsequent Delivery of Certificates. Each time that (i) the Offering Circular shall be amended or supplemented (other than by an amendment or supplement providing solely for a change in the interest rates or other variable terms of Bank Notes), (ii) there is filed with the Commission or any bank regulatory agency any document incorporated by reference into the Offering Circular, but in no event more than once a quarter upon the filing of the Parent's Form 10-Q unless requested by the Distribution Agents, (iii) (if required in connection with the purchase of Bank Notes by a Distribution Agent as principal) the Bank sells Bank Notes to such Distribution Agent as principal or (iv) the Bank issues and sells Bank Notes in a form not previously certified to the Distribution Agents by the Bank, the Bank shall furnish or cause to be furnished forthwith to the Distribution Agents certificates from the Bank and the Parent dated the date of such amendment or supplement, the date of such filing, or the Settlement Date, as the case may be, to the effect that the statements contained in the certificates which were last furnished to the Distribution Agents by the Bank and the Parent pursuant to Section 6(b) hereof are true and correct in all material respects at the time of such amendment, supplement or sale, as the case may be, as though made at and as of such time (except that such statements shall be deemed to relate to the Offering Circular as amended and supplemented to such time, including any amendment resulting from incorporation by reference of documents filed by the Bank and the Parent) or, in lieu of such certificates, certificates of the same form as the certificates referred to in said Section 6(b), modified as necessary to relate to the Offering Circular as amended and supplemented to the time of delivery of such certificates.

(c) Subsequent Delivery of Legal Opinions. Each time that (i) the Offering Circular shall be amended or supplemented with respect to the Bank Notes (other

than by an amendment or supplement (x) providing solely for a change in interest rates or other variable terms of the Bank Notes or similar changes, or (y) setting forth financial statements or other information as of and for a fiscal period (unless, in the reasonable judgment of the Distribution Agents, an opinion of counsel should be furnished in light of such an amendment)), (ii) there is filed with the Commission or any bank regulatory agency any document incorporated by reference into the Offering Circular, but in no event more than once a quarter upon the filing of the Parent's Form 10-Q unless requested by the Distribution Agents, (iii) (if required in connection with the purchase of Bank Notes by a Distribution Agent as principal) the Bank sells Bank Notes to such agent as principal or (iv) the Bank issues and sells Bank Notes in a form not previously certified to the Distribution Agents by the Bank, the Bank shall furnish or cause to be furnished forthwith to the Distribution Agents and the Distribution Agents' counsel a letter from each counsel last furnishing an opinion referred to in Section 6(a)(i) hereof (or such other counsel as may be acceptable to the Distribution Agents) to the effect that the Distribution Agents may rely on such last opinion to the same extent as though it were dated the date of such letter authorizing reliance (except that statements in such last opinion shall be deemed to relate to the Offering Circular as amended and supplemented to the time of delivery of such letter authorizing reliance) or in lieu of such letter, each such counsel (or such other counsel as may be acceptable to the Distribution Agents) may deliver a letter in the same form as its letter referred to in Section 6(a)(i) but modified, as necessary to relate to the Offering Circular as amended and supplemented to the time of delivery of such letter. With respect to this Section 8(c), the opinion referred to in Section 6(a)(ii) will also be furnished in the same manner contemplated above but only pursuant to Section 8(c)(iii) above.

(d) Subsequent Delivery of Accountants' Letters. Each time that (i) the Offering Circular shall be amended or supplemented with respect to the Bank Notes (other than by an amendment or supplement providing solely for a change in interest rates or other variable terms of the Bank Notes), (ii) if requested by the Distribution Agents, but in any event at least once annually at the filing of the Parent's Form 10-K, there is filed with the Commission any document incorporated by reference into the Offering Circular, (iii) (if required in connection with the purchase of Bank Notes by a Distribution Agent as principal) the Bank sells Bank Notes to such agent as principal or (iv) (if required by a Distribution Agent) the Bank issues and sells Bank Notes in a form not previously certified to the Distribution Agents by the Bank, the Bank shall furnish or cause to be furnished forthwith to the Distribution Agents and the Distribution Agents' counsel a letter from Ernst & Young LLP reaffirming the statements made in its letter delivered pursuant to Section 6(d), or in lieu of such letter, Ernst & Young LLP may deliver a letter in the same form as its letter referred to in Section 6(d) but modified as necessary to relate to the Offering Circular as amended and supplemented to the time of delivery of such letter.

(e) Listing. In connection with any application to list Bank Notes on the Luxembourg Stock Exchange or any other stock exchange, the Bank will furnish from time to time any and all documents, instruments, information and undertakings and publish all advertisements or other material that may be necessary in order to effect such listing(s) and maintain such listing(s) until none of such Bank Notes is outstanding or until such time as payment in respect of principal, premium, if any, and interest in respect of all such Bank Notes has been duly provided for, whichever is earlier; provided, however, that if the Bank can no longer reasonably maintain such listing(s), it will use its best efforts to obtain and maintain the quotation for, or listing of, the Bank Notes on such other stock exchange or stock exchanges as the Bank may decide with the approval of the Distribution Agents.

SECTION 9. Indemnification.

(a) Indemnification of Distribution Agents. The Bank agrees to indemnify and hold harmless each Distribution Agent, each person who controls any Distribution Agent and each affiliate of any Distribution Agent which assists such Distribution Agent in the distribution of the Bank Notes within the meaning of the 1933 Act or of the 1934 Act against any and all losses, claims, damages, expenses or liabilities, to which they or any of them may become subject under the 1933 Act or the 1934 Act or other Federal or state statutory law or regulation, at common law or otherwise, as incurred, insofar as such losses, claims, damages, expenses or liabilities (or actions in respect thereof) arise out of or are based upon any untrue statement or alleged untrue statement of a material fact contained in the Offering Circular (including for purposes of this Section 9 all amendments and supplements thereto and any of the documents incorporated by reference therein), or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, and agrees to reimburse each such indemnified party for any legal or other expenses reasonably incurred by them, as incurred, in connection with investigating or defending any such loss, claim, damage, liability or action; provided, however, that the Bank will not be liable in any such case to the extent that any such loss, claim, damage, expense or liability arises out of or is based upon any such untrue statement or alleged untrue statement or omission or alleged omission made therein in reliance upon and in conformity with written information furnished to the Bank by or on behalf of any Distribution Agent specifically for use in the Offering Circular.

(b) Indemnification of the Bank. Each Distribution Agent severally agrees to indemnify and hold harmless the Bank and each person who controls the Bank within the meaning of the 1933 Act or of the 1934 Act to the same extent as the foregoing indemnity from the Bank to each Distribution Agent, but only with reference to written information furnished to the Bank by or on behalf of such Distribution Agent specifically for use in the Offering Circular. This indemnity agreement will be in addition to any liability which any Distribution Agent may otherwise have.

If any suit, action, proceeding (including any governmental or regulatory investigation), claim or demand shall be brought or asserted against

any person in respect of which indemnity may be sought pursuant to either of the two preceding paragraphs, such person (the "Indemnified Person") shall promptly notify the person against whom such indemnity may be sought (the "Indemnifying Person") in writing, and the Indemnifying Person, upon request of the Indemnified Person, shall retain counsel reasonably satisfactory to the Indemnified Person to represent the Indemnified Person and any others the Indemnifying Person may designate in such proceeding and shall pay the fees and expenses of such counsel related to such proceeding. In any such proceeding, any Indemnified Person shall have the right to retain its own counsel, but the fees and expenses of such counsel shall be at the expense of such Indemnified Person unless (i) the Indemnifying Person and the Indemnified Person shall have mutually agreed to the contrary, (ii) the Indemnifying Person has failed within a reasonable time to retain counsel reasonably satisfactory to the Indemnified Person or (iii) the named parties in any such proceeding (including any impleaded parties) include both the Indemnifying Person and the Indemnified Person and representation of both parties by the same counsel would be inappropriate due to actual or potential differing interests between them. It is understood that the Indemnifying Person shall not, in connection with any proceeding or related proceeding in the same jurisdiction, be liable for the fees and expenses of more than one separate firm (in addition to any local counsel) for all Indemnified Persons, and that all such fees and expenses shall be reimbursed as they are incurred. Any such separate firm for the Distribution Agents, each affiliate of any Distribution Agent which assists such Distribution Agent in the distribution of the Bank Notes and such control persons of the Distribution Agents shall be designated in writing by J.P. Morgan Securities Inc. or, if J.P. Morgan Securities Inc. is not an Indemnified Party, by the Distribution Agents that are Indemnified Parties and any such separate firm for the Bank, its directors, its officers and such control persons of the Bank or authorized representatives shall be designated in writing by the Bank. The Indemnifying Person shall not be liable for any settlement of any proceeding effected without its written consent, but if settled with such consent or if there be a final judgment for the plaintiff, the Indemnifying Person agrees to indemnify any Indemnified Person from and against any loss or liability by reason of such settlement or judgment. Notwithstanding the foregoing sentence, if at any time an Indemnified Person shall have requested an Indemnifying Person to reimburse the Indemnified Person for fees and expenses of counsel as contemplated by the third sentence of this paragraph, the Indemnifying Person agrees that it shall be liable for any settlement of any proceeding effected without its written consent if (i) such settlement is entered into more than 30 days after receipt by such Indemnifying Person of the aforesaid request and (ii) such Indemnifying Person shall not have reimbursed the Indemnified Person in accordance with such request prior to the date of such settlement. No Indemnifying Person shall, without the prior written consent of the Indemnified Person, effect any settlement of any pending or threatened proceeding in respect of which any Indemnified Person is or could have been a party and indemnity could have been sought hereunder by such Indemnified Person, unless such settlement includes an unconditional release of such Indemnified Person from all liability on claims that are the subject matter of such proceeding.

SECTION 10. Contribution.

If the indemnification provided for in paragraphs (a) or (b) of Section 9 is unavailable to an Indemnified Person or insufficient in respect of any losses, claims, damages or liabilities referred to therein in connection with any offering of Bank Notes, but is applicable in accordance with its terms, then each Indemnifying Person under such paragraph, in lieu of indemnifying such Indemnified Person thereunder, shall contribute to the amount paid or payable by such Indemnified Person as a result of such losses, claims, damages or liabilities (i) in such proportion as is appropriate to reflect the relative benefits received by the Bank on the one hand and each Distribution Agent on the other from the offering of the Bank Notes or (ii) if the allocation provided by clause (i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the Bank on the one hand and each Distribution Agent on the other in connection with the statements or omissions that resulted in such losses, claims, damages or liabilities, as well as any other relevant equitable considerations. The relative benefits received by the Bank on the one hand and each Distribution Agent on the other in connection with the offering of such Bank Notes shall be deemed to be in the same respective proportion as the net proceeds from the offering of such Bank Notes (before deducting expenses) received by the Bank and the total discounts and commissions received by each Distribution Agent in respect thereof bear to the aggregate offering price of such Bank Notes. The relative fault of the Bank on the one hand and of each Distribution Agent on the other shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Bank or by such Distribution Agent and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or the omission or alleged omission.

The Bank and each Distribution Agent agrees that it would not be just and equitable if contribution pursuant to this Section 10 were determined by pro rata allocation (even if all Distribution Agents were treated as one entity for such purpose) or by any other method of allocation that does not take account of the equitable considerations referred to above in this Section 10. The amount paid or payable by an Indemnified Person as a result of the losses, claims, damages and liabilities referred to above in Sections 9 and 10 shall be deemed to include, subject to the limitations set forth above, any legal or other expenses incurred by such Indemnified Person in connection with investigating or defending any such action or claim. Notwithstanding the provisions of Sections 9 and 10, in no event shall a Distribution Agent be required to contribute any amount in excess of the amount by which the total price at which the Bank Notes referred to in Section 10 that were sold by or through such Distribution Agent exceeds the amount of any damages that such Distribution Agent has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the 1933 Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The obligation of each Distribution Agent to contribute

pursuant to this Section 10 is several (in the proportion that the principal amount of the Bank Notes the sale of which by or through such Distribution Agent gave rise to such losses, claims, damages or liabilities bears to the aggregate principal amount of the Bank Notes the sale of which by or through any Distribution Agent gave rise to such losses, claims, damages or liabilities) and is not joint.

SECTION 11. Representations, Warranties and Agreements to Survive Delivery.

All representations, warranties and agreements contained in this Agreement or contained in certificates of officers of the Bank pursuant hereto, shall remain operative and in full force and effect, regardless of any investigation made by or on behalf of the Distribution Agents or any controlling person of a Distribution Agent, or by or on behalf of the Bank, and shall survive each delivery of and payment for any of the Bank Notes.

SECTION 12. Termination.

(a) Termination of this Agreement. This Agreement (excluding any agreement hereunder by a Distribution Agent to purchase Bank Notes as principal) may be terminated for any reason, at any time by either the Bank or any of the Distribution Agents as to itself, immediately upon the giving of 30 days written notice of such termination to the other party hereto in accordance with the provisions of Section 13 hereof.

(b) Termination of an Agreement to Purchase Bank Notes as Principal. A Distribution Agent may terminate an agreement hereunder by such Distribution Agent to purchase Bank Notes as principal, immediately upon written notice to the Bank, at any time prior to the Settlement Date relating thereto (i) if there has been, since the date of such agreement or since the respective dates as of which information is given in the Offering Circular, any material adverse change in the condition, financial or otherwise, or in the earnings, business affairs or business prospects of the Bank and its subsidiaries, or of the Parent and its subsidiaries, as the case may be, considered as one enterprise, whether or not arising in the ordinary course of business, or (ii) if there shall have occurred any material adverse change in the financial markets in the United States or any outbreak or escalation of hostilities or other national or international calamity or crisis the effect of which is such as to make it, in the judgment of such Distribution Agent, impracticable to market the Bank Notes or enforce contracts for the sale of the Bank Notes, or (iii) there shall have occurred a change in international financial, political or economic conditions or currency exchange rates or exchange controls as would be likely to prejudice materially the sale by such Distribution Agent of the Bank Notes, or (iv) if trading in any securities of the Bank or the Parent shall have been suspended by the Commission or a national securities exchange, or if trading generally on either the American Stock Exchange, the New York Stock Exchange or the Chicago Board of Trade shall have been suspended, or minimum or maximum prices for trading shall have been fixed, or maximum ranges for prices for securities shall have been required, by either of said exchanges or by order of the Commission or any other governmental authority, or if a banking moratorium shall have been declared by either federal, New York State or the Commonwealth of Virginia authorities, as the case may be, or (v) if the rating assigned by any nationally recognized securities rating agency to any debt securities of the Bank or the Parent as of the date of any agreement by a Distribution Agent to purchase the Bank Notes as principal shall have been lowered since that date or if any such rating agency shall have publicly announced that it has placed under surveillance or review, other than with positive implications, its rating of any debt securities or deposits of the Bank or the Parent, or (vi) if there shall have come to such Distribution Agent's attention any facts that would cause such Distribution Agent to believe that the Offering Circular or any amendments thereto or supplements thereof, at the time it was required to be delivered to a purchaser of Bank Notes, contained an untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements therein, in light of the circumstances existing at the time of such delivery, not misleading.

(c) General.

In the event of any such termination, none of the parties will have any liability to the other parties hereto, except that (i) the Distribution Agents shall be entitled to any commissions earned in accordance with the third paragraph of Section 3(b) hereof, (ii) if at the time of termination (a) a Distribution Agent shall own any Bank Notes purchased with the intention of reselling them or (b) an offer to purchase any of the Bank Notes has been accepted by the Bank but the time of delivery to the purchaser or his agent of the Bank Note or Bank Notes relating thereto has not occurred, the covenants set forth in Sections 4 and 8 hereof shall remain in effect until such Bank Notes are so resold or delivered, as the case may be, and (iii) the provisions of Section 5 hereof, the indemnity and contribution agreements set forth in Sections 9 and 10 hereof, and the provisions of Section 11, 14 and 15 hereof shall remain in effect.

SECTION 13. Notices.

Unless otherwise provided herein, all notices required under the terms and provisions hereof shall be in writing, either delivered by hand, by mail or by telex, telecopier or telegram, and any such notice shall be effective when received at the address specified below.

If to the Bank:

Capital One Bank
8000 Jones Branch Road
McLean, Virginia 22102
Attention: Treasurer
Facsimile Number: (703) 875-1099

If to the Parent:

Capital One Financial Corporation
2980 Fairview Park Drive
Falls Church, Virginia 22042-4525
Attention: Senior Vice President, Corporate Financial Management
Facsimile Number: (703) 205-1088

If to J.P. Morgan Securities Inc.:
J.P. Morgan Securities Inc.
60 Wall Street, 5th Floor
New York, New York 10260
Attention: Transaction Execution Group
Facsimile Number: (212) 648-5151

If to any other Distribution Agent, at the address specified in Schedule 1 hereto, or at such other address as such party may designate from time to time by notice duly given in accordance with the terms of this Section 13.

SECTION 14. Parties.

This Agreement shall inure to the benefit of and be binding upon the Distribution Agents, the Bank and their respective successors. Nothing expressed or mentioned in this Agreement is intended or shall be construed to give any person, firm or corporation, other than the parties hereto and their respective successors and the controlling persons and officers and directors referred to in Sections 9 and 10 and their heirs and legal representatives, any legal or equitable right, remedy or claim under or in respect of this Agreement or any provision herein or therein contained. This Agreement and all conditions and provisions hereof and thereof are intended to be for the sole and exclusive benefit of the parties hereto and respective successors and said controlling persons and officers and directors and their heirs and legal representatives, and for the benefit of no other person, firm or corporation. No purchaser of Bank Notes shall be deemed to be a successor by reason merely of such purchase.

SECTION 15. Governing Law.

This Agreement and all the rights and obligations of the parties shall be governed by and construed in accordance with the laws of New York applicable to agreements made and to be performed in such state without regard to its conflicts of laws principles. Any suit, action or proceeding brought by the Bank or the Parent in connection with or arising under this Agreement shall be brought solely in the state or federal court of appropriate jurisdiction located in the Borough of Manhattan, The City of New York.

SECTION 16. Counterparts.

This Agreement may be executed by any one or more of the parties hereto in any number of counterparts, each of which shall be deemed to be an original, but all such counterparts shall together constitute one and the same instrument.

ABN AMRO INCORPORATED

By: /s/
Name:
Title:

ABN AMRO BANK N.V.

By: /s/
Name:
Title:

BANC OF AMERICA SECURITIES LLC

By: /s/
Name:
Title:

BANK OF AMERICA INTERNATIONAL LIMITED

By: /s/
Name:
Title:

BARCLAYS CAPITAL INC.

By: /s/
Name:
Title:

BARCLAYS BANK PLC

By: /s/
Name:
Title:

CHASE SECURITIES INC.

By: /s/
Name:
Title:

CHASE MANHATTAN INTERNATIONAL LIMITED

By: /s/
Name:
Title:

CREDIT SUISSE FIRST BOSTON CORPORATION

By: /s/
Name:
Title:

CREDIT SUISSE FIRST BOSTON (EUROPE) LIMITED

By: /s/
Name:
Title:

DEUTSCHE BANK SECURITIES INC.

By: /s/
Name:
Title:

DEUTSCHE BANK AG LONDON

By: /s/
Name:
Title:

DONALDSON, LUFKIN & JENRETTE SECURITIES CORPORATION

By: /s/
Name:
Title:

DONALDSON, LUFKIN & JENRETTE INTERNATIONAL

By: /s/
Name:
Title:

MORGAN STANLEY & CO. INCORPORATED

By: /s/
Name:
Title:

MORGAN STANLEY & CO. INTERNATIONAL LIMITED

By: /s/
Name:
Title:

SALOMON SMITH BARNEY INC.

By: /s/
Name:
Title:

SALOMON BROTHERS INTERNATIONAL LIMITED

By: /s/
Name:
Title:

SCHEDULE 1

J.P. MORGAN SECURITIES INC. 60 Wall Street New York, New York 10260	Address for notices: 60 Wall Street, 5th Floor New York, New York 10260 Attention: Transaction Execution Group Telephone: (212) 648-0234 Facsimile: (212) 648-5151
J.P. MORGAN SECURITIES LTD. 60 Victoria Embankment London EC4Y OJP	Address for notices: 60 Victoria Embankment, 4th Floor London EC4Y OJP Attention: Transaction Execution Group -- Mary Hustings Telephone: 011-44-207-325-5633 Facsimile: 011-44-207-325-8240
ABN AMRO INCORPORATED 1290 Avenue of the Americas New York, NY 10104	Address for notices: 1290 Avenue of the Americas New York, NY 10104 Attention: Marc Egert Telephone: (212) 314-1858
ABN AMRO BANK N.V. 250 Bishopsgate London EC2M 4AA United Kingdom	Address for notices: 250 Bishopsgate London EC2M 4AA United Kingdom
BANC OF AMERICA SECURITIES LLC 100 North Tryon Street, 7th Floor Charlotte, NC 28255	Address for notices: 100 North Tryon Street, 7th Floor Charlotte, NC 28255 Attention: MTN Desk Telephone: (704) 386-6616 Facsimile: (704) 388-9939
BANK OF AMERICA INTERNATIONAL LIMITED 1 Alie Street London, E18DE United Kingdom	Address for notices: 1 Alie Street London, E18DE United Kingdom Attention: New Issues/Syndicate Telephone: 011-44-207-634-4903 Facsimile: 011-44-207-634-4937
BARCLAYS CAPITAL INC. 222 Broadway New York, New York 10038	Address for notices: 222 Broadway, 7th Floor New York, New York 10038 Attention: Eric Jaeger Telephone: (212) 412-2973 Facsimile: (212) 412-5610
BARCLAYS BANK PLC 5 The North Colonnade Canary Wharf London E14 4BB	Address for notices: 5 The North Colonnade Canary Wharf London E14 4BB Attention: MTN Dealers Telephone: 011-44-207-773-9090 Facsimile: 011-44-207-773-4876 Telex: 94020039 BAR G
CHASE SECURITIES INC. 270 Park Avenue New York, NY 10017	Address for notices: 270 Park Avenue New York, NY 10017 Attention: Medium-Term Note Desk Telephone: (212) 834-1421 Facsimile: (212) 834-6081
CHASE MANHATTAN INTERNATIONAL LIMITED 125 London Wall London, EC2Y 5AJ United Kingdom	Address for notices: 125 London Wall London, EC2Y 5AJ United Kingdom Attention: New Issues Desk Telephone: 011-44-207-777-3900 Facsimile: 011-44-207-777-3144 Telex: 9406-0177 CMIL G
CREDIT SUISSE FIRST BOSTON CORPORATION 11 Madison Avenue New York, NY 10010	Address for notices: 11 Madison Avenue New York, NY 10010 Attention: Sharon Harrison Telephone: (212) 325-2501 Facsimile: (212) 325-8007
CREDIT SUISSE FIRST BOSTON (EUROPE) LIMITED One Cabot Square London E14 4QJ United Kingdom	Address for notices: One Cabot Square London E14 4QJ United Kingdom Attention: MTN Trading Desk Telephone: 011-44-207-888-4021 Facsimile: 011-44-207-888-3719
DEUTSCHE BANK SECURITIES INC. 31 West 52nd Street, 3rd Floor	Address for notices: 31 West 52nd Street, 3rd Floor

New York, NY 10019

DEUTSCHE BANK AG LONDON
Winchester House
1 Great Winchester Street
London EC2N 4DB

DONALDSON, LUFKIN & JENRETTE
SECURITIES CORPORATION
277 Park Avenue
New York, NY 10172

DONALDSON, LUFKIN & JENRETTE
INTERNATIONAL
99 Bishopsgate
London EC2M 3YF
United Kingdom

MORGAN STANLEY & CO. INCORPORATED
1585 Broadway, 2nd Floor
New York, NY 10035

MORGAN STANLEY & CO.
INTERNATIONAL LIMITED
25 Cabot Square
Canary Wharf
London E14 4QA
United Kingdom

SALOMON SMITH BARNEY INC.
7 World Trade Center
New York, New York 10048

SALOMON BROTHERS
INTERNATIONAL LIMITED
Victoria Plaza
111 Buckingham Palace Road
London SW1W 0SB

New York, NY 10019

Address for notices:
Winchester House
1 Great Winchester Street
London EC2N 2DB
Attention: MTN Desk
Telephone: 011-44-207-545-2761
Facsimile: 011-44-207-541-2761

Address for notices:
277 Park Avenue, 9th Floor
New York, NY 10172
Attention: Michael Waters
Telephone: (212) 892-3035

Address for notices:
99 Bishopsgate
London EC2M 2YF
United Kingdom
Attention: Dennis Redburn
Telephone: 011-44-207-655-7071
Facsimile: 011-44-207-655-7220

Address for notices:
1585 Broadway, 2nd Floor
New York, NY 10035
Attn: Manager-Continuously Offered
Products
Telephone: (212) 761-4000
Facsimile: (212) 761-0780
with a copy to:
Att: Peter Cooper
Investment Banking Information Center
29th Floor
Telephone: (212) 761-8385
Facsimile: (212) 761-0260

Address for notices:
25 Cabot Square
Canary Wharf
London E14 4QA
United Kingdom
Attn: Debt Capital Markets
Telephone: 011-44-207-425-7730
with a copy to:
Attn: Peter Cooper
Investment Banking Information Center
29th Floor
Telephone: (212) 761-8385
Facsimile: (212) 761-0260

Address for notices:
390 Greenwich Street, 4th Floor
New York, New York 10013
Attention: Peter Ahern
Telephone: (212) 723-6104
Facsimile: (212) 723-8670

Address for notices:
Victoria Plaza
111 Buckingham Palace Road
London SW1W 0SB
Attention: MTN Desk
Telephone: 020-0721-4228
Facsimile: 020-7721-2829

EXHIBIT A

The following terms, if applicable, shall be agreed to by the Distribution Agent and the Bank in connection with each sale of Bank Notes to the Distribution Agent (and unless otherwise defined herein, capitalized terms used herein shall have the meanings ascribed to them in the Offering Circular).

DESCRIPTION OF THE NOTES

1. Specified Currency and Principal Amount:
2. Senior or Subordinated:
3. Original Issue Date:
4. Stated Maturity Date:
5. Issue Price:
6. (a) Authorized Denomination(s):
(b) Redenomination (Yes/No):
 [If yes, give details]
7. Form of Note (Registered or Bearer):
8. (a) Series Number:
(b) If forming part of an existing Series (Yes/No):
 [If yes, give details]
9. Interest Period:
 One Month
 Three Months
 Six Months
 Twelve Months
 Other (Specify Number of Months):
10. Interest Payment Date(s):
11. Record Dates (for Registered Notes with Maturities Greater than One Year):
12. Exchange Rate Agent (Registered Notes and Dual Currency Notes):
13. Default Rate (if other than Interest Rate): % per annum
14. PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE
15. FIXED RATE NOTES
16. Interest Rate: % per annum.
17. Day Count Convention:
 30/360 for the period from _____ to _____
 Actual/360 for the period from _____ to _____
 Actual/Actual for the period from _____ to _____
 Other (specify convention and applicable period):

FLOATING RATE NOTES

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

Following Business Day Convention

Modified Following Business Day Convention

Preceding Business Day Convention

Other (specify):

ISDA RATE

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

25. Floating Rate Option:

26. Designated Maturity:

27. Reset Date:

REFERENCE RATE DETERMINATION

28. Initial Interest Rate:

29. Index Maturity:

30. Interest Rate Basis or Bases:

If CMT Rate: Designated CMT Telerate Page:

Designated CMT Maturity Index:

IF EURIBOR:

If LIBOR: LIBOR Telerate
Page:

LIBOR Reuters
Page:

31. Index Currency:

32. Spread: [+/-] % per annum

33. Spread Multiplier:

34. Initial Interest Reset Date:

35. Interest Reset Period:

36. Interest Reset Dates:

37. Interest Calculation:

Regular Floating Rate Note

Floating Rate/Fixed Rate Note
Fixed Rate Commencement Date: % per annum
Fixed Interest Rate:

Inverse Floating Rate Note: % per annum
Fixed Interest Rate:

PROVISIONS REGARDING REDEMPTION/REPAYMENT

38. Initial Redemption Date:

39. Initial Redemption Percentage:

40. Annual Redemption Percentage Reduction:

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

DISCOUNT NOTES (INCLUDING ZERO COUPON NOTES)

42. Discount Note (Yes/No):

If Yes: Total Amount of OID:

Yield to Maturity:

Initial Accrual Period: %

Issue Price:

INDEXED NOTES

43. Index: [give details]

44. Formula:

45. Agent, if any, responsible for calculating the principal and/or interest payable:

46. Provisions where calculation by reference to Index and/or Formula is impossible or impracticable:

DUAL CURRENCY NOTES

47. Dual Currency Notes (Yes/No):

If Yes: Face Amount:

Face Amount Currency:

Optional Payment Currency:

Option Election Dates: [give details]

48. Designated Exchange Rate:

49. Option Value Calculation Agent:

50. Agent, if any, responsible for calculating the principal and/or interest payable:

INSTALLMENT NOTES

51. Additional provisions relating to Installment Notes:

PARTLY PAID NOTES

52. Additional provisions relating to Partly Paid Notes:

GENERAL PROVISIONS

53. Additional or different Paying Agents:

54. Additional or different Registrars:

55. Additional or different London Issuing Agents:

56. Additional or different Transfer Agents:

57. "Business Day" definition (if other than as defined in the Offering Circular):

58. Cost, if any, to be borne by Noteholders in connection with exchanges for Definitive Bearer Notes:

59. Talons for future Coupons or Receipts to be attached to Definitive Bearer Notes (Yes/No) and dates on which such Talons mature:

[If yes, give details]

60. Additional selling restrictions: [give details]

61. CUSIP:

ISIN:

Common Code:

Other (specify):

62. Details of additional/alternative clearance system approved by the Bank:

63. Notes to the listed (Yes/No):

If Yes, stock exchange(s):

64. Syndicated Issue (Yes/No):

If Yes, names of managers and details of relevant stabilizing manager, if any:

65. Clearance System(s):

DTC only

Euroclear and Clearstream, Luxembourg only

DTC, and Euroclear and Clearstream, Luxembourg through DTC

DTC, Euroclear and Clearstream, Luxembourg

Other:

66. Name(s) of relevant Distribution Agent(s):

67. Other terms or special conditions:

68. Tax considerations:

69. Discount or Commission per Note:

EXHIBIT B

As compensation for the services of the Distribution Agents hereunder, the Bank shall pay the applicable Distribution Agent, on a discount basis, a commission for the sale of each Bank Note equal to the principal amount of the Bank Note multiplied by the appropriate percentage set forth below, as agreed upon by the applicable Distribution Agent and the Bank:

Global Bank Notes Commission Schedule

MATURITY RANGES	PERCENT OF PRINCIPAL AMOUNT
7 days to less than 9 months .....	.050%
From 9 months to less than 1 year .....	.125%
From 1 year to less than 18 months .....	.150%
From 18 months to less than 2 years .....	.200%
From 2 years to less than 3 years .....	.250%
From 3 years to less than 4 years .....	.350%
From 4 years to less than 5 years .....	.450%
From 5 years to less than 6 years .....	.500%
From 6 years to less than 7 years .....	.550%
From 7 years to less than 10 years .....	.600%
From 10 years to less than 15 years .....	.625%
Greater than and including 15 years	[to be negotiated at the time of sale]

[Date]

J.P. MORGAN SECURITIES INC.
60 Wall Street
New York, New York 10260
(OTHER DISTRIBUTION AGENTS)

Ladies and Gentlemen:

I am the General Counsel of Capital One Bank (the "Bank") and Capital One Financial Corporation (the "Parent") and, together with other attorneys under my supervision have acted as counsel to the Bank and the Parent, in connection with the execution today (i) by you and the Bank of the Distribution Agreement (the "Distribution Agreement"), (ii) by the Parent of the Representations Certificate pursuant to Section 6(c) of the Distribution Agreement (the "Representations Certificate"), and (iii) by the Bank and The Chase Manhattan Bank, The Chase Manhattan Bank, London Branch and Kredietbank S.A. Luxembourgeoise (together, the "Paying Agents") of the Global Agency Agreement (the "Global Agency Agreement"), the Interest Calculation Agreement between the Bank and The Chase Manhattan Bank dated as of June 6, 2000 (the "Interest Calculation Agreement"), the Exchange Rate Agent Agreement between the Bank and The Chase Manhattan Bank dated June 6, 2000 (the "Exchange Rate Agent Agreement") and (iv) by the Bank and The Chase Manhattan Bank and The Depository Trust Company of the Short-Term and Medium-Term Letters of Representations (the "Letters of Representations"), all of which are dated June 6, 2000, relating to the issuance and sale by the Bank of its (i) senior bank notes (the "Senior Notes") and (ii) subordinated bank notes (the "Subordinated Notes" and together with the Senior Notes, the "Bank Notes"). The Bank Notes have maturities of 30 days to 30 years or more from date of issue. This opinion letter is furnished pursuant to Section 6(a)(i) of the Distribution Agreement. Capitalized terms used herein and not otherwise defined have the meanings set forth in the Distribution Agreement.

In arriving at the opinions expressed below, we have examined and relied on the following documents:

- (a) an executed copy of the Distribution Agreement, the Representations Certificate, the Global Agency Agreement, the Exchange Rate Agent Agreement and the Interest Calculation Agreement;
- (b) the Offering Circular;
- (c) specimens of the Bank Notes; and
- (d) the documents delivered to you by the Bank and the Parent at the closing pursuant to the Distribution Agreement.

In addition, we have examined and relied on the originals or copies certified or otherwise identified to my satisfaction of all such corporate records of the Bank and the Parent and such other instruments and other certificates of public officials, officers and representatives of the Bank and the Parent and such other persons, and I have made such investigations of law, as I have deemed appropriate as a basis for the opinions expressed below. In rendering the opinions expressed below, I have assumed and have not verified that the signatures on all documents that I have examined are genuine, that all copies of documents that I have examined conform to the originals thereof, and that the Bank Notes conform to the specimen thereof that I have examined.

Based on the foregoing, it is our opinion that:

1. The Bank is a banking corporation validly existing and in good standing under the laws of the Commonwealth of Virginia. The Parent is a corporation validly existing and in good standing under the laws of the State of Delaware and is qualified to do business as a foreign corporation in the Commonwealth of Virginia. The Bank is a wholly-owned subsidiary of the Parent, which has securities registered under the Securities Exchange Act of 1934, as amended.
2. The Distribution Agreement, the Global Agency Agreement, the Interest Calculation Agreement, the Exchange Rate Agent Agreement and the Letters of Representations have been duly authorized, executed and delivered by the Bank and, assuming due authorization, execution and delivery by all parties thereto other than the Bank, are legal, valid, binding and enforceable agreements of the Bank, subject to applicable bankruptcy, liquidation, insolvency, fraudulent transfer, reorganization, moratorium, conservatorship, receivership, and similar laws of general applicability relating to, or affecting, creditors' rights and subject, as to enforceability, to general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law) and, subject, as to any indemnification or contribution obligation, to public policies which might affect such obligations.
3. The Representations Certificate has been duly authorized, executed and delivered by a duly authorized officer of the Parent and, assuming due authorization, execution and delivery of the Distribution Agreement, the Global Agency Agreement, the Interest Calculation Agreement and the Exchange Rate Agent Agreement by all parties thereto other than the Bank, is a legal, valid, binding and enforceable agreement of the Parent, subject to applicable bankruptcy, liquidation, insolvency, fraudulent transfer, reorganization, moratorium, conservatorship, receivership and similar laws

of general applicability relating to, or affecting, creditors' rights and subject, as to enforceability, to general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law) and, subject, as to any indemnification or contribution obligation, to public policies which might affect such obligations.

4. The Bank Notes have been duly authorized for issuance and sale pursuant to the Distribution Agreement and, when issued and authenticated against payment of the consideration therefor, the Bank Notes will be legal, valid, binding and enforceable obligations of the Bank, subject to applicable bankruptcy, liquidation, insolvency, fraudulent transfer, reorganization, moratorium, conservatorship, receivership, and similar laws of general applicability relating to, or affecting creditors rights and subject, as to enforceability, to general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law).
5. The execution, issuance and delivery by the Bank of the Bank Notes, the execution, delivery and performance by the Bank of the Distribution Agreement, the Global Agency Agreement, the Interest Calculation Agreement, the Exchange Rate Agency Agreement, the Letters of Representations and any agreement by an agent party to the Distribution Agreement to purchase the Bank Notes as principal, and the execution, delivery and performance by the Parent of the Representations Certificate, do not violate any law, rule, regulation, order, judgment or decree applicable to the Parent and its subsidiaries or the Bank and its subsidiaries, if any, or violate any provision of each of the Bank's or the Parent's Charter, Bylaws, or Articles of Incorporation, as the case may be, or conflict with or result in a material breach of or constitute a material default under, or result in the creation or imposition of any material lien, charge or encumbrance upon any property or assets of the Parent and its subsidiaries or the Bank and its subsidiaries, if any, pursuant to any contract, indenture, mortgage, loan agreement, note, lease or other instrument known to me to which the Parent or any of its subsidiaries or the Bank and its subsidiaries if any, or the property of any of them, is bound or subject.
6. The Bank Notes are exempt from registration under Section 3(a)(2) of the Securities Act of 1933, as amended (the "1933 Act"), and neither registration of the Bank Notes under the 1933 Act, nor qualification of an indenture under the Trust Indenture Act of 1939, as amended, will be required in connection with the offer, sale, issuance or delivery of the Bank Notes pursuant to the Distribution Agreement or any applicable agreement by an agent party to the Distribution Agreement to purchase the Bank Notes as principal.
7. The Bank is not required to register under the provisions of the Investment Company Act of 1940, as amended (the "Investment Company Act").
8. No consent, approval or authorization of or filing with any Federal or Virginia governmental body or agency is required for the performance by the Bank of its obligations under the Distribution Agreement, the Global Agency Agreement, the Interest Calculation Agreement, the Exchange Rate Agent Agreement, and any applicable agreement by an agent party to the Distribution Agreement to purchase the Bank Notes as principal or the Bank Notes, except such as may be required by the securities or Blue Sky laws of the various states in connection with the offer and sale of the Bank Notes.
9. The Bank Notes conform in all material respects to the description thereof contained in the Offering Circular under the caption "Description of Notes."
10. The Senior Notes are unsecured and unsubordinated debt obligations of the Bank, and rank pari passu among themselves and with all other unsecured and unsubordinated debt obligations of the Bank except, (A) pursuant to Section 11(d)(11) of the Federal Deposit Insurance Act, the Bank's unsecured deposit obligations and (B) pursuant to Section 6.1 - 110.9 of the Code of Virginia, the Bank's deposit obligations. The Subordinated Notes are unsecured and subordinated debt obligations of the Bank, rank pari passu among themselves, and are subordinate and junior in right of payment to the Bank's obligations to the depositors and general creditors, other than obligations which, by their express terms, rank on a parity with or junior to such Subordinated Notes. Upon issuance, the Subordinated Notes will qualify as Tier 2 capital of the Bank (within the meaning of Appendix A to 12 C.F.R. Part 208).
11. Except as may be set forth in the Offering Circular, there is no action, suit or proceeding before or by any court or governmental agency or body, domestic or foreign, now pending, or, to my knowledge, threatened against or affecting, the Parent or any of its subsidiaries or the Bank and its subsidiaries, if any, which if determined adversely to the Parent or any of its subsidiaries or the Bank and its subsidiaries, as the case may be, could reasonably be expected to result in any material adverse change in the financial condition, or in the earnings or business affairs of the Parent and its subsidiaries, taken as a whole, or the Bank and its subsidiaries, taken as a whole, or could reasonably be expected to materially and adversely affect the consummation of the Distribution Agreement, the Global Agency Agreement, the Interest Calculation Agreement, the Exchange Rate Agent Agreement or the Bank Notes or any transaction contemplated hereby or thereby.

Because the primary purpose of my role in the transaction was not to establish or confirm factual matters or financial, accounting or statistical matters and because of the wholly or partially non-legal character of many of the statements contained in the Offering Circular, we are not passing upon and do not assume any responsibility for the accuracy, completeness or fairness of the statements contained in the Offering Circular and we make no representation that we have independently verified the accuracy, completeness or fairness of such statements. Without limiting the foregoing, we assume no responsibility for, and have not independently verified, the accuracy, completeness or fairness of the financial statements and schedules and other financial and statistical

data included in the Offering Circular, and we have not examined the accounting, financial or statistical records from which such financial statements, schedules and data are derived. We note that, while certain portions of the Offering Circular (including financial statements and schedules) have been included therein on the authority of "experts" within the meaning of the 1933 Act, as amended, we are not such experts with respect to any portion of the Offering Circular, including without limitation such financial statements or schedules or the other financial or statistical data included therein.

However, in the course of our acting as counsel to the Bank in connection with its preparation of the Offering Circular and the offering of the Bank Notes, prior to the date of the Offering Circular, we participated in conferences and in telephone conversations with representatives of the Bank, Ernst & Young, accountants for the Bank, your representatives and your counsel, during which conferences and conversations the contents of the Offering Circular and related matters were discussed. In addition, we reviewed certain corporate documents furnished to us by the Bank or otherwise in my possession, including the minutes of the stockholders and the Board of Directors of the Bank, which minutes are all such minutes with respect to the Bank since the date of its incorporation.

Based on our participation in the above-mentioned conferences and conversations, our review of the documents described above, our understanding of applicable law and the experience we have gained in our practice thereunder, we advise you that no information has come to our attention that causes us to believe that the Offering Circular (other than the financial statements and schedules and other financial and statistical data included therein and the information included therein in the last paragraph of page 2 of the Offering Circular and under the caption "Certain United States Federal Income Tax Considerations" and "Plan of Distribution", as to which we express no view) as of the date thereof or hereof, contained or contains an untrue statement of a material fact or omitted or omits to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

For purposes of the opinion contained in paragraph 11 above, we have not regarded any action, suit or proceeding to be "threatened" unless the potential litigant or governmental authority has manifested to the management of the Bank or the Parent or to us a present intention to initiate such action, suit or proceeding.

We express no opinion other than as to the federal law of the United States of America, the law of the Commonwealth of Virginia and the general corporation law of the State of Delaware.

We are furnishing this opinion letter to you solely for your benefit. This opinion letter is not to be used, circulated, quoted or otherwise referred to for any other purpose, except that Brown & Wood LLP may rely upon this opinion letter to the same extent as if it were addressed to it for purposes of rendering its opinion to you on the date hereof.

Very truly yours,

[THE BANK]

OFFICERS' CERTIFICATE

We, [Officers' Names], [Officers' Titles], respectively, of Capital One Bank, a banking association duly organized and validly existing in good standing under the laws of the Commonwealth of Virginia (the "Bank"), pursuant to Section 6(b)(i) of the Distribution Agreement, dated June 6, 2000 (the "Distribution Agreement"), among each of the Bank, J.P. Morgan Securities Inc., J.P. Morgan Securities Ltd., ABN AMRO Incorporated, ABN AMRO Bank N.V., Banc of America Securities LLC, Bank of America International Limited, Barclays Capital Inc., Barclays Bank PLC, Chase Securities Inc., Chase Manhattan International Limited, Credit Suisse First Boston Corporation, Credit Suisse First Boston (Europe) Limited, Deutsche Bank Securities Inc., Deutsche Bank AG London, Donaldson, Lufkin & Jenrette Securities Corporation, Donaldson, Lufkin & Jenrette International, Morgan Stanley & Co. Incorporated, Morgan Stanley & Co. International Limited, Salomon Smith Barney Inc., and Salomon Brothers International Limited hereby certify that:

(i) Since [], there has been no material adverse change in the condition, financial or otherwise, of the Bank and its subsidiaries considered as one enterprise, or in the business affairs, earnings or business prospects of the Bank and its subsidiaries considered as one enterprise, whether or not arising in the ordinary course of business, other than as set forth or contemplated in the Offering Circular, dated June 6, 2000 (including the material incorporated by reference therein), as amended or supplemented to the date hereof, relating to the Bank Notes;

(ii) The other representations and warranties of the Bank contained in Section 2 of the Distribution Agreement are true and correct in all material respects with the same force and effect as though expressly made at and as of the date hereof; and

(iii) The Bank has performed or complied with the Distribution Agreement and with all agreements and documentation executed in connection therewith and satisfied in all material respects all conditions on its part to be performed or satisfied at or prior to the date hereof.

IN WITNESS WHEREOF, we have hereunto signed our names and affixed the seal of the Bank this __, day of [].

By: ___/s/_____
Name:
Title:

[SEAL]

By: ___/s/_____
Name:
Title:

[PARENT]

Officers' Certificate

We, [Officers' Names], [Officers' Titles], respectively, of Capital One Financial Corporation, a corporation organized under the laws of the State of Delaware (the "Parent"), pursuant to Section 6(b)(ii) of the Distribution Agreement, dated June 6, 2000, (the "Distribution Agreement"), among each of Capital One Bank (the "Bank"), J.P. Morgan Securities Inc., J.P. Morgan Securities Ltd., ABN AMRO Incorporated, ABN AMRO Bank N.V., Banc of America Securities LLC, Bank of America International Limited, Barclays Capital Inc., Barclays Bank PLC, Chase Securities Inc., Chase Manhattan International Limited, Credit Suisse First Boston Corporation, Credit Suisse First Boston (Europe) Limited, Deutsche Bank Securities Inc., Deutsche Bank AG London, Donaldson, Lufkin & Jenrette Securities Corporation, Donaldson, Lufkin & Jenrette International, Morgan Stanley & Co. Incorporated, Morgan Stanley & Co. International Limited, Salomon Smith Barney Inc., and Salomon Brothers International Limited (collectively, the "Distribution Agents") hereby certify that:

1. Since [], there has been no material adverse change in the condition, financial or otherwise, of the Bank and its subsidiaries or the Parent and its subsidiaries, as the case may be, considered as one enterprise, or in the business affairs, earnings or business prospects of the Bank and its subsidiaries, as the case may be, considered as one enterprise, whether or not arising in the ordinary course of business, other than as set forth or contemplated in the Offering Circular, dated June 6, 2000, as amended or supplemented to the date hereof, relating to the Bank Notes;

2. The representations and warranties of the Parent contained in the Representation Certificate dated June 6, 2000, furnished by the Parent to the Distribution Agents pursuant to Section 6(c) of the Distribution Agreement are true and correct in all material respects with the same force and effect as though expressly made at and as of the date hereof; and

3. The Parent has performed or complied in all material respects with the Distribution Agreement and with all agreements and documentation executed in connection therewith and satisfied in all material respects all conditions on its part to be performed or satisfied at or prior to the date hereof.

IN WITNESS WHEREOF, we have hereunto signed our names and affixed the seal of the Parent the ___th day of [].

By: ___/s/_____
Name:
Title:

[SEAL]

By: ___/s/_____
Name:
Title:

EXHIBIT F

REPRESENTATIONS CERTIFICATE OF CAPITAL ONE FINANCIAL CORPORATION

To induce J.P. Morgan Securities Inc., J.P. Morgan Securities Ltd., ABN AMRO Incorporated, ABN AMRO Bank N.V., Banc of America Securities LLC, Bank of America International Limited, Barclays Capital Inc., Barclays Bank PLC, Chase Securities Inc., Chase Manhattan International Limited, Credit Suisse First Boston Corporation, Credit Suisse First Boston (Europe) Limited, Deutsche Bank Securities Inc., Deutsche Bank AG London, Donaldson, Lufkin & Jenrette Securities Corporation, Donaldson, Lufkin & Jenrette International, Morgan Stanley & Co. Incorporated, Morgan Stanley & Co. International Limited, Salomon Smith Barney Inc., Salomon Brothers International Limited (each referred to as a "Distribution Agent" and collectively referred to as the "Distribution Agents") to enter into the Distribution Agreement of even date herewith (the "Distribution Agreement") among each of Capital One Bank (the "Bank"), and the Distribution Agents and to induce The Chase Manhattan Bank, The Chase Manhattan Bank, London Branch and Kredietbank S.A Luxembourgaise to enter into the Global Agency Agreement (the "Global Agency Agreement") between the Bank and The Chase Manhattan Bank, The Chase Manhattan Bank, London Branch and Kredietbank S.A Luxembourgaise with respect to the issue and sale by the Bank of its Bank Notes (the "Bank Notes"), the undersigned, [Officers' Names], [Officers' Titles in accordance with Section 6(c) of the Distribution Agreement] of Capital One Financial Corporation (the "Parent"), hereby represent and warrant on behalf of the Parent to each Distribution Agent and to [] as of the date hereof, as of each time that there is filed with the Securities and Exchange Commission (the "Commission") any document relating to the Parent incorporated by reference in the Offering Circular, as of the date of each acceptance by the Bank of an offer for the purchase of Bank Notes (whether by a Distribution Agent as principal or through such Distribution Agent as agent), as of each applicable Settlement Date and as of each applicable Representation Date, as follows:

- (i) Authorization to Incorporate by Reference. The Parent has authorized the Bank to incorporate by reference in the Offering Circular its annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K, and each other document filed by the Corporation pursuant to Section 13(a), 13(c), 14 or 15(d) of the Securities and Exchange Act of 1934, as amended (the "1934 Act") filed by the Parent with the Commission pursuant to the 1934 Act and the rules and regulations thereunder (and any and all amendments thereto) (the "Incorporated Documents").
- (ii) Incorporated Documents. The Incorporated Documents, at the time they were or hereafter are filed with the applicable federal regulatory authorities, complied or when so filed will comply, as the case may be, in all material respects with the requirements of the 1934 Act and the rules and regulations promulgated thereunder or the rules and regulations otherwise applicable thereto, as the case may be, and, when read together with the other information in the Offering Circular, did not and will not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were or are made, not misleading.
- (iii) Due Organization, Valid Existence and Good Standing. The Parent is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware, and is licensed, registered or qualified to conduct the business in which it is engaged in each jurisdiction in which the conduct of its business or its ownership or leasing of property requires such license, registration or qualification, except to the extent that the failure to be so licensed, registered or qualified or to be in good standing would not have a material adverse effect on the Parent and its subsidiaries taken as a whole.
- (iv) No Material Adverse Change. Since the respective dates as of which information is given in the Offering Circular, there has not been any material adverse change, or any development which could be expected to result in a material adverse change, in the condition, financial or otherwise, or in the business affairs, earnings or business prospects of the Bank and its subsidiaries, considered as one enterprise, or the Parent and its subsidiaries, considered as one enterprise, whether or not arising in the ordinary course of business, other than as set forth or contemplated in the Offering Circular.

In addition, to induce the Distribution Agents to enter into the Distribution Agreement, the Parent agrees to indemnify and hold harmless each Distribution Agent and each person, if any, who controls each Distribution Agent within the meaning of Section 15 of the Securities Act of 1933, as amended (the "1933 Act") or Section 20 of the 1934 Act (each, a "Controlling Person") to the same extent and upon the same terms that the Bank agree to indemnify and hold harmless each Distribution Agent and each such Controlling Person in Section 9(a) of the Distribution Agreement and each such person and to contribute to the payment of any losses, liabilities, claims, damages or expenses incurred by each Distribution Agent or each such Controlling Person to the same extent and upon the same terms that the Bank agrees to contribute in Section 10 of the Distribution Agreement.

All representations and warranties contained in this certificate shall remain operative and in full force and effect, regardless of any investigation

made by or on behalf of the Distribution Agents or any Controlling Person of the Distribution Agents, or by or on behalf of the Parent and shall survive each delivery of and payment for any of the Bank Notes.

All terms used herein but not otherwise defined shall have the meanings assigned to such terms in the Distribution Agreement.

IN WITNESS WHEREOF, I have hereunto signed my name on behalf of the
Parent this __th day of June 6, 2000.

CAPITAL ONE FINANCIAL
CORPORATION

By:

Name:

Title:

SELLING RESTRICTIONS

Each Distribution Agent and the Bank will, in connection with the offering of the Bank Notes on behalf of the Bank, comply with the restrictions on the offering of Bank Notes and distribution of documents relating thereto set forth below and/or such other restrictions agreed to by the Bank and such Distribution Agent. Capitalized terms used below but not defined herein have the meanings ascribed to them in the Offering Circular.

Sales Restrictions

General

No action has been taken by the Bank or any of the Distribution Agents which would permit a public offering of its (i) senior unsecured debt obligations not insured by the Federal Deposit Insurance Corporation (the "FDIC") (the "Senior Notes") and (ii) subordinated unsecured debt obligations not insured by the FDIC (the "Subordinated Notes") and together with the Senior Notes, the "Bank Notes") or distribution of the Offering Circular in any jurisdiction, other than the United States, where action for that purpose is required. Accordingly, the Bank Notes may not be offered or sold, directly or indirectly, and neither the Offering Circular nor any advertisement or other offering material may be distributed or published in any jurisdiction, except in circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession the Offering Circular or any Bank Notes come must inform themselves about, and observe, any such restrictions. Neither the Bank nor any of the Distribution Agents represents that the Offering Circular may be lawfully distributed, or that the Bank Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption therefrom, or assumes any responsibility for facilitating any such distribution or offering. In particular, there are further restrictions on the distribution of the Offering Circular and the offer or sale of the Bank Notes in the United Kingdom, Japan, Germany and Switzerland. See the Offering Circular section entitled "Plan of Distribution -- Sales Restrictions".

With regard to each Bank Note, the relevant purchaser will be required to comply with such restrictions as the Bank and the relevant purchaser shall agree and as shall be set out in the applicable Pricing Supplement.

United States Law

The Bank Notes have not been, and are not required to be, registered with the Commission under the 1933 Act. The Bank Notes are exempt from registration with the Commission pursuant to an exemption contained in Section 3(a)(2) of the 1933 Act.

Bearer Notes are subject to United States tax law requirements and may not be offered, sold, resold or delivered, directly or indirectly within the United States or its possessions or to a U.S. person, except in certain transactions permitted by United States tax regulations. Any underwriters, distribution agents and dealers participating in the offering of Bearer Notes, directly or indirectly, will be required to agree that they will not, in connection with the original issuance of any Bearer Notes or during the restricted period offer, sell, resell or deliver, directly or indirectly, any Bearer Notes in the United States or its possessions or to United States persons (other than as permitted by the applicable United States tax regulations). In addition, any such underwriters, agents and dealers will be required to have procedures reasonably designed to ensure that their employees or agents who are directly engaged in selling Bearer Notes are aware of the above restrictions on the offering, sale, resale or delivery of Bearer Notes. Terms used in this paragraph have the meaning given to them by the Code.

United Kingdom

Each Distribution Agent agrees, and each other distribution agent will be required to agree, that:

(i) in relation to Bank Notes which have a maturity of one year or more, it has not offered or sold and, prior to the expiry of the period of six months from the issue date of such Bank Notes (or in respect of Bank Notes which are to be listed on the London Stock Exchange, prior to admission of such Bank Notes to listing in accordance with Part IV of the Financial Services Act 1986 (the "FSA")), will not offer or sell any such Bank Notes to persons in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the U.K. Public Offers of Securities Regulations 1995 as amended and/or, as applicable, the FSA;

(ii) it has only issued or passed on and will only issue or pass on in the United Kingdom any document received by it in connection with the issue of any Bank Notes, other than in relation to Bank Notes to be listed on the London Stock Exchange, any document which consists of or any part of listing particulars, supplementary listing particulars or any other document required or permitted to be published by the listing rules under Part IV of the FSA, to a person who is of a kind described in Article 11(3) of the Financial Services Act 1986

(Investment Advertisements) (Exemptions) Order 1996 as amended or is a person to whom such document may otherwise lawfully be issued or passed on; and

(iii) it has complied and will comply with all applicable provisions of the FSA with respect to anything done by it in relation to any Bank Notes in, from or otherwise involving the United Kingdom.

Japan

The Bank Notes have not been, and will not be, registered under the Securities and Exchange Law of Japan. Accordingly, each Distribution Agent represents and agrees, and each other distribution agent or dealer will be required to represent and agree, that it will not offer or sell any Bank Notes directly or indirectly in Japan or to residents of Japan or for the benefit of any Japanese person (which term as used herein means any person resident in Japan including any corporation or other entity organized under the laws of Japan) or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan or to any Japanese person except in compliance with any applicable laws and regulations of Japan taken as a whole. Each Distribution Agent agrees to provide any necessary information on Bank Notes denominated or payable in Yen to the Bank (which shall not include the names of clients) so that the Bank may make any required reports to the Ministry of Finance through its designated agent.

In connection with an issuance of Bank Notes denominated or payable in Yen, the Bank will be required to comply with all applicable laws, regulations and guidelines, as amended from time to time, of the Japanese government and regulatory authorities.

Switzerland

Each Distribution Agent agrees, and each other distribution agent will be required to agree, that the issue of any Bank Notes denominated in Swiss Francs or carrying a Swiss Franc-related element will be effected in compliance with the relevant regulations of the Swiss National Bank, which currently require that such issues have a maturity of more than one year, to be effected through a bank domiciled in Switzerland or Liechtenstein that is regulated under the Federal Law on Banks and Savings Banks of 1934 (as amended) (which includes a branch or subsidiary located in Switzerland of a foreign bank) or through a securities dealer which has been licensed as a securities dealer under the Swiss Federal Law on Stock Exchanges and Securities Trading of 1995 (except for issues of Bank Notes denominated in Swiss Francs on a syndicated basis, where only the lead manager need be a bank domiciled in Switzerland or Liechtenstein). The relevant Distribution Agent must report certain details of the relevant transaction to the Swiss National Bank no later than the relevant issue date.

In addition, in connection with issuances of Bearer Notes:

- (1) except to the extent permitted under United States Treasury Regulations 1.163-5(c)(2)(i)(D) (the "D Rules"), (a) each Distribution Agent agrees that it has not offered or sold, and during the restricted period under Regulation S under the 1933 Act or other applicable restricted period (the "Restricted Period") will not offer or sell, Bearer Notes to a person who is within the United States or its possessions or to a United States person, and (b) it has not delivered and will not deliver within the United States or its possessions definitive Bearer Notes that are sold during the restricted period;
- (2) each Distribution Agent represents and agrees that it has and throughout the Restricted Period will have in effect procedures reasonably designed to ensure that its employees or Distribution Agents who are directly engaged in selling Bearer Notes are aware that Bearer Notes may not be offered or sold during the Restricted Period to a person who is within the United States or its possessions or to a United States person, except as permitted by the D Rules;
- (3) if it is a United States person, each such Distribution Agent represents that it is acquiring the Bearer Notes for purposes of resale in connection with their original issuance and if it retains Bearer Notes for its own account, it will only do so in accordance with the requirements of Section 1.163-5(c)(2)(i)(D)(6) of the D Rules; and
- (4) With respect to each affiliate that acquires from it Bearer Notes for the purpose of offering or selling Bearer Notes during the Restricted Period, each such Distribution Agent either (a) repeats and confirms the representations and agreements contained in clauses (1), (2) and (3) above on its behalf, or (b) agrees that it will obtain from such affiliate for the Bank's benefit the representations and agreements contained in clauses (1), (2) and (3) above.

Terms used in the foregoing paragraph have the meanings given to them by the Code and regulations thereunder, including the D Rules.

FORM OF SYNDICATED TERMS AGREEMENT

[Date]

To: The Agents Listed on Annex 1 Hereto

c/o _____
(the "Lead Agent")Re: Capital One Bank (the "Issuer")
US\$5,000,000,000 Global Bank Note Program

Ladies and Gentlemen:

The Issuer proposes to issue and sell the _____% Global Bank Notes due _____ (the "Notes") to J.P. Morgan Securities Inc. and the agents listed on Annex 1 hereto (collectively, the "Agents"). The Agents agree to purchase on a syndicated basis the Notes as described in the pricing supplement attached as Annex 2 hereto (the "Pricing Supplement"), on the terms set out in such Pricing Supplement and on the terms set out below. The sale of the Notes will be subject to the terms and conditions stated herein and in the Distribution Agreement, dated June 6, 2000 (the "Distribution Agreement"), among the Issuer and the Distribution Agents named therein. Unless otherwise defined herein, all terms used herein have the meanings given to them in the Distribution Agreement. Each of the provisions of the Distribution Agreement is incorporated herein by reference in its entirety, and shall be deemed to be part of this Agreement to the same extent as if such provisions had been set forth in full herein.

1. Subject to the terms and conditions of the Distribution Agreement and this Agreement, the Issuer hereby agrees to issue the Notes, and the Agents severally agree to purchase the Notes (in the proportions set out next to each Agent's name in Annex I hereto) at the purchase price of _____ per Note (being equal to the issue price of ___% of the principal amount less a combined underwriting commission of ___% of the principal amount);
2. The purchase price specified above will be paid by the Lead Agent on behalf of the Agents by wire transfer in immediately available funds to the Issuer at _____ (___ time) on _____, __, or such other time and/or date as the Issuer and the Lead Agent on behalf of the Agents may agree (the "Settlement Time") against delivery of the Notes to or upon your order in the manner contemplated in the Distribution Agreement, the Global Agency Agreement or otherwise.
3. The Agents' obligations hereunder are conditional on the receipt of: (i) opinions of counsel described in Section 6(a) of the Distribution Agreement, dated as of the Settlement Time, (ii) a "comfort letter" described in Section 6(d) of the Distribution Agreement, dated as of the Settlement Time, (iii) the officer's certificates described in Section 6(b) of the Distribution Agreement, dated as of the Settlement Time; and (iv) such other opinions, certificates and documents as may be agreed by the Issuer and the Agents on or prior to the date of this Agreement.
4. If one or more of the Agents shall fail at the Settlement Time to purchase the Bank Notes which it or they are obligated to purchase under this Agreement (the "Defaulted Bank Notes"), the Lead Agent shall have the right, within 36 hours thereafter, to make arrangements for one or more of the non-defaulting Agents, or any other agents, to purchase all, but not less than all, of the Defaulted Bank Notes in such amounts as may be agreed upon and upon the terms herein set forth; if, however, the Lead Agent shall not have completed such arrangements within such 36-hour period, then:

(a) if the principal amount of Defaulted Bank Notes does not exceed 10% of the principal amount of Notes to be purchased on such date, each of the non-defaulting Agents shall be obligated, severally and not jointly, to purchase the full amount thereof in the proportions that their respective underwriting obligations hereunder bear to the underwriting obligations of all non-defaulting Agents, or

(b) if the principal amount of Defaulted Bank Notes exceeds 10% of the principal amount of Notes to be purchased on such date, this Agreement shall terminate without liability on the part of any non-defaulting Agent.

No action taken pursuant to this section shall relieve any defaulting Agent from liability in respect of its default.

In the event of any such default which does not result in a termination of this Agreement either the Lead Agent or the Issuer shall have the right to postpone the Settlement Time for a period not exceeding seven days in order to effect any required changes in any documents or arrangements. As used herein, the term "Agent" includes any person substituted for an Agent under this Section 4.

Very truly yours,

CAPITAL ONE BANK

By: /s/
Name:
Title:

J.P. MORGAN SECURITIES INC.

By:
Name:
Title:

By and on behalf of the Agents listed on Annex I hereto.

ANNEX I

Schedule of Agents

Agent	Principal Amount of Notes
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ANNEX 2

The following terms, if applicable, shall be agreed to by the Agent and the Issuer in connection with each sale of Notes to the Agent (and unless otherwise defined herein, capitalized terms used herein shall have the meanings ascribed to them in the Offering Circular).

DESCRIPTION OF THE NOTES

1. Specified Currency and Principal Amount:
2. Senior or Subordinated:
3. Original Issue Date:
4. Stated Maturity Date:
5. Issue Price:
6. (a) Authorized Denomination(s):
(b) Redenomination (Yes/No):
[If yes, give details]
7. Form of Note (Registered or Bearer):
8. (a) Series Number:
(b) If forming part of an existing Series (Yes/No):
[If yes, give details]
9. Interest Period:
One Month
Three Months
Six Months
Twelve Months
Other (Specify Number of Months):
10. Interest Payment Date(s):
11. Record Dates (for Registered Notes with Maturities Greater than One Year):
12. Exchange Rate Agent (Registered Notes and Dual Currency Notes):
13. Default Rate (if other than Interest Rate): % per annum
14. PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE
15. FIXED RATE NOTES
16. Interest Rate: % per annum.
17. Day Count Convention:
30/360 for the period from _____ to _____
Actual/360 for the period from _____ to _____
Actual/Actual for the period from _____ to _____
Other (specify convention and applicable period):

FLOATING RATE NOTES

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

Following Business Day Convention

Modified Following Business Day Convention

Preceding Business Day Convention

Other (specify):

ISDA RATE

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

25. Floating Rate Option:

26. Designated Maturity:

27. Reset Date:

REFERENCE RATE DETERMINATION

28. Initial Interest Rate:

29. Index Maturity:

30. Interest Rate Basis or Bases:

If CMT Rate: Designated CMT Telerate Page:

Designated CMT Maturity Index:

IF EURIBOR:

If LIBOR: LIBOR Telerate
Page:

LIBOR Reuters
Page:

31. Index Currency:

32. Spread: [+/-] % per annum

33. Spread Multiplier:

34. Initial Interest Reset Date:

35. Interest Reset Period:

36. Interest Reset Dates:

37. Interest Calculation:

Regular Floating Rate Note

Floating Rate/Fixed Rate Note

Fixed Rate Commencement Date: % per annum

Fixed Interest Rate:

Inverse Floating Rate Note:

% per annum

Fixed Interest Rate:

PROVISIONS REGARDING REDEMPTION/REPAYMENT

38. Initial Redemption Date:

39. Initial Redemption Percentage:

40. Annual Redemption Percentage Reduction:

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

DISCOUNT NOTES (INCLUDING ZERO COUPON NOTES)

42. Discount Note (Yes/No):

If Yes: Total Amount of OID:

Yield to Maturity:

Initial Accrual Period: %

Issue Price:

INDEXED NOTES

43. Index: [give details]

44. Formula:

45. Agent, if any, responsible for calculating the principal and/or interest payable:

46. Provisions where calculation by reference to Index and/or Formula is impossible or impracticable:

DUAL CURRENCY NOTES

47. Dual Currency Notes (Yes/No):

If Yes: Face Amount:

Face Amount Currency:

Optional Payment Currency:

Option Election Dates: [give details]

48. Designated Exchange Rate:

49. Option Value Calculation Agent:

50. Agent, if any, responsible for calculating the principal and/or interest payable:

INSTALLMENT NOTES

51. Additional provisions relating to Installment Notes:

PARTLY PAID NOTES

52. Additional provisions relating to Partly Paid Notes:

GENERAL PROVISIONS

53. Additional or different Paying Agents:

54. Additional or different Registrars:

55. Additional or different London Issuing Agents:

56. Additional or different Transfer Agents:

57. "Business Day" definition (if other than as defined in the Offering Circular):

58. Cost, if any, to be borne by Noteholders in connection with exchanges for Definitive Bearer Notes:

59. Talons for future Coupons or Receipts to be attached to Definitive Bearer Notes (Yes/No) and dates on which such Talons mature:

[If yes, give details]

60. Additional selling restrictions: [give details]

61. CUSIP:

ISIN:

Common Code:

Other (specify):

62. Details of additional/alternative clearance system approved by the Bank:

63. Notes to the listed (Yes/No):

If Yes, stock exchange(s):

64. Syndicated Issue (Yes/No):

If Yes, names of managers and details of relevant stabilizing manager, if any:

65. Clearance System(s):

DTC only

Euroclear and Clearstream, Luxembourg only

DTC, and Euroclear and Clearstream, Luxembourg through DTC

DTC, Euroclear and Clearstream, Luxembourg

Other:

66. Other terms or special conditions:

67. Tax considerations:

Discount or Commission per Note:

ADMINISTRATIVE PROCEDURES MEMORANDUM

(Dated as of June 6, 2000)

FOR

CAPITAL ONE BANK
Global Bank Notes Due From
30 Days to 30 Years or More from Date of Issue

Senior unsecured debt obligations (the "Senior Notes") and subordinated unsecured obligations (the "Subordinated Notes" and, together with the Senior Notes, the "Bank Notes") which from time to time may be offered on a continuing basis for sale by Capital One Bank (the "Bank") through each of J.P. Morgan Securities Inc. and each of the distribution agents listed on Schedule I to the Distribution Agreement to which these Administrative Procedures are an exhibit (the "Distribution Agreement") (each, a "Distribution Agent" and collectively, the "Distribution Agents") who may purchase the Bank Notes, as principal from the Bank for resale to investors and other purchasers in accordance with the Distribution Agreement. In addition, if agreed to by the Bank and the applicable Distribution Agent, such Distribution Agent may utilize its reasonable efforts on an agency basis to solicit offers to purchase the Bank Notes. Only those provisions in these Administrative Procedures that are applicable to the particular role that a Distribution Agent will perform shall apply. Whenever these Administrative Procedures indicate that information may be set forth in a Bank Note, such information may be set forth in a Pricing Supplement to the Offering Circular (as defined below).

The Chase Manhattan Bank (or such other agent appointed in accordance with the Global Agency Agreement (as defined below)) will act as the registrar (the "Registrar") and domestic paying agent (the "Domestic Paying Agent") for the Bank Notes through its office at 450 West 33rd Street New York, New York 10001-2697. The Chase Manhattan Bank, London Branch, acting through its London office (or such other agent appointed in accordance with the Global Agency Agreement), will act as London paying agent (the "London Paying Agent") and London issuing agent (the "London Issuing Agent"). As used herein, the term "Offering Circular" refers to the most recent offering circular, as such document may be amended or supplemented, which has been prepared by the Bank for use by the Distribution Agents in connection with the offering of the Bank Notes.

Capitalized terms used herein that are not otherwise defined shall have the meanings ascribed thereto in the Bank Notes or the Offering Circular.

DTC REGISTERED GLOBAL NOTES

Bank Notes may be issued in book-entry form (each beneficial interest in a global Note, a "Book-Entry Note" and collectively, the "Book-Entry Notes") and represented by one or more fully registered global Bank Notes (each, a "Global Note" and collectively, the "Global Bank Notes") held by or on behalf of The Depository Trust Company, as depository ("DTC", which term includes any successor thereof), and recorded in the book-entry system maintained by DTC. Book-Entry Notes represented by a Global Note are exchangeable for definitive Bank Notes in registered form, of like tenor and of an equal aggregate principal amount, by the owners of such Book-Entry Notes only upon certain limited circumstances described in the Offering Circular.

In connection with the qualification of Book-Entry Notes for eligibility in the book-entry system maintained by DTC, The Chase Manhattan Bank or its agents will perform the custodial, document control and administrative functions described below, in accordance with its respective obligations under the applicable Letters of Representations from The Chase Manhattan Bank to DTC relating to the Program, and a Certificate of Deposit Agreement between The Chase Manhattan Bank and DTC (the "Certificate Agreement"), and its obligations as a participant in DTC, including DTC's Same-Day Funds Settlement System ("SDFS").

Settlement Procedures for
Book-Entry

Notes: Settlement Procedures with regard to Book-Entry Notes purchased by each Distribution Agent as principal or sold by each Distribution Agent, as agent of the Bank, will be as follows (which will have been agreed to by the Bank and such Distribution Agent in accordance with the Distribution Agreement):

- (A) The Distribution Agent will advise the Bank by telephone, confirmed by facsimile to the Bank and the Registrar, of the following settlement information:
1. Taxpayer identification number of the purchaser.
 2. Principal amount of such Book-Entry Notes.
 3. Whether the Bank Note is a Senior Note or a Subordinated Note.
 4. Each term specified in the applicable Pricing Supplement.
 5. Price to public, if any, of such Book-Entry Bank Notes (if such Book-Entry Notes are not being offered "at the market").
 6. Trade Date.
 7. Settlement Date (Original Issue Date).
 8. Maturity Date.
 9. Redemption provisions, if any, including: Initial Redemption Date, Initial Redemption Percentage and Annual Redemption Percentage Reduction.
 10. Repayment provisions, if any, including Holder's Optional Repayment Date(s).
 11. Net proceeds to the Bank.
 12. Whether such Book-Entry Notes are being sold to the Distribution Agent as principal or to an investor or other purchaser through the Distribution Agent acting as agent for the Bank.
 13. The Distribution Agent's commission or discount, as applicable.
 14. Whether such Book-Entry Notes are being issued with Original Issue Discount and the terms thereof.
 15. Default Rate.
 16. Identification numbers of participant accounts maintained by DTC on behalf of the Distribution Agent.
 17. Whether additional documentation will be required for Bank Notes being sold to

the Distribution Agent as principal.

18. Such other information specified with respect to such Book-Entry Notes (whether by Addendum or otherwise).

- (B) The Registrar will assign a CUSIP number of the appropriate series to the Global Note representing such Book-Entry Notes and, as soon thereafter as practicable, the Registrar will notify the Distribution Agent by telephone of such CUSIP number.
- (C) The Registrar will communicate to DTC and the Distribution Agent through DTC's Participant Terminal System, a pending deposit message specifying the following settlement information:
 - 1. The information set forth in Settlement Procedure A.
 - 2. The identification numbers of the participant accounts maintained by DTC on behalf of the Registrar and the Distribution Agent.
 - 3. Identification of the Book-Entry Note as a Fixed Rate Book-Entry Note or Floating Rate Book-Entry Note.
 - 4. The initial Interest Payment Date for the Global Note representing such Book-Entry Notes, the number of days by which such date succeeds the related Record Date and, if then calculable, the amount of interest payable on such Interest Payment Date (which amount shall have been confirmed by the Bank).
 - 5. The CUSIP number of the Global Note representing such Book-Entry Notes.
 - 6. Whether such Global Note represents any other Bank Notes issued or to be issued in book-entry form.
- (D) The Registrar will complete and deliver to DTC (or its custodian) the Global Note representing such Book-Entry Notes in a form that has been approved by the Bank and the relevant Distribution Agents.
- (E) DTC will credit the Book-Entry Notes represented by such Global Note to the participant account of the Registrar maintained by DTC.
- (F) The Registrar will enter an SDFS deliver order through DTC's Participant Terminal System instructing DTC (i) to debit such Book-Entry Notes to the Registrar's participant account and credit such Book-Entry Notes to the participant account of the Distribution Agent maintained by DTC and (ii) to debit the settlement account of the Distribution Agent and credit the Settlement account of the Registrar maintained by DTC in an amount equal to the price of such Book-Entry Notes less such Distribution Agent's commission or discount. Any entry of such deliver order shall be deemed to constitute a representation and warranty by the Registrar to DTC that (i) the Global Note representing such Book-Entry Notes has been issued and authenticated and (ii) the Registrar is holding such Global Note pursuant to the Certificate Agreement.
- (G) In the case of Book-Entry Notes sold through a Distribution Agent acting as agent, the Distribution Agent will enter an SDFS deliver order through DTC's Participant Terminal System instructing DTC (i) to debit such Book-Entry Notes to the Distribution Agent's participant account and credit such Book-Entry Notes to the participant accounts of the Participants

maintained by DTC and (ii) to debit the settlement accounts of such Participants and credit the settlement account of the Distribution Agent maintained by DTC, in an amount equal to the offering price of such Book-Entry Notes.

- (H) Transfers of funds in accordance with SDFS deliver orders described in Settlement Procedures F and G will be settled in accordance with SDFS operating procedures in effect on the Settlement Date.
- (I) In the case of Book-Entry Notes sold through a Distribution Agent acting as agent, the Distribution Agent will confirm the purchase of such Book-Entry Notes to the purchaser either by transmitting to the Participant with respect to such Book-Entry Notes a confirmation order through DTC's Participant Terminal System or by mailing a written confirmation to such purchaser.

Settlement Procedures
Timetable:

For offers to purchase Book-Entry Notes accepted by the Bank, Settlement Procedures "A" through "I" set forth above shall be completed as soon as possible but no later than the respective times (New York City time) set forth below:

Settlement
Procedure Time

A	11:00 a.m. on the Trade Date
B	12:00 noon on the Trade Date
C	5:00 p.m. on the Trade Date
D	9:00 a.m. on the Settlement Date
E	10:00 a.m. on the Settlement Date
F-G	2:00 p.m. on the Settlement Date
H	4:00 p.m. on the Settlement Date
I	5:00 p.m. on the Settlement Date

If a sale is to be settled on the same Business Day as the Trade Date, Settlement Procedures C, F, and G shall be completed no later than 2:30 p.m. on such Business Day, and Settlement Procedure D shall be completed no later than 10:00 a.m. on such Business Day.

If a sale is to be settled more than one Business Day after the trade date, Settlement Procedures A, B and C may, if necessary, be completed at any time prior to the specified times on the first Business Day after such trade date. In connection with a sale which is to be settled more than one Business Day after the trade date, if the initial interest rate for a Floating Rate Note is not known at the time that Settlement Procedure A is completed, Settlement Procedures B and C shall be completed as soon as such rate has been determined, but no later than 11:00 a.m. and 2:00 p.m., New York City time, respectively, on the second Business Day before the Settlement Date.

Settlement Procedure H is subject to extension in accordance with any extension of Fedwire closing deadlines and in the other events specified in the SDFS operating procedures in effect on the Settlement Date.

If settlement of a Book-Entry Note is rescheduled or canceled, the Registrar will deliver to DTC, through DTC's Participant Terminal System, a cancellation message to such effect by no later than 5:00 p.m., New York City time, on the Business Day immediately preceding the scheduled Settlement Date.

Failure to Settle:

If the Registrar fails to enter an SDFS deliver order with respect to a Book-Entry Note pursuant to Settlement Procedure F, then the Registrar may deliver to DTC, through DTC's Participant Terminal System, as soon as practicable a withdrawal message instructing DTC to debit such Book-Entry Note to the participant account of the Registrar maintained at DTC. DTC will process the withdrawal message;

provided that such participant account contains a principal amount of the Global Note representing such Book-Entry Note that is at least equal to the principal amount to be debited. If withdrawal messages are processed with respect to all Book-Entry Notes represented by a Global Note, the Registrar will mark such Global Note "canceled" and make appropriate entries in its records. The CUSIP number assigned to such Global Note shall, in accordance with CUSIP Service Bureau procedures, be canceled and not immediately reassigned. If withdrawal messages are processed with respect to some of the Book-Entry Notes represented by a Global Note, the Registrar will exchange such Global Note for two Global Bank Notes, one of which shall represent the Book-Entry Notes for which such withdrawal messages are processed and shall be canceled immediately after issuance, and the other of which shall represent the other Book-Entry Notes previously represented by the surrendered Global Note and shall bear the CUSIP number of the surrendered Global Note.

In the case of any Book-Entry Note sold through a Distribution Agent, acting as agent, if the purchase price for any Book-Entry Note is not timely paid to the Participants with respect to such Book-Entry Note by the beneficial purchaser thereof (or a person, including an indirect participant in DTC, acting on behalf of such purchaser), such Participants and, in turn, the applicable Distribution Agent may enter SDFS deliver orders through DTC's Participant Terminal System reversing the orders entered pursuant to Settlement Procedures F and G, respectively. Thereafter, the Registrar will deliver the withdrawal message and take the related actions described in the preceding paragraph.

Notwithstanding the foregoing, upon any failure to settle with respect to a Book-Entry Note, DTC may take any actions in accordance with its SDFS operating procedures then in effect. In the event of a failure to settle with respect to a Book-Entry Note that was to have been represented by a Global Note also representing other Book-Entry Notes, the Registrar will provide, in accordance with Settlement Procedure D, for the issuance of a Global Note representing such remaining Book-Entry Notes and will make appropriate entries in its records.

BEARER NOTES

In certain circumstances Bearer Notes may be issued. Settlement Procedures with regard to Bearer Notes purchased by each Distribution Agent as principal or sold by each Distribution Agent as agent of the Bank, will be as follows:

Day	Latest London Time	Action
No later than Original Issue Date minus 5 Business Days	2:00 p.m.	The Bank may agree with one or more of the Distribution Agents for the issue and purchase of Bearer Notes (whether pursuant to an unsolicited bid from a Distribution Agent or pursuant to an inquiry by the Bank). The Distribution Agent instructs the London Issuing Agent to obtain a Common Code and ISIN from Euroclear or Clearstream, Luxembourg. In the case of the first Tranche of Bank Notes of a Series, the London Issuing Agent telephones Euroclear or Clearstream, Luxembourg with a request for a Common Code and ISIN for such Series and in the case of a subsequent Tranche of Bank Notes of that Series the London Issuing Agent telephones Euroclear or Clearstream, Luxembourg with a request for a temporary Common Code and ISIN for such Tranche. Each Common Code and ISIN is notified by the London Issuing Agent to each Distribution Agent which has reached agreement with the Bank.
	3:00p.m.	If a Distribution Agent has reached agreement with the Bank by telephone, such Distribution Agent confirms the terms of the agreement to the Bank by fax attaching a copy of the Pricing Supplement. The Distribution Agent sends a copy of that fax to the London Issuing Agent and the Registrar for information.
	5:00 p.m.	The Bank confirms its agreement to the terms on which the issue of Bearer Notes is to be made (including the form of the Pricing Supplement) by signing and returning a copy of the Pricing Supplement to the relevant Distribution Agent. The Bank also confirms its instructions to the London Issuing Agent (including, in the case of Floating Rate Bank Notes, the rate fixed by the Calculation Agent) to carry out the duties to be carried out by the London Issuing Agent under these Settlement Procedures and the Global Agency Agreement including preparing, authenticating and issuing a Temporary Global Note for the Tranche of Bank Notes which is to be purchased and in the case of the first Tranche of a Series, where the Pricing Supplement for such Tranche does not specify that such Temporary Global Note is to be exchangeable only for Bearer Notes in definitive form, a Permanent Global Note for such Series, giving details of such Bearer Notes.
		The Bank confirms such instructions by sending a copy by Fax of the signed Pricing Supplement to the London Issuing Agent.
No later than Original Issue Date minus 4 Business Days	2:00 p.m.	In the case of Bearer Notes which are to be listed on a Stock Exchange, the London Issuing Agent notifies the

relevant Listing Agent who in turn notifies the relevant Stock Exchange by fax or by hand of the details of the Bank Notes to be issued by sending the Pricing Supplement to the relevant Stock Exchange.

Original Issue Date
minus 2 Business Days
Business Days

3:00 p.m. In the case of Bearer Notes cleared through Euroclear and/or Clearstream, Luxembourg, the relevant Distribution Agent instructs the relevant clearing system to debit its account and pay the purchase price, against delivery of the Bearer Notes, to the London Issuing Agent's account with the relevant clearing system on the Original Issue Date and the London Issuing Agent receives details of such instructions through the records of the relevant clearing system.

Original Issue Date
minus 1 Business Day

3:00 p.m. In the case of Floating Rate Bank Notes, the Calculation Agent notifies the relevant clearing system, the Bank, any relevant Stock Exchange (or the relevant Listing Agent, which in turn shall notify the relevant Stock Exchange) and the relevant Distribution Agent by telex or fax of the rate of interest for the first Interest Period (if already determined). Where the rate of interest has not yet been determined, notification will be made in accordance with this paragraph as soon as it has been determined.

Original Issue Date
minus 1 Business Day
(in the case of pre-closed
issues) or Original Issue
Date (in any other case)
(the "Payment Instruction Date")

agreed
time

The London Issuing Agent prepares and authenticates a Temporary Global Note for each Tranche of Bank Notes which is to be purchased and, where required as specified above, a Permanent Global Note in respect of the relevant Series. The Temporary Global Note and any such Permanent Global Note are then delivered by the London Issuing Agent to a common depository for Euroclear and Clearstream, Luxembourg and instructions are given by the London Issuing Agent to Euroclear or, as the case may be, Clearstream, Luxembourg to credit the Bearer Notes represented by such Temporary Global Note to the London Issuing Agent's distribution account.

In the case of Bearer Notes cleared through Euroclear and/or Clearstream, Luxembourg, the London Issuing Agent further instructs Euroclear or, as the case may be, Clearstream, Luxembourg to debit from the distribution account the nominal amount of the relevant Tranche of Bank Notes and to credit such nominal amount to the account of such Distribution Agent with Euroclear or Clearstream, Luxembourg against payment to the account of the London Issuing Agent of the purchase price for the relevant Tranche of Bank Notes on the Original Issue Date. The relevant Distribution Agent gives corresponding instructions to Euroclear or Clearstream, Luxembourg. The parties (which for this purpose shall include the London Issuing Agent) may agree to arrange for "free delivery" to be made through the relevant clearing system if specified in the applicable Pricing Supplement.

Original Issue Date

The relevant clearing

system debits and credits accounts in accordance with instructions received by it.

The London Issuing Agent pays to the Bank on the Original Issue Date the aggregate purchase price received by it to such account of the Bank as shall have been notified to the London Issuing Agent for the purpose.

On or subsequent to the Original Issue Date

The London Issuing Agent notifies the Bank forthwith in the event that a Distribution Agent does not pay the purchase price due from it in respect of a Bank Note.

The London Issuing Agent notifies the Bank of the issue of Bearer Notes giving details of the Global Note(s) and the nominal sum represented thereby.

The relevant Distribution Agent promptly notifies the London Issuing Agent that the distribution of the Bearer Notes purchased or placed by it has been completed. If applicable, the London Issuing Agent promptly notifies the Bank, the relevant Distribution Agents and the relevant clearing system of the date of the end of any applicable restricted trading period with respect to the relevant Tranche of Bank Notes.

EUROCLEAR/CLEARSTREAM, LUXEMBOURG REGISTERED GLOBAL NOTES

Bank Notes may be issued in book-entry form as Book-Entry Notes and represented by one or more fully registered Global Bank Notes held by or on behalf of Euroclear and/or Clearstream, Luxembourg, as depositary, and recorded in the book-entry system maintained by Euroclear and/or Clearstream, Luxembourg. Book-Entry Notes represented by a Global Note are exchangeable for definitive Bank Notes in registered form, of like tenor and of an equal aggregate principal amount, by the owners of such Book-Entry Notes only upon certain limited circumstances described in the Offering Circular. Settlement Procedures with regard to Book-Entry Notes purchased by each Distribution Agent as principal or sold by each Distribution Agent, as agent of the Bank, are as follows:

Day	Latest London Time	Action
No later than Original Bank Notes Issue Date minus 5 Business Days	2:00 p.m.	The Bank may agree with one or more of the Distribution Agents for the issue and purchase of (whether pursuant to an unsolicited bid from a Distribution Agent or pursuant to an inquiry by the relevant Bank).
	3:00 p.m.	In the case of the first Tranche of Registered Bank Notes, the London Issuing Agent telephones Euroclear and/or Clearstream, Luxembourg with a request for a Common Code for such Tranche and, in the case of a subsequent Tranche of Bank Notes of that Series, the London Issuing Agent telephones Euroclear and/or Clearstream, Luxembourg with a request for a temporary Common Code for such Tranche and the London Issuing Agent confirms such number(s) to the Registrar. Each ISIN number, and each Common Code is notified by the Registrar by telex or fax to the Bank and the relevant Distribution Agent. If a Distribution Agent has reached agreement with the Bank by telephone, such Distribution Agent confirms the terms of the agreement to the Bank by telex or fax attaching a copy of the Pricing Supplement. The relevant Distribution Agent sends a copy of that fax to the London Issuing Agent and the Registrar for information.
	5:00 p.m.	The Bank confirms its agreement to the terms on which the issue of Bank Notes is to be made (including the form of the Pricing Supplement) by signing and returning a copy of the Pricing Supplement to the relevant Distribution Agent. The Bank also confirms its instructions (including, in the case of Floating Rate Bank Notes, the rate fixed by the Calculation Agent) to the London Issuing Agent and the Registrar to carry out the duties to be carried out by the London Issuing Agent and the Registrar under these Settlement Procedures and the Global Agency Agreement including preparing, authenticating and issuing one or more Registered Global Bank Notes and/or one or more Definitive Registered Bank Notes for each Tranche of Bank Notes which are to be purchased or placed by the relevant Distribution Agent, giving details of such Bank Notes. The Bank confirms such instructions by sending a copy by fax of the signed Pricing Supplement to the London Issuing Agent and the Registrar. The relevant Distribution Agent notifies Euroclear and/or Clearstream, Luxembourg of the relevant accounts to be credited with Bank Notes represented by interests in the Global Note(s) to the issued.

No later than Original Issue Date minus 4 Business Days 2:00 p.m. In the case of Bank Notes which are to be listed on a Stock Exchange, the London Issuing Agent notifies the relevant Listing Agent who in turn notifies the relevant Stock Exchange by fax or by hand of the details of the Bank Notes to be issued by sending the Pricing Supplement to the relevant Stock Exchange.

Original Issue Date minus 2 Business Days 3:00 p.m. Where the relevant Distribution Agent is purchasing or placing Bank Notes through Euroclear and/or Clearstream, Luxembourg, the relevant Distribution Agent instructs Euroclear and/or Clearstream, Luxembourg, subject to further instructions, on the Original Issue Date or, in the case of Bank Notes denominated in a currency requiring a pre-closing, the Original Issue Date minus 1 Business Day, to debit its account, or such account as it directs, and pay the purchase price to the account of the closing bank as agreed between the Bank, the London Issuing Agent and the relevant Distribution Agent from time to time (in such capacity, the "Closing Bank") for such purpose.

Original Issue Date minus 1 Business Day 3:00 p.m. In the case of Floating Rate Bank Notes, the Calculation Agent notifies the Registrar, Euroclear, Clearstream, Luxembourg, the Bank, in the case of Listed Bank Notes, the relevant Listing Agent (who in turn notifies the relevant Stock Exchange), and the relevant Distribution Agent by telex or fax of the rate of interest for the first Interest Period (if already determined). Where the rate of interest has not yet been determined, this will be notified in accordance with this paragraph as soon as it has been determined.

Original Issue Date minus 1 Business Day (in the case of pre-closed issues) or Original Issue Date (in any other case (the "Payment Instruction Date")) agreed time The London Issuing Agent prepares and authenticates the Registered Global Note(s) for each Tranche of Bank Notes which is to be purchased by attaching the applicable Pricing Supplement to a copy of the applicable master Registered Global Note(s).

The Registrar enters details of the principal amount of Bank Notes to be issued and the registered holder(s) of such Bank Notes in the Register. Each Registered Global Note is then delivered by, or on behalf of, the London Issuing Agent to a custodian for Euroclear and/or Clearstream, Luxembourg to credit the principal amount of the relevant Tranche of Bank Notes to the appropriate participants' accounts in Euroclear and/or Clearstream, Luxembourg previously notified by the relevant Distribution Agent. Each Definitive Registered Note is delivered to the relevant Distribution Agent or its designee for the benefit of the purchaser of such Bank Note against delivery by such Distribution Agent of a receipt therefor or, if so instructed and upon confirmation from the Bank that proper payment by the purchaser has been made, delivered directly to the Bank or its designee for the benefit of the purchaser of such Bank Note(s) against delivery of a receipt therefor. The parties (which for this purpose shall include the London Issuing Agent and the Registrar) may agree to

arrange for "free delivery" to be made through the relevant clearing system if specified in the applicable Pricing Supplement, in which case these Settlement Procedures will be amended accordingly.

Original Issue Date

The relevant Distribution Agent instructs Euroclear and/or Clearstream, Luxembourg to credit the interests in the Registered Global Note(s) representing Bank Notes purchased by or through such Distribution Agent to such accounts as the relevant Distribution Agent has directed with Euroclear and/or Clearstream, Luxembourg.

Euroclear and/or Clearstream, Luxembourg debit and credit accounts in accordance with instructions received by them.

The Closing Bank makes payment to the Bank on the Original Issue Date of the aggregate amount received by it to such account of the Bank as shall have been notified to the Closing Bank for that purpose by the relevant bank.

On or subsequent to the Original Issue Date

The London Issuing Agent notifies the Bank forthwith in the event that the relevant Distribution Agent does not pay the purchase price due from it in respect of the Bank Notes. The relevant Distribution Agent notifies the London Issuing Agent that the distribution of the Bank Notes purchased or placed by it has been completed.

Exhibit 27 See below.

1,000
US Dollars

3-mos

Dec-31-2000
Apr-01-2000
Jun-30-2000

	1	100,999
78,226		
	10,000	
	0	
1,507,770		
0		
		11,382,780
		(407,000)
	15,126,891	
		5,288,927
		2,773,050
1,242,944		
	4,176,394	
0		
	0	
		1,997
		1,643,579
15,126,891		
	511,886	
	22,845	
	1,776	
	536,507	
	63,619	
	172,549	
363,958		
	151,010	
0		
	742,264	
	181,491	
0		
	0	
		0
		112,525
		0.57
		0.54
		18.35
		0
		775,832
0		
	0	
	372,000	
		(168,572)
		54,826
	407,000	
0		
0		
0		