

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2002.

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

For the transition period from _____ to _____

Commission File No. 1-13300

CAPITAL ONE FINANCIAL CORPORATION

(Exact name of registrant as specified in its charter)

Delaware
(State or Other Jurisdiction
of Incorporation or Organization)

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

1680 Capital One Drive
McLean, Virginia
(Address of Principal Executive Offices)

22102
(Zip Code)

Registrant's telephone number, including area code: (703) 720-1000
Securities registered pursuant to section 12(b) of the act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, \$.01 Par Value	New York Stock Exchange
Preferred Stock Purchase Rights*	New York Stock Exchange
Upper DECs® Senior Notes**, due May 17, 2007, at 6.25%	New York Stock Exchange

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

** Attached to each senior note is a forward purchase contract for shares of common stock of the Corporation on May 17, 2005 or earlier under certain conditions.

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

None

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

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

The aggregate market value of the voting stock held by non-affiliates of the registrant as of the close of business on February 28, 2003.

Common Stock, \$.01 Par Value: \$6,929,684,607***

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

The number of shares outstanding of the registrant's common stock as of the close of business on February 28, 2003.

Common Stock, \$.01 Par Value: 226,383,064 shares

DOCUMENTS INCORPORATED BY REFERENCE

1. Portions of the Annual Report to stockholders for the year ended December 31, 2002 are incorporated by reference into Parts I, II and III.
2. Portions of the Proxy Statement for the annual meeting of stockholders to be held on April 24, 2003 are incorporated by reference into Part III.

CAPITAL ONE FINANCIAL CORPORATION

2002 ANNUAL REPORT ON FORM 10-K

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PART I

Item 1. Business.

Overview

Capital One Financial Corporation (the "Corporation") is a holding company, incorporated in Delaware on July 21, 1994, whose subsidiaries market a variety of consumer financial products and services. The Corporation's principal subsidiary, Capital One Bank (the "Bank"), a limited-purpose Virginia state chartered credit card bank, offers credit card products. The Bank originally conducted its operations as a division of Signet Bank, a wholly-owned subsidiary of Signet Banking Corporation ("Signet").¹ Capital One, F.S.B. (the "Savings Bank"), a federally chartered savings bank, offers consumer lending and deposit products, and Capital One Auto Finance, Inc. ("COAF") offers automobile and other motor vehicle financing products. Capital One Services, Inc., another subsidiary of the Corporation, provides various operating, administrative and other services to the Corporation and its subsidiaries. Unless indicated otherwise, the terms "Company", "we", "us", and "our" refer to the Corporation and its consolidated subsidiaries.

We began operations as part of Signet Bank in 1953, the same year as the formation of what is now MasterCard International, and we are one of the oldest continually operating bank card issuers in the United States. The Bank separated from Signet on November 24, 1994 and became a subsidiary of the Corporation. As of December 31, 2002, we had 47.4 million accounts and \$59.7 billion in managed consumer loans outstanding. We are among the six largest issuers of Visa® and MasterCard® credit cards in the United States based on managed credit card loans outstanding as of December 31, 2002. Important factors underlying the growth of our managed credit card loans and accounts include credit card industry dynamics and our business strategies around building, analyzing and applying results derived from large quantities of data to reduce credit risk, mass customize products for consumers and improve operational efficiency. We generally have labeled these strategies our "Information - based Strategy" or "IBS."

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

We offer credit card products outside of the United States through Capital One Bank (Europe) plc, an indirect subsidiary of the Bank organized and located in the United Kingdom (the "UK Bank"); a branch of the Bank in Canada; a branch of the UK Bank in France; and through our involvement in a joint venture with a South African financial institution. We may also, from time to time, consider establishing our business in additional foreign jurisdictions as opportunities arise.

We offer automobile and other motor vehicle financing products through COAF and its subsidiary, PeopleFirst, Inc. These financing products are offered for the purchase of either new or used vehicles or the refinancing of existing motor vehicle loans. We also offer other secured and unsecured consumer lending products through our subsidiaries both in the United States and elsewhere.

We use IBS to differentiate among customers based on credit risk, usage and other characteristics and to match customer characteristics with appropriate product offerings. IBS involves building sophisticated

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

models, information systems, well-trained personnel and a flexible culture to identify, develop and market credit card or other products and services that address the demands of changing consumer and competitive markets. By actively testing a wide variety of product and service features, marketing channels and other aspects of offerings, we design customized solicitations that are targeted at various credit customer segments, thereby enhancing response levels and maximizing returns on investment within given underwriting parameters.

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

Our common stock is listed on the New York Stock Exchange under the symbol COF and our Upper DECs® securities are listed on the New York Stock Exchange under the symbol COFPRC. Our principal executive office is located at 1680 Capital One Drive, McLean, Virginia 22102 (telephone number (703) 720-1000).

Business Description

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

We offer a wide variety of credit card products throughout the United States and internationally. We customize our products to appeal to different consumer preferences and needs by combining different product features, including annual percentage rates, fees and credit limits, rewards programs and other special features. We routinely test new products to develop packages that appeal to different and changing consumer preferences. Our customized products include both products offered to a wide range of consumer credit risk profiles, as well as products aimed at special consumer interests. Our pricing strategies are risk-based; lower risk customers may likely be offered products with more favorable pricing and we expect these products to yield lower delinquencies and credit losses. On products offered to many higher risk customers, however, we may experience higher delinquencies and losses, and we price these products accordingly.

We also apply IBS to our automobile finance business. Through COAF, we purchase retail installment contracts, secured by automobiles, through dealer networks throughout the United States. Additionally, we utilize direct marketing to offer automobile financing directly to consumers. Our direct marketed products include financing for the purchase of new and used vehicles, as well as refinancing of existing automobile loans. On October 9, 2001, we acquired PeopleFirst, Inc., the nation's largest online provider of direct motor vehicle loans. Similar to our credit card strategy, we customize product features, such as interest rate, loan amount, and loan terms, enabling us to lend to customers with a wide range of credit profiles.

We also offer other consumer loan products, such as installment loan products. On May 21, 2001, we acquired AmeriFee Corporation, which provides financing solutions for consumers seeking elective medical and dental procedures.

Outside of the United States, we are currently operating primarily in the United Kingdom and Canada, with additional operations in South Africa and France. We have experienced continuing growth in the

number of accounts and loan balances in our international lending business, with most of our growth coming from our business in the United Kingdom. Our UK Bank has authority to accept deposits and provide credit cards and installment loans.

We also engage in limited non-lending activities. We take deposits from customers, which are originated through direct and indirect channels. We may also offer products to our customers, including credit insurance, through third-party providers.

Geographic Diversity

Loan portfolio concentration within a specific geographic region may be regarded differently based upon the current and expected credit characteristics and performance of the portfolio. Our consumer loan portfolio is geographically diverse. See Note T to Consolidated Financial Statements on page 72 of the Company's Annual Report to its stockholders for the year ended December 31, 2002 (the "Annual Report"), which is incorporated herein by reference.

Operations

U.S. Lending Segment

This segment consists of \$47.3 billion of managed U.S. credit card and installment loan receivables, marketed to customers across the full credit spectrum.

The competitive environment in superprime credit cards is currently intense. The lowering of interest rates by the Federal Reserve has allowed many issuers to enter the market with sub-10% fixed annual percentage rate credit cards. As a result of the falling interest rates, industry mail volume to superprime customers increased substantially in mid 2002, increasing competitive pressure on our new customer solicitations. Our response has been to scale back our target customer base, focusing marketing on more responsive consumers. This narrowing of our marketing coupled with our concurrent brand campaign and other factors has had the effect of maintaining our response rates at a level where we believe we can continue to generate profitable returns.

The characteristics of products marketed to subprime customers include annual membership fees, higher annual percentage rates and lower credit lines. Additionally, higher risk borrowers tend to be more likely to pay late or exceed their credit limit, which generally results in additional fees assessed to their accounts.

Auto Finance Segment

This segment consists of \$7.0 billion of U.S. auto loan receivables, marketed to customers generally across the credit spectrum, via both direct and indirect marketing channels. More than half of our 2002 auto loan growth comes via direct channels such as the Internet and direct mail, and the remainder of our growth came via the indirect auto dealer channel. It is our goal to become a full spectrum auto finance lender, much like we have achieved in the U.S. credit card industry. In addition to the competitive advantages of being a full credit spectrum lender, the scale sensitive nature of the auto finance business generates additional economic leverage for full spectrum

competitors. The returns to achieving asset scale are not matched by a commensurate funding advantage in our automobile lending business. As a result, in 2002, we sold a total of \$1.5 billion of auto loans to third parties. We are continuing to service these assets for a fee.

We anticipate continued auto finance lending activities growth and we also plan to continue to sell and securitize our auto loans through both whole loan and forward flow contracts. Occasionally, we expect to sell certain of these assets at a premium, servicing released, no recourse, and with an additional performance payment in the future depending on asset performance over time.

We have the right to repossess vehicles financed by a Capital One loan if the obligor ceases making payments. Following any such repossession, we generally market the repossessed car via wholesale auctions.

International Segment

This segment consists of \$5.3 billion of managed credit card receivables, principally originated and operated in the U.K., with additional operations and activities in Canada, South Africa and France. We may also explore and test new markets from time to time as opportunities arise.

The U.K. market is our largest international market in terms of accounts and outstandings, and our U.K. operations became profitable for the first time in 2002. As of December 31, 2002, the U.K. Bank had 2.8 million accounts and \$3.9 billion in credit card, revolving loan and installment loan assets. The UK Bank has been operating independently in France since 2000.

Marketing

Our Core Strategy: IBS

Our core strategy has been, and is expected to continue to be, to apply our proprietary IBS to the businesses in which we choose to compete, principally focused on consumer lending products. We continue to use IBS to seek to identify new product and new market opportunities, and to make investment decisions that are informed by our intensive testing and analysis, and deemed to be profitable for the enterprise to pursue.

We believe we garner additional competitive advantage by competing across the full credit spectrum in our industries and geographical areas. Some of the benefits of competing across the full credit spectrum are economies of scale and scope in marketing and servicing, cross-fertilization of risk modeling and risk management insights derived by testing and analyzing risk strategies for customers of different credit quality, and the flexibility to divert marketing spending away from products experiencing heavy competition and towards those products with moderate competitive intensity in order to maximize returns over time.

Our lending products and other products are subject to intense competitive pressures which management anticipates will continue to increase as our markets mature, which could affect the economics of decisions that we have made or will make in the future in ways which we did not anticipate, test, nor analyze.

We generate accounts primarily through direct mail and telemarketing solicitations, although we also solicit accounts through other channels such as the Internet, newspaper, magazine, partnership arrangements, radio and television advertising and location and event marketing. Many of our solicitations are targeted at potential customers that have been prescreened for creditworthiness; however, many of our products are sold through marketing channels that do not allow for prescreening, and in some locations, such as in Canada or the U.K., prescreening information is less available or regulations prohibit us from prescreening customers based on full credit information. We generate auto loans through direct mail and telemarketing, and also obtain a substantial amount of business from dealerships. We employ a national sales force to manage dealer relationships across the country. With the acquisition of PeopleFirst, the Internet has also become a critical channel for our auto financing business.

We track and periodically review the results of our various solicitation campaigns. In developing our targeting strategies, we respect the privacy of our customers (and potential customers) by using customer information only in accordance with our privacy policies and applicable laws. In addition, we have also pursued a brand marketing, or "brand awareness", campaign with the primary intent of differentiating ourselves from other credit card issuers based on the value proposition we offer our

customers. This strategy has helped us to build and maintain a valuable customer franchise and support our IBS and mass customization strategies.

Risk Management

During the second quarter of 2002, Capital One conducted an assessment of its risk management practices. The assessment identified strong risk management activities as well as areas in which risk management could be strengthened. The assessment resulted in the creation of an Enterprise Risk Management (“ERM”) function led by a Chief Risk Officer (“CRO”). The CRO has responsibility for managing our enterprise risk management program.

This program will consolidate and strengthen our risk management in several categories outlined in more detail in Risk Factors below, including credit risk, liquidity risk, operational risk, market risk, legal risk, compliance risk, strategic risk, and reputational risk. As described below, credit risk is addressed by the Credit Risk Management (“CRM”) function led by the Chief Credit Officer. The ERM program integrates analysis of credit risk with analysis of other risks to produce an enterprise wide assessment of risk.

Our ERM program is a risk management approach integrated with our strategy, processes, people, technology and knowledge on an enterprise wide basis. The ERM program operates within a set of guiding principles based on governance, risk processes and culture to address and manage overall company risk.

These principles provide a framework in which we can apply a high degree of analytical rigor to our decision making while preserving the flexibility to respond quickly to changing market and economic conditions.

Credit Risk Management

Credit risk is one of our most important risk categories. Consequently, as part of our risk management process, we have established stronger central control of credit policy and programs while maintaining the ability of our operating units to respond flexibly to changing market and competitive conditions. In 2002 we appointed a dedicated Chief Credit Officer, expanded our central Credit Risk Management staff, and strengthened our Credit Policy Committee. The credit committee and staff group oversee that our credit decisions are made on a conservative basis, that each of our units applies best practices in measuring and managing credit risk, and that all relevant factors, including credit outlook, profitability, and the competitive, economic, and regulatory environment are considered in making credit decisions.

These principles are the foundation of our credit decision making approach. They govern our selection of customers, and our approach to pricing, credit line management, customer management, collections and recoveries. They provide a framework in which we can apply a high degree of analytical rigor to our decision making while preserving the flexibility to respond quickly to changing market and economic conditions.

Our credit risk profile is managed to maintain better than average credit quality, strong risk-adjusted returns and increased diversification. This is accomplished by increasing growth in the prime and superprime segments of the card business while reducing growth in underserved segments, by customizing credit lines and product terms to each consumer segment to ensure appropriate returns, by diversification into consumer lending products such as automobile financing and unsecured installment lending, and by international expansion. The centralized Credit Risk Management group monitors overall composition and quality of the credit portfolio. We take into consideration potential future economic conditions when monitoring and assessing our credit portfolio to understand our credit risk profile under various stressful conditions.

Our guiding principles, strengthened central governance and Board-directed risk tolerances, are designed to ensure that senior executives are well-informed of credit trends and can make appropriate credit and business decisions. We encourage day-to-day market responsiveness and flexibility by empowering our business line managers to develop credit strategies and programs aligned with the objective of long-term business profitability. The credit program development process considers the evolving needs of the target market, the competitive environment and the economic outlook. It is highly analytical and uses our extensive database of past test results. Senior Credit Officers, who are appointed by the Credit Policy Committee, oversee credit program development. Large new programs or program changes are reviewed by the Credit Policy Committee or its subcommittee.

New Account Credit Operations

We rely heavily on the use of sophisticated, proprietary scoring models in most of our new account credit operations. These models consider many variables, including credit scores developed by nationally recognized scoring firms. We validate, monitor and maintain these models in accordance with detailed policies and procedures. The use of these models assists consistency and efficiency in our credit operations.

Credit evaluation begins when we select prospects for our marketing programs. This process is called prescreening. In general, our prescreening process draws on information from credit reporting agencies, and sometimes other data sources, to identify consumers who are likely to be apply for and be approved for a credit card or loan product. The criteria that drive prospect identification are customized for each major credit program that we undertake. From time to time we change these criteria in response to changing market conditions and new insights. In some countries outside of the United States, it is not legally permissible to use data from credit reporting agencies for prescreening and in some countries there are no reliable credit reporting agencies. In these instances, we follow a similar process using other data sources. In some instances, we do not directly solicit prospects. This is most common in the dealer channel and the internet channel of our auto finance business, but happens in other businesses also. In these cases, prospects either seek us directly or are referred by a third-party.

Credit evaluation continues during the application process. During this process, we draw on refreshed information from credit reporting agencies, information provided on applications, and the results of several verification procedures to determine whether to approve or deny each application and to establish the appropriate credit line or loan amount. In the dealer channel of our auto finance business we also consider the characteristics of the vehicle that is being financed. The criteria that drive application underwriting are customized for each credit program and depend on the price, credit line and other terms offered to the customer when we solicited them. From time to time, we change these criteria in response to changing market conditions and new insights. Most of the time, this decision process is entirely automated. However, we review a small proportion of applications manually if they are rejected by our automated scoring system, if the credit program calls for manual review, if an applicant calls to inquire about a rejection, or for other reasons. In these instances, our credit analysts have the ability to make credit decisions based on our underwriting standards and their credit authority, and to override decisions made by the system upon the receipt of additional information, often from an applicant. In parts of our auto finance business, we rely more heavily on manual underwriting. In these instances, credit analysts review a large proportion of our applications. All of our credit analysts are carefully trained and are closely monitored for compliance with our underwriting standards.

Account Management

We monitor the performance of all of our credit programs. When we identify issues, we take corrective actions. These can include repricing, credit line decreases, more aggressive collection and recovery, and other actions. In addition, we modify our existing credit programs to reflect new learning and insights. In the auto business, we monitor performance at each dealer in addition to monitoring our overall credit programs. This helps us validate that these relationships are generating quality business.

We have found that active account management strategies are necessary in order to maintain growth and support the needs of our growing customer base in response to the changing economic environment and cardholder risk, usage and payment patterns. We periodically evaluate all accounts in our portfolio to determine their suitability for inclusion in various account management programs related to adjusting credit lines, pricing, stimulating usage and retention.

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

Our account management processes use specialized scoring models based on information from recent credit bureau reports and customer history with us. These scores, and other criteria, determine eligibility for our credit line increase programs, balance transfer programs and promotional pricing programs. They also form the basis for our retention strategies and our liquidity and credit risk mitigation strategies.

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

Collection Procedures

We also customize our collections strategies to determine the appropriate timing of collection activity based on our prediction of delinquencies and charge-offs. We generally consider a credit card account delinquent if we have not received a minimum payment by the accountholder's payment due date. We currently refer delinquent accounts for contact by phone or letter between five and 60 days

after contractual delinquency. We design our policies and procedures to encourage accountholders to pay delinquent amounts; for example, once a delinquent account has re-established a payment pattern with three consecutive minimum monthly payments, it can be re-aged as current. In the United States, federal guidelines restrict how frequently an account can be re-aged, renewed or extended. Our re-aging policies for our businesses outside the United States may differ. We reserve the right to suspend charging privileges at any time after an account attains delinquent status. We may also, at our discretion, enter into alternative arrangements with delinquent accountholders to extend or otherwise change payment schedules.

We charge-off as uncollectible a credit card account (net of collateral, if any) if the minimum payment is not received during the first cycle after the 150 day delinquent cycle. In connection with a secured credit card account, except as set forth below, we apply funds deposited as collateral to payment on the account shortly before (or, in some cases at the time) the account is charged off as uncollectible. With respect to bankrupt credit card customers in the United States, we charge-off the account within 30 days after we receive the bankruptcy petition. With respect to secured credit card accounts, we apply funds deposited as collateral in satisfaction of the account only after the bankruptcy automatic stay is lifted. With respect to customer accounts in the UK, we charge-off accounts for individuals who are subject to bankruptcy and Individual Voluntary Arrangements (“IVA”) with Creditors, which we do within 30 days of receiving notification of the bankruptcy or IVA and confirmation that the customer is failing to fulfill on the IVA. We charge-off accounts of deceased credit card customers within 60 days of receiving proper notice if no estate exists against which a proof of claim can be filed, no other party remits payments, and no other responsible party is available. Credit card transactions suspected of being fraudulent are charged off to non-interest expense after a 90-day investigation period. We may change our credit evaluation, servicing and charge-off policies and collection practices over time in accordance with our business judgment, applicable law and guidelines established by applicable regulatory authorities.

We deploy customized collections strategies for our auto finance business. Collections activity for auto finance customers can begin as early as three days delinquent, depending on the customer’s risk level. We utilize a combination of techniques, including dialer calls, manual calls, and letter campaigns. The timing and frequency of such activities is customized, based on the credit risk of each customer. At times, we will utilize extensions as a collection tool. Such extensions are granted in accordance with strict policy guidelines. When an account is deemed to be uncollectable, we will pursue repossession of the vehicle. The timing of repossession activity depends upon the risk of the customer, and generally occurs from 45 to 110 days past due.

Auto finance accounts are generally charged off at the earlier of the time of repossession, or at the end of the month in which the account reaches 120 days past due. Other accounts may be charged off earlier, such as the case of a totaled vehicle, where insurance proceeds do not cover the entire account balance. We charge-off the estimated loss from accounts on the charge-off date with additional amounts potentially charged off or credited at a later date following our sale of the collateral and recovery of the proceeds from such sale. With respect to bankrupt automobile customers, in most cases, we charge-off accounts on repossession following lift of the automatic stay of the secured automobile or in the case when the account is 180 days past due for Chapter 7 or Chapter 13 bankruptcies, or upon earlier repossession.

Technology/Systems

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

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

Funding and Liquidity

A key component of our business strategy is maintaining access to diversified funding sources. Our primary methods of long-term funding include loan securitizations, issuing certificates of deposit, and senior notes and other borrowings.

A major funding source for us is the securitization of consumer loans. Securitization involves the transfer to a trust or other special purpose entity of loans receivable generated by a designated pool of accounts. The trust or special purpose entity may issue either certificates representing undivided ownership interests in, or notes collateralized by, the loans receivable. In addition to securitizations, deposits are a large source of funding and liquidity for us. Through direct marketing efforts, we offer retail certificates of deposits ("CDs") and money market deposit accounts. Relationships with national broker networks complement direct marketing efforts for raising retail and institutional CDs. We also have access to funding through term and overnight Federal funds, bank notes, secured borrowings, a \$1.2 billion credit facility and a \$300 million credit facility in the U.K.

We maintain a liquidity portfolio comprised of cash, cash equivalents, and investments that are readily convertible to cash. At December 31, 2002, the liquidity portfolio totaled \$5.3 billion. For a discussion of our funding programs and liquidity, see pages 26-29 and 34-36 of the Annual Report under the respective headings "Management's Discussion and Analysis of Financial Condition and Results of Operations—Managed Consumer Loan Portfolio" and "Funding," which are incorporated herein by reference.

Competition

We market our card products to specific consumer populations. The terms of each card product are actively managed to achieve a balance between risk and expected performance, while obtaining the expected return. For example, card product terms typically include the ability to reprice individual accounts upwards or downwards based on the consumer's performance. In addition, since 1998, we have 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 our customers with similar

interest rate strategies. Management believes the competition has put, and will continue to put, additional pressure on our pricing strategies.

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

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

Intellectual Property

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

Employees

As of December 31, 2002, we employed 18,757 employees whom we refer to as "associates." A central part of our philosophy is to attract and maintain a highly capable staff. We view current associate relations to be satisfactory. None of our associates are covered under a collective bargaining agreement.

Supervision and Regulation

General

The Bank is a banking corporation chartered under Virginia law and a member of the Federal Reserve System, the deposits of which are insured by the Bank Insurance Fund of the Federal Deposit Insurance Corporation (the “FDIC”). In addition to regulatory requirements imposed as a result of the Bank’s international operations (discussed below), the Bank is subject to comprehensive regulation and periodic examination by the Bureau of Financial Institutions of the Virginia State Corporation Commission (the “Bureau of Financial Institutions”), the Federal Reserve Board (the “Federal Reserve”), the Federal Reserve Bank of Richmond and the FDIC. The Bank is not a “bank” under the Bank Holding Company Act of 1956, as amended (the “BHCA”), because it (i) engages only in credit card operations, (ii) does not accept demand deposits or deposits that the depositor may withdraw by check or similar means for payment to third parties or others, (iii) does not accept any savings or time deposits of less than \$100,000, other than as permitted as collateral for extensions of credit, (iv) maintains only one office that accepts deposits and (v) does not engage in the business of making commercial loans. Due to the Bank’s status as a limited purpose credit card bank, our non-credit card operations must be conducted in our other operating subsidiaries, except as relates to our UK operations.

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

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

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

The Gramm-Leach-Bliley Financial Services Modernization Act of 1999 (the “GLB Act”) does not impact the permissible range of our activities; it does, however, impose some limitations on the future activities of unitary thrift holding companies. Existing unitary thrift holding companies such as the Corporation are “grandfathered” with full powers to continue and expand their current activities.

Grandfathered unitary thrift holding companies, however, may not be acquired by nonfinancial companies and maintain their grandfathered powers. In addition, if a grandfathered unitary thrift holding company is acquired by a financial company without such grandfathered rights, it may lose its ability to engage in certain non-banking activities otherwise ineligible for bank holding companies or financial holding companies.

The Corporation is also registered as a financial institution holding company under Virginia law and as such is subject to periodic examination by Virginia's Bureau of Financial Institutions. Our automobile financing activities include COAF and PeopleFirst and fall under the scrutiny of the state agencies having supervisory authority under applicable sales finance laws or consumer finance laws in most states. We also face regulation in the international jurisdictions in which we conduct our business.

Informal Memorandum of Understanding

As described in our report on Form 10-Q, dated August 13, 2002, we have entered into an informal memorandum of understanding with the bank regulatory authorities with respect to certain issues, including our capital, allowance for loan losses, finance charge and fee reserve and policies, procedures, systems and controls. A memorandum of understanding is characterized by regulatory authorities as an informal action, that is not published or publicly available. We have implemented levels of capital, reserves and allowances that we believe satisfy the memorandum of understanding.

In addition, as required under the memorandum of understanding, we have continued to take actions, among others, to enhance our enterprise risk management framework and legal entity business plans. As part of the ongoing supervision of the Bank and the Savings Bank, we will periodically report to, and consult with, the regulators on all the matters addressed under the informal memorandum of understanding. While we have delivered on the principal requirements of the memorandum of understanding, we expect our regulators to monitor our ongoing execution of the memorandum of understanding for some period of time. We are also subject to ongoing general and targeted regulatory exams. Hence, we are unable to predict the exact timing for conclusion or termination of the informal memorandum of understanding.

Dividends and Transfers of Funds

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

Institutions determines that such a limitation would be in the public interest and necessary for the Bank's safety and soundness.

Capital Adequacy

The Bank and the Savings Bank are currently subject to capital adequacy guidelines adopted by the Federal Reserve and the OTS, respectively. For a further discussion of the capital adequacy guidelines, see page 39 of the Annual Report under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations—Capital Adequacy" and Note O to Consolidated Financial Statements on page 67, which are incorporated herein by reference.

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

In November 2001, the four federal banking agencies, or the "Agencies," adopted an amendment to the regulatory capital standards regarding the treatment of certain recourse obligations, direct credit substitutes (i.e., guarantees on third-party assets), residual interests in asset securitizations, and other securitized transactions that expose institutions primarily to liquidity and credit risk. Effective January 1, 2002, this rule amended the Agencies' regulatory capital standards to create greater differentiation in the capital treatment of residual interests.

In May 2002, the Agencies clarified the scope of the rule adopted in November 2001 in an advisory letter stating that securitization interests commonly known as accrued interest receivables, or AIRs, should be considered "recourse exposures" and "residual interests." Effective December 31, 2002, this interpretation of the rule adopted in November 2001 required banking organizations such as the Bank and the Savings Bank to hold regulatory capital against the full risk-weighted amount of their AIRs, subject to certain limitations. The Bank and the Savings Bank have met this capital requirement and remain well capitalized after applying the provisions of the AIR advisory at December 31, 2002.

FDICIA

Among other things, the Federal Deposit Insurance Corporation Improvement Act of 1991 ("FDICIA") requires federal bank regulatory authorities to take "prompt corrective action" ("PCA") in respect of insured depository institutions that do not meet minimum capital requirements. FDICIA establishes five capital ratio levels: well-capitalized, adequately-capitalized, undercapitalized, significantly undercapitalized and critically undercapitalized. As of December 31, 2002, each of the Bank and the Savings Bank met the requirements for a "well-capitalized" institution. The "well-capitalized" classification is determined solely for the purposes of applying FDICIA's PCA provisions, as discussed below, and should not be viewed as describing the condition or future prospects of a depository institution, including the Bank and the Savings Bank.

Under FDICIA's PCA system, an insured depository institution in the "undercapitalized category" must submit a capital restoration plan guaranteed by its parent company. The liability of the parent company under any such guarantee is limited to the lesser of 5.00% of the insured depository institution's assets at the time it became undercapitalized, or the amount needed to comply with the plan. An insured depository institution in the undercapitalized category also is subject to limitations in numerous areas

including, but not limited to, asset growth, acquisitions, branching, new business lines, acceptance of brokered deposits and borrowings from the Federal Reserve. Progressively more burdensome restrictions are applied to insured depository institutions in the undercapitalized category that fail to submit or implement a capital plan and to insured depository institutions that are in the significantly undercapitalized or critically undercapitalized categories. In addition, an insured depository institution's primary federal banking agency is authorized to downgrade the institution's capital category to the next lower category upon a determination that the institution is in an unsafe or unsound condition or is engaged in an unsafe or unsound practice. An unsafe or unsound practice can include receipt by the institution of a less than satisfactory rating on its most recent examination with respect to its capital, asset quality, management, earnings, liquidity and sensitivity to market risk.

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

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

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

Liability for Commonly-Controlled Institutions

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

Investment Limitation and Qualified Thrift Lender Test

Federally-chartered savings banks such as the Savings Bank are subject to certain investment limitations. For example, federal savings banks are not permitted to make consumer loans (i.e., certain open-end or closed-end loans for personal, family or household purposes, excluding credit card loans) in excess of 35% of the savings bank's assets. Federal savings banks are also required to meet the QTL Test, which generally requires a savings bank to maintain at least 65% "portfolio assets" (total assets less (i) specified liquid assets up to 20% of total assets, (ii) intangibles, including goodwill and (iii) property used to conduct business) in certain "qualified thrift investments" (residential mortgages and

related investments, including certain mortgage backed and mortgage related investments, small business related securities, certain state and federal housing investments, education loans and credit card loans) on a monthly basis in nine out of every 12 months. Failure to qualify under the QTL Test could subject the Savings Bank to substantial restrictions on its activities, including the activity restrictions that apply generally to bank holding companies and their affiliates and potential loss of grandfathered rights under the GLB Act. As of December 31, 2002, 85.59% of the Savings Bank's portfolio assets were held in qualified thrift investments, and the Savings Bank was in compliance with the QTL Test.

Subprime Lending Guidelines

On January 31, 2001, the federal banking agencies, including the Federal Reserve and the OTS, issued "Expanded Guidance for Subprime Lending Programs" (the "Guidelines"). The Guidelines, while not constituting a formal regulation, provide guidance to the federal bank examiners regarding the adequacy of capital and loan loss reserves held by insured depository institutions engaged in subprime lending. The Guidelines adopt a broad definition of "subprime" loans which likely covers more than one-third of all consumers in the United States. Because our business strategy is to provide credit card products and other consumer loans to a wide range of consumers, a portion of our loan assets may be viewed by the examiners as "subprime." Thus, under the Guidelines, bank examiners could require the Bank or the Savings Bank to hold additional capital (up to one and one-half to three times the minimally required level of capital, as set forth in the Guidelines), or additional loan loss reserves, against such assets. As described above, at December 31, 2002 the Bank and the Savings Bank each met the requirements for a "well-capitalized" institution. Federal examiners, however, have wide discretion as to how to apply the Guidelines and there can be no assurances that the Bank or the Savings Bank may not be required to hold additional regulatory capital against such assets.

For purposes of the Subprime Guidelines, we treat as "subprime" all loans in the Bank's and the Savings Bank's targeted subprime programs to customers either with a Fair, Isaac and Company ("FICO") score of 660 or below or with no FICO score. The Bank and the Savings Bank hold on average 200% of the total risk-based capital charge that would otherwise apply to such assets. This results in higher levels of regulatory capital at the Bank and the Savings Bank.

The Company expects to operate each of the Bank and the Savings Bank with at least 12% total risk-based capital, after giving effect to all applicable regulatory guidance with respect to capital (including the AIR advisory). The Company also expects to maintain a consolidated tangible capital to tangible managed assets ratio of at least 6%. As of December 31, 2002, the Company's tangible capital to tangible managed assets ratio was 7.2%.

On January 8, 2003, the FFIEC released Account Management and Loss Allowance Guidance (the "Guidance"). The Guidance applies to all credit lending of regulated financial institutions and generally requires that banks properly manage several elements of their credit-card lending programs, including line assignments, over-limit practices, minimum payment and negative amortization, workout and settlement programs, and the accounting methodology used for various assets and income items related to credit card loans.

We believe that our credit card account management and loss allowance practices are prudent and appropriate and, therefore, consistent with the Guidance. We also believe the Guidance will not have a material adverse effect on our financial condition or results of operations. We caution, however, that similar to the Guidelines, the Guidance provides wide discretion to bank regulatory agencies in the application of the Guidance to any particular institution and its account management and loss allowance

practices. Accordingly, under the Guidance, bank examiners could require changes in our account management or loss allowance practices in the future.

Regulation of Lending Activities

The activities of the Bank and the Savings Bank as consumer lenders also are subject to regulation under various federal laws, including the Truth-in-Lending Act, the Equal Credit Opportunity Act, the Fair Credit Reporting Act (the "FCRA"), the Community Reinvestment Act and the Soldiers' and Sailors' Civil Relief Act, as well as under various state laws. Depending on the underlying issue and applicable law, regulators are often authorized to impose penalties for violations of these statutes and, in certain cases, to order the Bank and the Savings Bank to compensate injured borrowers. Borrowers may also have a private right of action to bring actions for certain violations. Federal bankruptcy and state debtor relief and collection laws also affect the ability of the Bank and the Savings Bank to collect outstanding balances owed by borrowers. These laws plus state sales finance laws also affect the ability of our automobile financing business to collect outstanding balances.

Privacy and Fair Credit Reporting

The GLB Act requires a financial institution to disclose its privacy policy to customers and consumers, and requires that such customers and consumers be given a choice (through an opt-out notice) to forbid the sharing of non-public personal information about them with non-affiliated third persons. We have a written privacy notice posted on our Web site that is delivered to each of our customers when the customer relationships begin, and annually thereafter, in compliance with the GLB Act. Under that privacy notice, we protect the security of information about our customers, educate our employees about the importance of protecting customer privacy, and allow our customers to remove their names from the solicitation lists we use and may share with others. Our financial subsidiaries require business partners with whom they share such information to abide by the redisclosure and reuse provisions of the GLB Act. Our financial subsidiaries have developed and implemented programs to fulfill the expressed requests of customers and consumers to opt out of information sharing subject to the GLB Act. If the federal or state regulators of the financial subsidiaries establish further guidelines for addressing customer privacy issues, we may need to amend our privacy policies and adapt our internal procedures. In addition to adopting federal requirements regarding privacy, the GLB Act also permits individual states to enact stricter laws relating to the use of customer information. Vermont and North Dakota have done so by regulation or referendum, and many states, notably California, are expected to consider such proposals which may impose additional requirements or restrictions on us.

Like other lending institutions, we utilize credit bureau data in our underwriting activities. Use of such data is regulated under the FCRA on a uniform, nationwide basis. Portions of the federal FCRA related to credit reporting, prescreening, sharing of information between affiliates, and the use of credit data may become subject to additional state legislation if Congress does not extend its explicit preemption over such matters by December 31, 2003 on a uniform, nationwide basis. If Congress fails to extend this preemption, future state legislation may make it more difficult or more costly for us to obtain credit bureau data, and may impact the quality or quantity of available data.

Investment in the Corporation, the Bank and the Savings Bank

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

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

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

Interstate Taxation

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

Legislation

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

On July 30, 2002, the Sarbanes-Oxley Act of 2002 (the “Sarbanes-Oxley Act”) was passed into law. The Sarbanes-Oxley Act applies to all companies that are required to file periodic reports with the United States Securities and Exchange Commission (the “SEC”) and contains a number of significant changes relating to the responsibilities of directors and officers and reporting and governance obligations of SEC reporting companies. Certain provisions of the Sarbanes-Oxley Act were effective immediately without action by the SEC; however, many provisions became effective over the following months and required the SEC to issue implementing rules. Following the passage of the Sarbanes-Oxley Act, we have taken steps which we believe place us in substantial compliance with its effective provisions, and we continue to monitor SEC rulemaking to determine if additional changes are needed to comply with provisions that will become effective over the following months. During the course of our compliance efforts, we have identified no significant changes which

must be made to our organizational and control structures or existing processes as a result of this legislation and the currently effective rules issued by the SEC thereunder.

International Regulation

The Bank also faces regulation in foreign jurisdictions where it currently, and may in the future, operate. Those regulations may be similar to or substantially different from the regulatory requirements the Bank faces in the United States. In the United Kingdom, the Bank operates through the UK Bank, which was established in 2000. The UK Bank is regulated by the Financial Services Authority, or the FSA, and licensed by the Office of Fair Trading, or the OFT. The UK Bank is an “authorized deposit taker” and thus is able to take consumer deposits in the UK. The UK Bank has also been granted a full license by the OFT to issue consumer credit under the UK’s Consumer Credit Act — 1974. The FSA requires the UK Bank to maintain certain regulatory capital ratios at all times. The UK Bank obtains capital through earnings or through additional capital infusion from the Bank, subject to approval under Regulation K of the rules administered by the Federal Reserve. If the UK Bank is unable to generate sufficient capital in favorable terms, it may choose to restrict its growth to maintain its required capital levels. In addition, the UK Bank is limited by the UK Companies Act — 1985 in its distribution of dividends to the Bank in that such dividends may only be paid out of the UK Bank’s “distributable profits.”

In Canada, the Bank operates principally through a branch of the Bank, or the Canadian Branch, which, like the Bank, is engaged solely in the issuance of credit cards. Capital One’s installment loan business in Canada is conducted through a separately incorporated finance company subsidiary of the Corporation. The Canadian Branch is considered a federally regulated financial institution under the Canadian Bank Act, and is authorized and supervised by the Canadian Office of the Superintendent of Financial Institutions.

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

Risk Factors

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

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

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

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

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

The securitization of consumer loans, which involves the legal sale of beneficial interests in consumer loan balances, is one of our major sources of funding. As of December 31, 2002, we had \$36.7 billion, or approximately 61%, of our total loans subject to securitization transactions. Our future ability to use securitization as a funding source depends on the difficulty and expense associated with such funding. Until now, we have used securitization funding because the terms were economically acceptable. Our continued reliance on this funding source will be affected by many factors. Economic, reputational, legal, regulatory, accounting and tax changes can make securitization funding more difficult, more expensive or unavailable on any terms both domestically and internationally, where the securitization of consumer loans may be on terms more or less favorable than in the United States. For example, securitizations that meet the criteria for sale treatment under generally accepted accounting principles may not always be an attractive source of funding for us, and we may have to seek other more expensive funding sources in the future. In such event, our earnings could be reduced and our ability to fund our asset growth may be severely restricted. Economic trends have recently resulted in securitization terms becoming less favorable market-wide. This risk of loan financing has been heightened for us, in particular, due to market perceptions of our lower unsecured debt rating compared to other credit card issuers, our informal memorandum of understanding with our federal banking regulators, and the proportion of certain accounts in our loan portfolio viewed by some as subprime, as further described below. In addition, the occurrence of certain events may cause previously completed securitization transactions to amortize earlier than scheduled, which would accelerate the need for funding. This early amortization would also have a significant effect on the ability of the Bank and the Savings Bank to meet the capital adequacy requirements as affected off-balance sheet loans would have to be recorded on the balance sheet and so would be subject to regulatory capital requirements.

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

In particular, ratings agencies play an important role in determining, by means of the ratings they assign to issuers and their debt, the availability and cost of funding. As private entities, ratings agencies have broad discretion in the assignment of ratings. For example, our company currently receives ratings from several ratings agencies. Because we depend on the capital markets for funding and capital, a strong

rating (particularly an investment grade rating) is important. A rating below investment grade typically reduces availability and increases the cost of market-based funding, both secured and unsecured. A debt rating of Baa3 or higher by Moody's, or BBB- or higher at Standard & Poor's and Fitch, is considered investment grade. Currently, all three rating agencies rate the unsecured senior debt of the Bank investment grade. Two of the three rate the unsecured senior debt of the Corporation investment grade, with Standard & Poor's assigning a rating of BB+, or just below investment grade.

	<u>Capital One Financial Corporation</u>	<u>Capital One Bank</u>
Moody's	Baa3	Baa2
Standard & Poor's	BB+	BBB-
Fitch	BBB	BBB

If these ratings were to be lowered, we could experience reduced availability and increased cost of funding from the capital markets. This result could make it difficult for us to grow at or to a level we currently anticipate. The immediate impact of a ratings downgrade on other sources of funding, however, would be limited, as deposit funding and pricing are not generally determined by corporate debt ratings. Our ability to use deposits as a source of funding is generally regulated by federal law and regulations. The Savings Bank is authorized to engage in a full range of deposit-taking activities. Likewise, our various credit facilities do not contain covenants triggered by a ratings downgrade, although the pricing of any borrowings under these facilities is linked to these ratings.

We compete for funding with other banks, savings banks and similar companies. Some of these institutions are publicly traded. Many of these institutions are substantially larger, have more capital and other resources and have better debt ratings than we do. Competition from these other borrowers may increase our cost of funds. Events that disrupt capital markets and other factors beyond our control could also make our funding sources more expensive or unavailable. Our informal understanding with regulators may make us more sensitive to these types of events.

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

We Face Intense Competition and Increased Strategic Risk in all of our Markets

We face intense competition from many other providers of credit cards and other consumer financial products and services. In particular, in our credit card activities, we compete with international, national, regional and local bank card issuers, with other general purpose credit or charge card issuers, and to a certain extent, issuers of smart cards and debit cards and providers of other types of financial services (such as home equity lines and other products). We face similarly competitive markets in our automobile financing and installment loan activities as well as in our international markets. In addition, the GLB Act, which permits greater affiliations between banks, securities firms and insurance companies, may increase competition in the financial services industry, including in the credit card business. Increased competition has resulted in, and may continue to cause, a decrease in credit card response rates and reduced productivity of marketing dollars invested in certain lines of business. Other credit card companies may compete with us for customers by offering lower interest rates and fees and/or higher credit limits. Because customers generally choose credit card

issuers based on price (primarily interest rates and fees), credit limit and other product features, customer loyalty is limited. We may lose entire accounts, or may lose account balances, to competing card issuers. Our automobile financing and installment products also face intense competition on the basis of price. Customer attrition from any or all of our products, together with any lowering of interest rates or fees that we might implement to retain customers, could reduce our revenues and therefore our earnings.

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

We Face Increased Regulatory Scrutiny and Reputational Risk

During the third quarter of 2002, we entered into an informal memorandum of understanding with bank regulatory authorities regarding certain financial considerations and calculations as well as certain changes and improvements to our policies, procedures, systems and controls. Under this memorandum of understanding, we informally report to and consult with the regulatory authorities on these matters and other business considerations on a regular basis. While we have made significant progress in meeting our obligations under the memorandum of understanding, and have completed many of our targeted improvements, we cannot predict when we will achieve our goals for all items under the informal memorandum of understanding from the banking authorities. Remaining subject to the memorandum of understanding for a prolonged period could result in, among other things, decreased funding opportunities and less favorable economic terms, as well as a continued strain on financial and operational resources, decreased employee morale and internal and external business regulation.

Fluctuations in Our Accounts and Loan Balances Can Create Volatility

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

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

It is Difficult to Sustain and Manage Growth

Our growth strategy is threefold. First, we seek to continue to grow our domestic credit card business. Second, we desire to grow our lending business, including credit cards, internationally, in the United

Kingdom, Canada and beyond. Third, we hope to identify, pursue and expand new business opportunities, such as automobile financing, installment lending and other types of consumer lending activities. Our management believes that, through IBS, we can achieve these objectives. However, there are several types of factors that can affect our ability to do so, including:

- *Operational Risk.* Our ability to grow successfully is also dependent on our ability to build or acquire the necessary operational and organizational infrastructure, manage expenses as we expand, and recruit experienced management and operations personnel with the experience to run an increasingly complex business. In addition, we operate in a highly regulated industry, and our ability to grow our business, both in credit card issuances and by expanding into international and new lending opportunities, may be adversely affected by the legal and regulatory environment we face, which may change at any time and which is outside of our control.
- *International Operational Risk.* Our expansion internationally is affected by additional factors, including limited access to information, differences in cultural attitudes toward credit, changing regulatory and legislative environments, political developments, exchange rates and differences from the historical experience of portfolio performance in the United States and other countries.
- *Credit Risk.* As a consumer lender, factors affecting our growth (including our ability to obtain funding and our ability to generate account balance growth), are also affected by the delinquency and charge-off levels of our accounts. Our delinquency and charge-off levels are also affected by the general state of the United States and world economies, and may likely be adversely impacted by a recessionary economy. See “—We May Experience Increased Delinquencies and Credit Losses” below, and “Operations — Risk Management” above.

- *Liquidity Funding Risk.* Our ability to grow may be constrained by our ability to generate funding sufficient to both create the liquidity necessary to extend loans to our customers and to provide us with the capital necessary to meet the requirements of our regulators, the rating agencies and our own prudent management principles. Our ability to generate this funding, especially capital funding which can come from only limited sources, is limited by a number of factors, such as the regulatory environment and our corporate structure. In addition, our ability to raise funds is strongly affected by the general state of the United States and world economies, and has become increasingly difficult due to economic and other factors. See “—We May Experience Limited Availability of Financing and Variation in Our Funding Costs” above.
- *Legal and Compliance Risk.* Due to our significant reliance on the documentation supporting our funding transactions and the individual lending arrangements with our customers, as well as our unique corporate structure, we face a risk of loss due to faulty legal contracts, legal entity structure and changes in laws and interpretations. We also are subject to an array of banking and consumer lending laws and regulations that apply to almost every element of our business. Failure to comply with these laws and regulations could result in financial, structural and operational penalties, including receivership. See “Supervision and Regulation” above.
- *Strategic Risk.* Our ability to grow is driven by the success of our fundamental business plan. This risk has many components, including:

- *Customer and Account Growth.* As a business driven by customer finance, our growth is highly dependent on our ability to retain existing customers and attract new ones, grow existing and new account balances, develop new market segments and have sufficient funding available for marketing activities that generate these customers and account balances. Our ability to grow and retain customers is also dependent on customer satisfaction, which may be adversely affected by factors outside of our control, such as postal service and other marketing and customer service channel disruptions and costs.
- *Product and Marketing Development.* Difficulties or delays in the development, production, testing and marketing of new products or services, which may be caused by a number of factors including, among other things, operational constraints, regulatory and other capital requirements and legal difficulties, will affect the success of such products or services and can cause losses associated with the costs to develop unsuccessful products and services, as well as decreased capital availability. In addition, customers may not accept the new products and services offered.
- *Reputational Risk.* Our ability to originate and maintain accounts is highly dependent upon consumer perceptions of our financial health and business practices. To this end, we have aggressively pursued a campaign to enhance our brand image and awareness in recent years. Adverse developments, however, in our brand campaign or in any of the areas described above could damage our reputation in both the customer and funding markets, leading to difficulties in generating and maintaining accounts as well as in financing them.

We May Experience Increased Delinquencies and Credit Losses

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

Widespread increases in past-due payments and nonpayment generally occur whenever the country or a region experiences an economic downturn, such as a recession. In addition, if we make fewer loans than we have in the past, the proportion of new loans in our portfolio will decrease and the delinquency rate and charge-off rate may increase. Credit card accounts also tend to exhibit a rising trend of delinquency and credit loss rates as they “season,” or age. As a result of seasoning of our portfolio and other factors, we have experienced an increase in our managed net charge-off rate from 4.96% in the third quarter of 2002 to 6.21% in the fourth quarter of 2002. Delinquencies and credit losses may also occur for other reasons. For example, changes in general or regulatory accounting principles can lead to changes in our delinquency to increases or decreases in our delinquencies or charge-off rates that are unrelated to actual portfolio performance. We have recently engaged in efforts to limit our growth of assets, particularly our assets generated by our higher risk customers. This rebalancing has created a “seam” between our historical patterns and our future goals, during which we expect delinquency rates and credit losses to increase compared to our overall portfolio.

This would reduce our earnings unless offset by other changes. We also, as provided for by the applicable accounting rules, hold allowances for expected losses from delinquencies and charge-offs in our existing portfolio. There can be no assurance, however, that such allowances will be sufficient to account for actual losses.

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

We Face Risk From Economic Downturns and Social Factors

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

We Face Market Risk of Interest Rate and Exchange Rate Fluctuations

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

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

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

Changes in Regulation and Legislation Can Increase Compliance Risk and Affect Our Results

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

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

In addition, banking regulators possess broad discretion to issue or revise regulations, or to issue guidance, which may significantly impact us. In 2001, regulators restricted the ability of two of our competitors to provide further credit to higher risk customers due principally to supervisory concerns over rising charge-off rates and capital adequacy. In 2002, we entered into an informal memorandum of understanding with our banking regulators. We maintain an active dialogue with our banking agency regulators following this memorandum of understanding and believe that our capital levels and risk management practices are appropriate for our business. We cannot, however, predict whether and how any new guidelines issued or other regulatory actions taken by the agencies will be applied to the Bank or the Savings Bank or the resulting effect on the Corporation, the Bank or the Savings Bank.

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

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

Our expenses and other costs, such as human resources and marketing expenses, directly affect our earnings results. Many factors can influence the amount of our expenses, as well as how quickly they grow. For example, increases in postal rates currently contemplated by postal regulators could raise our costs for postal service, which is a significant component of our expenses for marketing and for servicing our 47.4 million accounts as of December 31, 2002. As our business develops, changes or

expands, additional expenses can arise from asset purchases, structural reorganization or a reevaluation of business strategies. Other factors that can affect the amount of our expenses include legal and administrative cases and proceedings, which can be expensive to pursue or defend. In addition, changes in accounting policies can significantly affect how we calculate expenses and earnings.

Statistical Information

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

	Page In The Company's Annual Report to its Stockholders for The Year Ended December 31, 2002
I. Distribution of Assets, Liabilities and Stockholders' Equity; Interest Rates and Interest Differential	23-24
II. Investment Portfolio	57
III. Loan Portfolio	23-24; 26-29; 31-32; 42-43; 48; 53-54
IV. Summary of Loan Loss Experience	31-32
V. Deposits	35-36; 59-61
VI. Return on Equity and Assets	19
VII. Other Borrowings	34-36; 59-61

Item 2. Properties.

Capital One leases its new 570,000 square foot headquarters building at 1680 Capital One Drive, McLean, Virginia. The building houses the Corporation's primary executive offices and Northern Virginia staff, and is leased through December 2010, with the right to purchase at a fixed cost at the end of the lease term.

Additionally, Capital One owns approximately 316 acres of land in Goochland County, Virginia for the construction of an office campus to consolidate certain operations in the Richmond area. Two buildings and support facilities consisting of approximately 365,000 square feet were completed and occupied during 2002. An additional 616,000 square feet are scheduled for completion during 2003.

Other owned facilities include a 120,000 square foot facility in Tampa, Florida; a 484,000 square foot facility in Nottingham, Great Britain; and 470,000 square feet of administrative offices and credit card facilities in Richmond, Virginia, from which the Company conducts credit, collections, customer service and other operations.

The Company currently leases 4 million square feet of office space from which credit, collections, customer service and other operations are conducted, in Virginia, Florida, Texas, Idaho, California, Washington, Massachusetts, the United Kingdom, France, Canada, and insignificant space for business development in other locations. The Company is currently migrating out of approximately 1 million square feet of leased office space and into its new campuses in McLean, Virginia and Goochland County, Virginia.

Item 3. Legal Proceedings.

The information required by Item 3 is included in the Annual Report on pages 68-69 under the heading “Notes to Consolidated Financial Statements—Note P—Commitments and Contingencies.”

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

During the fourth quarter of our fiscal year ending December 31, 2002, no matters were submitted for a vote of our stockholders.

PART II

Item 5. Market for Company’s Common Equity and Related Stockholder Matters.

The information required by Item 5 is included under “Supervision and Regulation—Dividends and Transfers of Funds” herein and in the Annual Report on pages 34-36 under the heading “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Funding,” on pages 39-40 under the heading “—Capital Adequacy,” on page 45 under the heading “Selected Quarterly Financial Data” and on page 67 in Note O to Consolidated Financial Statements, and is incorporated herein by reference and filed as part of Exhibit 13.

Item 6. Selected Financial Data.

The information required by Item 6 is included in the Annual Report on page 19 under the heading “Selected Financial and Operating Data,” and is incorporated herein by reference and filed as part of Exhibit 13.

Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

The information required by Item 7 is included in the Annual Report on pages 20-44 under the heading “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” and is incorporated herein by reference and filed as part of Exhibit 13.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk.

The information required by Item 7A is included in the Annual Report on pages 37-38 under the heading “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Interest Rate Risk,” and is incorporated herein by reference and filed as part of Exhibit 13.

Item 8. Financial Statements and Supplementary Data.

The information required by Item 8 is included in the Annual Report on page 47 under the heading “Report of Independent Auditors,” on pages 48-76 under the headings “Consolidated Balance Sheets,” “Consolidated Statements of Income,” “Consolidated Statements of Changes in Stockholders’ Equity,” “Consolidated Statements of Cash Flows” and “Notes to Consolidated Financial Statements” and on

page 45 under the heading "Selected Quarterly Financial Data," and is incorporated herein by reference and filed as part of Exhibit 13.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

Not applicable.

PART III

Item 10. Directors and Executive Officers of the Corporation.

The information required by Item 10 will be included in the Corporation's 2003 Proxy Statement (the "Proxy Statement") under the heading "Information About Our Directors and Executive Officers" and is incorporated herein by reference. The Proxy Statement will be filed with the Securities and Exchange Commission pursuant to Regulation 14A within 120 days of the end of the Corporation's 2002 fiscal year.

Effective March 3, 2003, David M. Willey resigned as Chief Financial Officer of the Corporation after he received a Wells notice from the SEC staff indicating that the staff intends to recommend that the SEC bring a civil action against him. No Wells notice was directed to the Corporation or any other member of management. The Corporation is fully cooperating with the SEC's investigation. David R. Lawson will assume the role of acting Chief Financial Officer. Mr. Lawson joined Capital One in July, 1998 when the company acquired Summit Acceptance Corp., a consumer auto finance company based in Plano, Texas, where he was President and Chief Executive Officer. The Corporation's Form 8-K and accompanying press release on this topic are incorporated herein by reference, and were filed with the Securities and Exchange Commission on March 3, 2003.

Item 11. Executive Compensation.

The information required by Item 11 will be included in the Proxy Statement on under the headings "Information About Our Directors and Executive Officers—Compensation of the Board," "Compensation of Executive Officers" and "Report of the Compensation Committee on Executive Compensation," and is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The information required by Item 12 will be included in the Proxy Statement under the heading "Equity Compensation Information," and is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions.

The information required by Item 13 will be included in the Proxy Statement under the heading "Information About Our Directors and Executive Officers—Related Party Transactions," and is incorporated herein by reference.

Item 14. Controls and Procedures.

(a) Evaluation of Disclosure Controls and Procedures.

Within the 90 days prior to the date of this report, the Corporation carried out an evaluation, under the supervision and with the participation of the Corporation's management, of the effectiveness of the design and operation of the Corporation's disclosure controls and internal controls and procedures pursuant to Exchange Act Rules 13a-14 and 13a-15. These controls and procedures for financial

reporting are the responsibility of the Corporation's management. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective in alerting them in a timely manner to material information relating to the Corporation (including consolidated subsidiaries) required to be included in the Corporation's periodic filings with the Securities and Exchange Commission. The Corporation has established a Disclosure Committee consisting of members of senior management to assist in this evaluation.

(b) Changes in Internal Controls.

Not applicable.

Item 15. Exhibits, Financial Statement Schedules and Reports on Form 8-K.

- (a) (1) The following consolidated financial statements of Capital One Financial Corporation, included in the Annual Report, are incorporated herein by reference to Item 8, and Exhibit 13 hereto:

Report of Independent Auditors, Ernst & Young LLP

Consolidated Balance Sheets—as of December 31, 2002 and 2001

Consolidated Statements of Income—Years ended December 31, 2002, 2001 and 2000

Consolidated Statements of Changes in Stockholders' Equity—Years ended December 31, 2002, 2001 and 2000

Consolidated Statements of Cash Flows—Years ended December 31, 2002, 2001 and 2000

Notes to Consolidated Financial Statements

Selected Quarterly Financial Data—as of and for the years ended December 31, 2002 and 2001

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

- (3) Exhibits:

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

- (b) Reports on Form 8-K

The Corporation filed on October 17, 2002, a Current Report on Form 8-K dated October 15, 2002, Commission File No. 1-13300, enclosing its press release dated October 15, 2002.

The Corporation filed on October 24, 2002, a Current Report on Form 8-K dated October 23, 2002, Commission File No. 1-13300, attaching five-year informal information regarding its calculations of charged off loans.

The Corporation furnished on November 15, 2002 a Current Report on Form 8-K dated November 14, 2002, Commission File No. 1-13300, enclosing copies of certifications by the CEO and CFO related to Section 906 of the Sarbanes-Oxley Act of 2002.

The Corporation makes available to investors, free of charge, its reports to the SEC pursuant to the Securities Exchange Act of 1934, including its Reports on Forms 8-K, 10-Q and 10-K, through the Company's website at www.capitalone.com/about/invest/financials/, as soon as reasonably practicable after such material is filed with, or furnished to, the SEC electronically.

**CERTIFICATION FOR
ANNUAL REPORT ON FORM 10-K
of Capital One Financial Corporation and consolidated subsidiaries**

I, Richard D. Fairbank, certify that:

1. I have reviewed this annual report on Form 10-K of Capital One Financial Corporation;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:
 - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and
 - c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal

controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: March 14, 2003

CAPITAL ONE FINANCIAL CORPORATION

By: _____ /s/ RICHARD D. FAIRBANK

Richard D. Fairbank
Chairman and Chief Executive
Officer

**CERTIFICATION FOR
ANNUAL REPORT ON FORM 10-K
of Capital One Financial Corporation and consolidated subsidiaries**

I, David R. Lawson, certify that:

1. I have reviewed this annual report on Form 10-K of Capital One Financial Corporation;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:
 - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and
 - c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal

controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: March 14, 2003

CAPITAL ONE FINANCIAL CORPORATION

By: _____ /s/ DAVID R. LAWSON

David R. Lawson
Senior Vice President and
Chief Financial Officer

EXHIBIT INDEX

CAPITAL ONE FINANCIAL CORPORATION

ANNUAL REPORT ON FORM 10-K

DATED DECEMBER 31, 2002

Commission File No. 1-13300

The following exhibits are incorporated by reference or filed herewith. References to (i) the "1994 Form 10-K" are to the Corporation's Annual Report on Form 10-K for the year ended December 31, 1994; (ii) the "1995 Form 10-K" are to the Corporation's Annual Report on Form 10-K for the year ended December 31, 1995; (iii) the "1996 Form 10-K" are to the Corporation's Annual Report on Form 10-K for the year ended December 31, 1996 filed March 26, 1997; (iv) the "1997 Form 10-K" are to the Corporation's Annual Report on Form 10-K for the year ended December 31, 1997 filed March 18, 1998; (v) the "1998 Form 10-K" are to the Corporation's Annual Report on Form 10-K for the year ended December 31, 1998, filed March 26, 1999; (vi) the "1999 Form 10-K/A" are to the Corporation's Annual Report on Form 10-K, as amended, for the year ended December 31, 1999 filed March 23, 2000; (vii) the "2000 Form 10-K" are to the Corporation's Annual Report on Form 10-K for the year ended December 31, 2000, filed March 29, 2001; and (viii) the "2001 Form 10-K" are to the Corporation's Annual Report on Form 10-K for the year ended December 31, 2001 filed March 22, 2002.

Exhibit Number	Description
3.1.1	Restated Certificate of Incorporation of Capital One Financial Corporation (incorporated by reference to Exhibit 3.1 of the 1994 Form 10-K).
3.1.2	Certificate of Amendment to Restated Certificate of Incorporation of Capital One Financial Corporation (incorporated by reference to Exhibit 3.1.2 of the Corporation's Report on Form 8-K, filed January 16, 2001).
3.2	Amended and Restated Bylaws of Capital One Financial Corporation (as amended November 18, 1999) (incorporated by reference to Exhibit 3.2 of the 1999 Form 10-K/A).
4.1	Specimen certificate representing the Common Stock (incorporated by reference to Exhibit 4.1 of the 1997 Form 10-K).
4.2.1	Rights Agreement dated as of November 16, 1995 between Capital One Financial Corporation and Mellon Bank, N.A.
4.2.2	Amendment to Rights Agreement dated as of April 29, 1999 between Capital One Financial Corporation and First Chicago Trust Company of New York, as successor to Mellon Bank, N.A. (incorporated by reference to Exhibit 4.2.2 of the 1999 Form 10-K/A).
4.2.3	Amendment Number 2 to Rights Agreement dated as of October 18, 2001 between Capital One Financial Corporation and Equiserve Trust Company, N.A. (as successor to First Trust Company of New York) as Rights Agent (incorporated by reference to Exhibit 99.1 of the

Corporation's Report on Form 8-K, filed November 2, 2001).

- 4.3 Amended and Restated Issuing and Paying Agency Agreement dated as of April 30, 1996 between Capital One Bank and Chemical Bank (including exhibits A-1, A-2, A-3 and A-4 thereto).
- 4.4.1 Distribution Agreement dated June 6, 2000 among Capital One Bank, J.P. Morgan Securities, Inc. and the agents named therein (incorporated by reference to the Corporation's quarterly report on Form 10-Q for the period ending June 30, 2000).
- 4.4.2 Copy of 6.875% Notes, due 2006, of Capital One Bank (incorporated by reference to Exhibit 4.4.2 of the 2000 Form 10-K).
- 4.4.3 Copy of Floating Rate Notes, due 2003, of Capital One Bank (incorporated by reference to Exhibit 4.4.3 of the 2000 Form 10-K).
- 4.4.4 Copy of 8 1/4% Fixed Rate Notes, due 2003, of Capital One Bank (incorporated by reference to Exhibit 4.4.4 of the 2000 Form 10-K).
- 4.4.5 Copy of 6.5% Notes, due 2004, of Capital One Bank (incorporated by reference to Exhibit 4.4.5 of the 2001 Form 10-K).
- 4.4.6 Copy of 6.875% Notes due 2006, of Capital One Bank (incorporated by reference to Exhibit 4.4.6 of the 2001 Form 10-K).
- 4.5.1 Senior Indenture and Form T-1 dated as of November 1, 1996 among Capital One Financial Corporation and Harris Trust and Savings Bank.
- 4.5.2 Copy of 7.25% Notes, due 2003, of Capital One Financial Corporation.
- 4.5.3 Copy of 7 1/8% Notes, due 2008, of Capital One Financial Corporation (incorporated by reference to Exhibit 4.8 of the 1998 Form 10-K).
- 4.5.4 Copy of 7% Notes, due 2006, of the Capital One Financial Corporation (incorporated by reference to Exhibit 4.10 of the 1999 Form 10-K/A).
- 4.5.5 Copy of 8.75% Notes, due 2007, of Capital One Financial Corporation (incorporated by reference to Exhibit 4.5.5 of the 2001 Form 10-K).
- 4.6.1 Declaration of Trust, dated as of January 28, 1997, between Capital One Bank and The First National Bank of Chicago, as trustee (including the Certificate of Trust executed by First Chicago Delaware Inc., as Delaware trustee).
- 4.6.2 Copies of Certificates Evidencing Capital Securities.

- 4.6.3 Amended and Restated Declaration of Trust, dated as of January 31, 1997, by and among Capital One Bank, The First National Bank of Chicago and First Chicago Delaware Inc. (incorporated by reference to Exhibit 4.6.3 of the 1996 Form 10-K).
- 4.7 Issue and Paying Agency Agreement dated as of October 24, 1997 between Capital One Bank, Morgan Guaranty Trust Company of New York, London Office, and the Paying Agents named therein (incorporated by reference to Exhibit 4.9 of the 1998 Form 10-K).
- 4.8 Upper DECs® form of certificate (incorporated herein by reference to each of the Corporation's registration statement on Form 424B3 filed on April 17, 2002, and prospectus supplement on Form 424B5 filed on April 19, 2002, and Exhibit 4.5 to the Corporation's Report on Form 8-K, filed on April 23, 2002.)
- 10.1.1 1995 Associate Stock Purchase Plan.
- 10.1.2 2002 Associate Stock Purchase Plan (incorporated herein by reference and filed as Exhibit 4.1 to the Corporation's Form S-8 filed with the Securities and Exchange Commission on October 10, 2002).
- 10.2.1 Lease Agreement, dated as of December 5, 2000, among First Union Development Corporation, as Lessor, and Capital One F.S.B. and Capital One Bank, jointly and severally, as Lessees (incorporated by reference to Exhibit 10.2.1 of the 2000 Form 10-K).
- 10.2.2 Participation Agreement, dated as of December 5, 2000, among Capital One F.S.B. and Capital One Bank as construction agents and lessees, Capital One Financial Corporation as guarantor, First Union Development Corporation as Lessor, the various financing parties named therein, and First Union National Bank as Agent (incorporated by reference to Exhibit 10.2.2 of the 2000 Form 10-K).
- 10.2.3 Guaranty, dated as of December 5, 2000, from Capital One Financial Corporation in favor of First Union Development Corporation and the various other parties to the Participation Agreement, dated as of December 5, 2000 (incorporated by reference to Exhibit 10.2.3 of the 2000 Form 10-K).
- 10.3 Form of Change of Control Employment Agreement dated as of January 25, 2000 between Capital One Financial Corporation and each of Richard D. Fairbank, Nigel W. Morris and John G. Finneran Jr. (incorporated by reference to Exhibit 10.3 of the 1999 Form 10-K/A).
- 10.4* Capital One Financial Corporation 1999 Non-Employee Directors Stock Incentive Plan, as amended.
- 10.5* Employment Agreement between David R. Lawson and Summit Acceptance Corporation, dated July 13, 1998, as amended.
- 10.6 Capital One Financial Corporation 1999 Stock Incentive Plan (incorporated by reference to the Corporation's Registration Statement on Form S-8, Commission File No. 333-78609, filed May 17, 1999).
- 10.7* Capital One Financial Corporation 1994 Stock Incentive Plan, as amended.
- 10.8.1 Multicurrency Revolving Credit Facility Agreement dated as of August 11, 2000 by and between Capital One Bank, as borrower, Capital One Financial Corporation, as guarantor, and Chase Manhattan PLC, as lender (incorporated by reference to Exhibit 10.5 of the Corporation's quarterly report on Form 10-Q for the period ending September 30, 2000).

- 10.8.2 [Reserved.]
- 10.8.3 Amendment No. 2 to Multicurrency Credit Facility Agreement dated June 28, 2002 (incorporated by reference to Exhibit 10.8.1 to the Company's Form 10-Q for the period ended June 30, 2002, filed on August 13, 2002).
- 10.10* Amended and Restated Change of Control Employment Agreement between Capital One Financial Corporation and certain of its senior executives.
- 10.11* Capital One Financial Corporation Excess Savings Plan, as amended.
- 10.12* Capital One Financial Corporation Excess Benefit Cash Balance Plan, as amended.
- 10.13* Capital One Financial Corporation 1994 Deferred Compensation Plan, as amended.
- 10.14 1995 Non-Employee Directors Stock Incentive Plan (incorporated by reference to the Corporation's Registration Statement on Form S-8, Commission File No. 33-91790, filed May 1, 1995).
- 10.15 Services Agreement dated as of April 1, 1999 by and between D'Arcy Masius Benton & Bowles USA, Inc. and Capital One Financial Corporation (incorporated by reference to Exhibit 10.15 of the 1999 Form 10-K/A).
- 10.16* Consulting Agreement dated as of April 5, 1995, by and between Capital One Financial Corporation and American Management Systems, Inc.
- 10.17.1 Amended and Restated Lease Agreement dated as of October 14, 1998 between First Security Bank of Utah, N.A., as owner trustee for the COB Real Estate Trust 1995-1, as lessor and Capital One Realty, Inc., as lessee (incorporated by reference to Exhibit 10.17.1 of the 1998 Form 10-K).
- 10.17.2 Guaranty dated as of October 14, 1998 from Capital One Bank in favor of First Security Bank, N.A., as owner trustee for the COB Real Estate Trust 1995-1, First Union National Bank, as indenture trustee, Lawyers Title Realty Services, Inc., as deed of trust trustee, and the Note Purchasers, Registered Owners and LC Issuer referred to therein (incorporated by reference to Exhibit 10.17.2 of the 1998 Form 10-K).

- 10.17.3 Amendment to Lease Documents dated as of October 1, 1999 between First Security Bank of Utah, N.A., and Val T. Orton, as owner trustees for COB Real Estate Trust 1995-1, as lessor and Capital One Bank and Capital One Realty, Inc., as lessees (incorporated by reference to Exhibit 10.17.3 of the 1999 Form 10-K/A).
- 10.17.4 Amendment to Guaranty dated as of April 1, 1999 between Capital One Bank and First Security Bank, N.A., as owner trustee for the COB Real Estate Trust 1995-1, First Union National Bank, as indenture trustee, Lawyers Title Realty Services, Inc., as deed of trust trustee, and the Note Purchasers, Registered Owners and LC Issuer referred to therein (incorporated by reference to Exhibit 10.17.4 of the 1999 Form 10-K/A).
- 10.18.1 Second Amended and Restated Credit Agreement dated as of May 25, 1999 by and among Capital One Financial Corporation, Capital One Bank and Capital One, F.S.B, as original borrowers, and The Chase Manhattan Bank, as administrative agent and lender and the other lenders named therein (incorporated by reference to Exhibit 10.18.1 of the 1999 Form 10-K/A).
- 10.18.2 Amendment to Second Amended and Restated Credit Agreement dated as of December 21, 1999 among Capital One Financial Corporation, Capital One Bank and Capital One, F.S.B., as original borrowers, and The Chase Manhattan Bank, as administrative agent (incorporated by reference to Exhibit 10.18.2 of the 1999 Form 10-K/A).
- 10.19 Second Amendment to Credit Agreement dated June 27, 2002 (incorporated herein by reference to Exhibit 10.18.2 to the Company's Form 10-Q for the period ended June 30, 2002 filed on August 13, 2002).
- 10.20 Form of Intellectual Property Protection Agreement dated as of April 29, 1999 by and among Capital One Financial Corporation and certain of its senior executives (incorporated by reference to Exhibit 10.20 of the 1999 Form 10-K/A).
- 10.21 Credit Agreement (Capital One Realty, Inc.) dated as of September 3, 1999 between First Security Bank, N.A. as owner trustee for Capital One Realty Trust 1998-1, as borrower, the lenders party thereto, and Bank of America, N.A., as administrative agent (incorporated by reference to Exhibit 10.21 of the 1999 Form 10-K/A).
- 10.22 Lease Agreement (Capital One Realty, Inc.) dated as of September 3, 1999 between First Security Bank, N.A. as owner trustee for Capital One Realty Trust 1998-1, as lessor, and Capital One Realty, Inc. as lessee (incorporated by reference to Exhibit 10.22 of the 1999 Form 10-K/A).
- 10.22.1 Consent Letter regarding Lease Agreement dated as of June 28, 2002 by and between Capital One Realty, Inc., as lessee, Capital One Bank, as guarantor, Bank of America, N.A., as agent, Wells Fargo Bank Northwest, National Association, as owner trustee under that Capital One Realty Trust 1998-1, and the various lenders named therein (incorporated by reference to Exhibit 10.22.1 to the Company's Form 10-Q for the period ended June 30, 2002 filed on August 13, 2002).

- 10.23 Participation Agreement (Capital One Realty, Inc.) dated as of September 3, 1999 among Capital One Realty, Inc., as construction agent and lessee, Capital One Bank, as guarantor, First Security Bank, N.A. as owner trustee under the Capital One Realty Trust 1998-1, and the holders and lenders named therein, and Bank of America, N.A., as Agent (incorporated by reference to Exhibit 10.23 of the 1999 Form 10-K/A).
- 10.24 Credit Agreement (Capital One Services, Inc.) dated as of September 3, 1999 between First Security Bank, N.A. as owner trustee for Capital One Realty Trust 1998-1 as borrower, the lenders party thereto, and Bank of America N.A. as administrative agent (incorporated by reference to Exhibit 10.24 of the 1999 Form 10-K/A).
- 10.25 Lease Agreement (Capital One Services, Inc.) dated as of September 3, 1999 between First Security Bank, N. A. as owner trustee for Capital One Realty Trust 1998-1, as lessor, and Capital One Services, Inc. as lessee (incorporated by reference to Exhibit 10.25 of the 1999 Form 10-K/A).
- 10.25.1 Consent Letter regarding Lease Agreement dated as of June 28, 2002 by and between Capital One Services, Inc., as lessee, Capital One Financial Corporation, as guarantor, Bank of America, N.A., as agent, Wells Fargo Bank Northwest, National Association, as owner trustee under the Capital One Realty Trust 1998-1, and the various lenders named therein (incorporated by reference to Exhibit 10.26.1 to the Company's Form 10-Q for the period ended June 30, 2002).
- 10.26 Participation Agreement (Capital One Services, Inc.) dated as of September 3, 1999 among Capital One Services, Inc. as construction agent as lessee, Capital One Financial Corporation, as guarantor, First Security Bank, N.A., as owner trustee under the Capital One Realty Trust 1998-1, the holders and lenders named therein, and Bank of America, N.A., as agent (incorporated by reference to Exhibit 10.26 of the 1999 Form 10-K/A).
- 10.27 2002 Non-Executive Officer Stock Incentive Plan (incorporated herein by reference to the Corporation's Registration Statement on Form S-8, Commission File No. 333-97123, filed July 25, 2002)
- 13 The portions of Capital One Financial Corporation's 2002 Annual Report to Stockholders that are incorporated by reference herein.
- 21 Subsidiaries of the Company (incorporated herein by reference to Exhibit 21 of the Corporation's 2001 Form 10-K).
- 23 Consent of Ernst & Young LLP.

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

CAPITAL ONE FINANCIAL CORPORATION

AND

MELLON BANK, N.A.

Rights Agent

Rights Agreement

Dated as of November 16, 1995

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RIGHTS AGREEMENT

This Agreement, dated as of November 16, 1995, between Capital One Financial Corporation, a Delaware corporation (the "Company"), and Mellon Bank, N.A. (the "Rights Agent").

W I T N E S S E T H:

WHEREAS, on November 16, 1995 (the "Declaration Date"), the Board of Directors of the Company authorized and declared a dividend of one right (a "Right") for each outstanding share of Common Stock (as hereinafter defined), outstanding at the close of business on November 29, 1995 (the "Record Date"), and has authorized the issuance of one Right (subject to adjustment) with respect to each share of Common Stock that shall become outstanding (whether originally issued or delivered from the Company's treasury) between the Record Date and the earlier of the Distribution Date and the Expiration Date (as such terms are hereinafter defined), each Right initially representing the right to purchase one one-hundredth of a Preferred Share (as hereinafter defined) upon the terms and subject to the conditions hereinafter set forth;

NOW, THEREFORE, in consideration of the premises and the mutual agreements herein set forth, the parties hereby agree as follows:

Section 1. Certain Definitions. For purposes of this Agreement, the following terms shall have the meanings indicated:

(a) "Acquiring Person" shall mean (i) any Person (as hereinafter defined) who or which, together with all Affiliates and Associates (as such terms are hereinafter defined) of such Person, shall, subsequent to the Announcement Date (as hereinafter defined), become the Beneficial Owner (as hereinafter defined) of 15% or more of the then outstanding shares of Common Stock (other than as a result of a Permitted Offer (as hereinafter defined)), or (ii) any Person which, together with all Affiliates and Associates of such Person, is on the Announcement Date the Beneficial Owner of 15% or more of the shares of Common Stock then outstanding, if, subsequent to the Announcement Date, such Person, together with all Affiliates and Associates of such Person, shall purchase or otherwise become the Beneficial Owner of additional shares of Common Stock constituting 1% or more of the then outstanding shares of Common Stock; provided, however, that (w) a Person shall not become an Acquiring Person if such Person, together with its Affiliates and Associates, shall become the Beneficial Owner of 15% or more (in the case of clause (i) above) or an additional 1% or more (in the case of clause (ii) above) of the shares of Common Stock then outstanding solely as a result of a reduction in the number of shares of Common Stock outstanding due to the repurchase of shares of Common Stock by the Company, unless and until such time as such Person shall purchase or otherwise become (as a result of actions taken by such Person or its Affiliates or Associates) the Beneficial Owner of additional shares of Common Stock constituting 1% or more of the then outstanding shares of Common Stock; (x) "Acquiring Person" shall not include the Company, any

wholly owned Subsidiary (as hereinafter defined) of the Company, any employee benefit plan or employee stock plan of the Company or of any of its wholly owned Subsidiaries, or any Person holding Common Stock which was organized, appointed or established by the Company or any of its wholly owned Subsidiaries for or pursuant to the terms of any such plan; and (y) "Acquiring Person" shall not include any Person who becomes the Beneficial Owner of 15% or more of the outstanding shares of Common Stock but who acquired beneficial ownership of shares of Common Stock inadvertently (including, without limitation, because (i) such Person was unaware that it Beneficially Owned 15% or more of the Common Stock or (ii) such Person was aware of the extent of such beneficial ownership but such Person acquired beneficial ownership of such shares of Common Stock without any plan or intention to change or influence the control of the Company), and such Person promptly (and in any event within ten Business Days after being so requested by the Company) enters into an irrevocable commitment satisfactory to the Company's Board of Directors promptly (and in any event within twenty Business Days or such shorter period as shall be determined by the Company's Board of Directors) to divest, and thereafter promptly divests as required by such commitment, sufficient shares of Common Stock so that such Person ceases to be a Beneficial Owner of 15% or more of shares of Common Stock.

(b) "Affiliate" shall have the meaning ascribed to such term in Rule 12b-2 of the General Rules and Regulations under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as in effect on the date hereof.

(c) "Announcement Date" shall mean November 16, 1995, the date on which the declaration of a dividend of one Right for each share of Common Stock was first announced publicly.

(d) "Associate" shall include (x) any Person included in the definition of "Associate" in Rule 12b-2 under the Exchange Act, as in effect on the date hereof, and (y) any Affiliate of any such Person.

(e) A Person shall be deemed the "Beneficial Owner" of, and to have "beneficial ownership" of, and to "beneficially own" any securities:

(i) which such Person or any of such Person's Affiliates or Associates beneficially owns or may be deemed to beneficially own, directly or indirectly (as determined pursuant to Rule 13d-3 or 13d-5 under the Exchange Act as in effect on the date of this Agreement);

(ii) which such Person or any of such Person's Affiliates or Associates has, directly or indirectly, (A) the right to acquire (whether such right is exercisable immediately or only after the passage of time or the satisfaction of one or more conditions or both) pursuant to any agreement (other than customary agreements with and between underwriters and selling group members with respect to a bona fide public offering of securities), arrangement or understanding (whether in writing or not), or upon the exercise of conversion rights, exchange rights, rights (other than the Rights), warrants or options, or otherwise (provided, however, that a Person shall not be deemed to be the Beneficial Owner

of, or to beneficially own, any security solely because such security has been tendered pursuant to a tender or exchange offer made by such Person or any of such Person's Affiliates or Associates until such tendered security is accepted for payment or exchange); or (B) the right to vote or dispose of, alone or in concert with others, pursuant to any agreement, arrangement or understanding (whether in writing or not); provided, however, that a Person shall not be deemed pursuant to this clause (ii)(B) to be the Beneficial Owner of, or to beneficially own, any security if the agreement, arrangement or understanding to vote such security (1) arises solely from a revocable proxy or consent given to such Person or any of such Person's Affiliates or Associates in response to a public proxy or consent solicitation made pursuant to, and in accordance with, the applicable rules and regulations of the Exchange Act and (2) is not also then reportable on Schedule 13D under the Exchange Act (or any comparable or successor report), other than solely by reason of the existence of such revocable proxy or consent; or

(iii) which are beneficially owned, directly or indirectly, by any other Person (or any Affiliate or Associate thereof) with which such Person or any of such Person's Affiliates or Associates has any agreement (other than customary agreements with and between underwriters and selling group members with respect to a bona fide public offering of securities), arrangement or understanding (whether or not in writing) for the purpose of acquiring, holding, voting (except pursuant to a revocable proxy or consent as described in clause (ii)(B) of this paragraph) or disposing of any securities of the Company.

If a Person shall be deemed to be the Beneficial Owner of any securities which are not outstanding, such securities shall be deemed to be outstanding for purposes of determining the percentage of Common Stock beneficially owned by such Person but all other securities (including securities of the same class) not actually outstanding shall not be deemed outstanding for such purposes.

(f) "Business Day" shall mean any day other than a Saturday, Sunday, or a day on which banking institutions in the State of New York are authorized or obligated by law or executive order to close.

(g) "close of business" on any given date shall mean 5:00 P.M., New York City time, on such date; provided, however, that if such date is not a Business Day it shall mean 5:00 P.M., New York City time, on the next succeeding Business Day.

(h) "Common Stock" shall mean the Common Stock, par value \$0.01 per share, of the Company (as it may be constituted from time to time during the term of this Agreement), except that "Common Stock" when used with reference to any Person other than the Company (or, in the case of a transaction referred to in Section 13 hereof, if the Company is the successor to the other Person referred to in Section 13, or is the surviving corporation, when thereafter used with reference to the Company) shall mean the capital stock (or, in the case of a partnership or other unincorporated entity, the equivalent equity interest) with the greatest voting power of such Person, together with all rights and benefits (however denominated or constituted) relating to such common stock (including, without limitation, any rights or warrants to acquire additional shares of such common stock or other

securities or assets, or to participate in any trust for the benefit of holders of such shares, or to share in the benefits of any agreements or other arrangements for the benefit of such holders), whether or not such rights are yet exercisable, and together with any other securities which are represented by the certificates for such shares or are transferred in connection with transfers of such shares.

(i) "Permitted Offer" shall mean a tender or exchange offer for all outstanding Common Stock which is at a price and on terms approved, prior to the acceptance for payment of shares under such tender or exchange offer, by the Board of Directors of the Company.

(j) "Person" shall mean any individual, firm, limited liability company, corporation, partnership, trust, association or other entity.

(k) "Preferred Shares" shall mean shares of Cumulative Participating Junior Preferred Stock, par value \$0.01 per share, of the Company having the rights, preferences and limitations set forth in the form of Certificate of Designations attached to this Agreement as Exhibit A and, to the extent there are not a sufficient number of shares of Cumulative Participating Junior Preferred Stock authorized to permit the full exercise of the then outstanding Rights, any other series of preferred stock of the Company designated for such purpose by the Board of Directors of the Company containing terms substantially similar to the terms of the Cumulative Participating Junior Preferred Stock.

(l) "Stock Acquisition Date" shall mean the time and day of the first public announcement (which for purposes of this definition, shall include, without limitation, the filing of a report pursuant to the Exchange Act) by the Company or an Acquiring Person indicating that an Acquiring Person has become such.

(m) "Subsidiary" shall mean, with respect to any Person, any corporation or other entity as to which such Person beneficially owns sufficient voting securities or other ownership interests having ordinary voting power sufficient, in the absence of contingencies, to elect at least a majority of its directors (or individuals performing similar functions).

(n) The terms set forth below are defined in the Sections indicated below:

Term	Section
Act	9(e)
Common Stock Equivalent	11(a)(iii)(B)
current market price	11(d)
Current Value	11(a)(iii)(A)
Declaration Date	Recitals
Distribution Date	3(a)
Equivalent Preferred Shares	11(b)
Exchange Act	1(b)
Exchange Ratio	24

Expiration Date	7(a)
Final Expiration Date	7(a)
NASDAQ	11(d)(i)
Principal Party	13(b)
Purchase Price	7(b)
Record Date	Recitals
Redemption Price	23
Right	Recitals
Right Certificates	3(a)
Rights Agent	Recitals
Section 13 Event	13(a)
Security	11(d)(i)
Spread	11(a)(iii)(A)
Substitution Period	11(a)(iii)
Summary of Rights	3(b)
Trading Day	11(d)(i)
Trigger Date	11(a)(iii)

Section 2. Appointment of Rights Agent. The Company hereby appoints the Rights Agent to act as agent for the Company and the holders of the Rights in accordance with the terms and conditions hereof, and the Rights Agent hereby accepts such appointment. The Company may from time to time appoint such Co-Rights Agents as it may deem necessary or desirable. In the event that the Company appoints one or more Co-Rights Agents, the respective duties of the Rights Agent and any Co-Rights Agents shall be as the Company shall determine.

Section 3. Issue of Right Certificates. (a) Until the close of business on the earlier of (i) the tenth Business Day after the Stock Acquisition Date (including any such date which is after the Declaration Date even if prior to the Record Date) and (ii) the tenth Business Day (or such later day as may be determined by action of the Board of Directors of the Company prior to such time as any person becomes an Acquiring Person) after the date of the commencement of, or the first public announcement of the intent of any Person (other than the Company, any wholly owned Subsidiary of the Company, any employee benefit plan or employee stock plan of the Company or of any wholly owned Subsidiary of the Company or any Person holding Common Stock which was organized, appointed or established by the Company or such wholly owned Subsidiary for or pursuant to the terms of any such plan) to commence (which intention to commence remains in effect for five Business Days after such announcement), a tender or exchange offer the consummation of which would result in any Person becoming an Acquiring Person (including any such date which is after the Declaration Date even if prior to the Record Date), (the earlier of the dates referred to in clauses (i) and (ii) above being herein referred to as the "Distribution Date"), (x) the Rights will be evidenced (subject to the provisions of paragraph (b) of this Section 3) by the certificates for the Common Stock registered in the names of the holders of the Common Stock (which certificates for Common Stock shall also be deemed (other than for purposes of this Section 3 and any provision of this Agreement referring to the issuance of

Rights Certificates) to be Right Certificates (as such term is hereinafter defined)) and not by separate Right Certificates, and (y) the Rights (and the right to receive Right Certificates) will be transferable only simultaneously and together with the transfer of the underlying shares of Common Stock. As soon as practicable after the Distribution Date, subject to Section 7(e) hereof the Company shall prepare and execute, the Rights Agent will countersign, and the Company will send or cause to be sent by first-class, postage-prepaid mail, to each record holder of the Common Stock as of the close of business on the Distribution Date, as shown by the records of the Company, at the address of such holder shown on such records, a right certificate, substantially in the form of Exhibit B hereto (a "Right Certificate"), evidencing one Right for each share of Common Stock so held, subject to adjustment as herein provided. As of and after the close of business on the Distribution Date, the Rights will be evidenced solely by such Right Certificates and may be transferred only by the transfer of the Rights Certificates as permitted hereby, separately and apart from any transfer of one or more shares of Common Stock.

(b) Promptly after the Record Date, the Company or the Rights Agent will mail a copy of the Summary of Rights to Purchase Preferred Shares substantially in the form attached hereto as Exhibit C (the "Summary of Rights"), by first-class, postage-prepaid mail, to each record holder of the Common Stock as of the close of business on the Record Date, as shown by the records of the Company, at the address of such holder shown on such records. With respect to certificates for Common Stock outstanding as of the close of business on the Record Date or issued prior to the Distribution Date, until the Distribution Date the Rights will be evidenced solely by such certificates registered in the names of the holders thereof. Until the Distribution Date (or the earlier redemption or expiration of the Rights), the surrender for transfer of any certificate for Common Stock outstanding as of the close of business on the Record Date, with or without a copy of the Summary of Rights attached thereto, shall also constitute the transfer of the Rights associated with the Common Stock represented thereby.

The Company will mail to any record holder of a Right (including, prior to the Distribution Date, a record holder of Common Stock) a copy of this Rights Agreement, without charge, promptly after receipt of a written request therefor.

(c) Rights shall be issued in respect of all shares of Common Stock that become outstanding after the Record Date and prior to the earlier of the Distribution Date and the Expiration Date, and all certificates for Common Stock which become outstanding after the Record Date, but prior to the earlier of the Distribution Date and the Expiration Date shall have impressed on, printed on, written on or otherwise affixed to them substantially the following legend:

This certificate also evidences and entitles the holder hereof to certain Rights as set forth in a Rights Agreement between Capital One Financial Corporation and Mellon Bank, N.A., dated as of November 16, 1995, as it may from time to time be supplemented or amended pursuant to its terms (the "Rights Agreement"), the terms of which are hereby incorporated by reference and a copy of which is on file at the principal executive offices of Capital One Financial Corporation. Under certain

circumstances as set forth in the Rights Agreement, such Rights will be evidenced by separate certificates and will no longer be evidenced by this certificate. Capital One Financial Corporation will mail to the registered holder of this certificate a copy of the Rights Agreement without charge promptly after receipt of a written request therefor. Under certain circumstances provided for in the Rights Agreement, Rights issued to, or beneficially owned by any Person who is an Acquiring Person or an Affiliate or Associate thereof (as such terms are defined in the Rights Agreement) or any subsequent holder of such Rights shall become null and void.

Section 4. Form of Right Certificates. The Right Certificates (and the forms of election to purchase shares and of assignment to be printed on the reverse thereof) shall be substantially in the form of Exhibit B hereto and may have such marks of identification or designation and such legends, summaries or endorsements printed thereon as the Company may deem appropriate and as are not inconsistent with the provisions of this Agreement, or as may be required to comply with any law or with any rule or regulation made pursuant thereto or with any rule or regulation of any stock exchange or quotation system on which the Rights may from time to time be listed, or to conform to usage. Subject to the provisions of Sections 11 and 22 hereof, the Right Certificates, whenever distributed, which are distributed in respect of shares of Common Stock which were issued and outstanding as of the Record Date, shall be dated as of the Record Date, and all Right Certificates which are distributed in respect of other shares of Common Stock shall be dated as of the respective date of issuance of such Common Stock and in each such case on their face shall entitle the holders thereof to purchase such number of one-hundredths of a Preferred Share as shall be set forth therein at the Purchase Price (as hereinafter defined), but the number and type of securities purchasable upon the exercise of each Right and the Purchase Price thereof shall be subject to adjustment as provided herein.

Section 5. Countersignature and Registration. (a) The Right Certificates shall be executed on behalf of the Company by its Chairman of the Board, its President or any Senior Vice President or Vice President, either manually or by facsimile signature, and have affixed thereto the Company's seal or a facsimile thereof which shall be attested by the Secretary or an Assistant Secretary of the Company, either manually or by facsimile signature. The Right Certificates shall be manually countersigned by the Rights Agent and shall not be valid for any purpose unless so countersigned. In case any officer of the Company who shall have signed or attested any of the Right Certificates shall cease to be such officer of the Company before countersignature by the Rights Agent and issuance and delivery by the Company, such Right Certificates, nevertheless, may be countersigned by the Rights Agent, and issued and delivered with the same force and effect as though the person who signed or attested such Right Certificates had not ceased to be such officer of the Company; and any Right Certificate may be signed or attested on behalf of the Company by any person who, at the actual date of the execution of such Right Certificate, shall be a proper officer of the Company to sign or attest such Right Certificate, although at the date of the execution of this Rights Agreement any such person was not such an officer.

(b) Following the Distribution Date, the Rights Agent will keep or cause to be kept, at its principal office or such other office designated by it for such purpose, books

for registration and transfer of the Right Certificates issued hereunder. Such books shall show the name(s) and address(es) of the holder(s) of each Right Certificate, the number of Rights evidenced on its face by each Right Certificate, the certificate number of each Right Certificate and the date of each Right Certificate.

Section 6. Transfer, Split Up, Combination and Exchange of Right Certificates; Mutilated, Destroyed, Lost or Stolen Right Certificates. (a) Subject to the provisions of Sections 7(e), 7(f) and 14 hereof, at any time after the close of business on the Distribution Date, and at or prior to the close of business on the Expiration Date, any Right Certificate or Right Certificates may be transferred, split up, combined or exchanged for another Right Certificate or Right Certificates, entitling the registered holder to purchase a like number of one one-hundredths of a Preferred Share (or other securities, cash and/or assets, as the case may be) as the Right Certificate or Right Certificates surrendered then entitled such holder to purchase. Any registered holder desiring to transfer, split up, combine or exchange any Right Certificate or Right Certificates shall make such request in writing delivered to the Rights Agent, and shall surrender the Right Certificate or Right Certificates to be transferred, split up, combined or exchanged at the principal office or such other office of the Rights Agent designated for such purpose. Neither the Rights Agent nor the Company shall be obligated to take any action whatsoever with respect to the transfer of any such surrendered Right Certificate unless and until the registered holder shall have completed and signed the certificate contained in the form of assignment on the reverse side thereof and shall have provided such additional evidence of the identity of the Beneficial Owner (or former Beneficial Owner) or Associates and Affiliates of the foregoing as the Company shall reasonably request. Thereupon the Rights Agent shall, subject to Sections 7(e), 7(f) and 14 hereof, countersign and deliver to the person entitled thereto a Right Certificate or Right Certificates, as the case may be, as so requested. The Company may require payment of a sum sufficient to cover any tax or governmental charge that may be imposed in connection with any transfer, split up, combination or exchange of Right Certificates.

(b) Subject to the provisions of Sections 7(e), 7(f) and 14 hereof, upon receipt by the Company and the Rights Agent of evidence reasonably satisfactory to them of the loss, theft, destruction or mutilation of a Right Certificate, and, in case of loss, theft or destruction, of an indemnity or security reasonably satisfactory to the Company and the Rights Agent, and reimbursement to the Company and the Rights Agent of all reasonable expenses incidental thereto, and upon surrender to the Rights Agent and cancellation of the Right Certificate if mutilated, the Company will make and deliver a new Right Certificate of like tenor to the Rights Agent for counter signature and delivery to the registered owner in lieu of the Right Certificate so lost, stolen, destroyed or mutilated.

Section 7. Exercise of Rights; Purchase Price, Expiration Date of Rights. (a) Subject to Sections 7(e), 7(f), 9(e) and 11(a)(iii) hereof, the registered holder of any Right Certificate may exercise the Rights evidenced thereby (except as otherwise provided herein) in whole or in part at any time after the Distribution Date upon surrender of the Right Certificate, with the form of election to purchase and certificate on the reverse side thereof duly executed, to the Rights Agent at its principal office or such other office designated by it

for such purpose, together with payment of the Purchase Price for each one-hundredth of a Preferred Share (or other securities, cash and/or assets, as the case may be) as to which the Rights are exercised, at or prior to the earliest of (i) the close of business on November 29, 2005 (the "Final Expiration Date"), (ii) the date and time at which the Rights are redeemed as provided in Section 23 hereof, (iii) the date and time at which the Rights are exchanged as provided in Section 24 hereof, or (iv) the time at which the rights expire pursuant to Section 13(d) (such earliest date and time being referred to herein as the "Expiration Date").

(b) The purchase price for each one one-hundredth of a Preferred Share pursuant to the exercise of a Right shall initially be \$150.00, shall be subject to adjustment from time to time as provided in Sections 11 and 13 hereof and shall be payable in lawful money of the United States of America in accordance with paragraph (c) below (the "Purchase Price").

(c) Except as otherwise provided herein, upon receipt of a Right Certificate representing exercisable Rights, with the form of election to purchase and certificate duly executed, accompanied by payment of the Purchase Price for the Preferred Shares (or other securities, cash and/or assets, as the case may be) to be purchased and an amount equal to any applicable transfer tax (as determined by the Rights Agent) in cash, or by certified check or bank draft payable to the order of the Company, the Rights Agent shall, subject to Section 20(j) hereof, thereupon promptly (i) (A) requisition from any transfer agent of the Preferred Shares certificates (or make available, if the Rights Agent is the transfer agent) for the number of Preferred Shares to be purchased and the Company hereby irrevocably authorizes its transfer agent to comply with all such requests or (B) if the Company has elected to deposit the Preferred Shares issuable upon exercise of the Rights hereunder into a depository, requisition from the depository agent depository receipts representing such number of one one-hundredths of a Preferred Share as are to be purchased (in which case certificates for the Preferred Shares represented by such receipts shall be deposited by the transfer agent with the depository agent) and the Company hereby directs the depository agent to comply with such request, (ii) when appropriate, requisition from the Company the amount of cash to be paid in lieu of issuance of fractional shares in accordance with Section 14 hereof, (iii) after receipt of such certificates or depository receipts, cause the same to be delivered to or upon the order of the registered holder of such Right Certificate, registered in such name or names as may be designated by such holder and (iv) when appropriate, promptly after receipt thereof, deliver any such cash to or upon the order of the registered holder of such Right Certificate. In the event that the Company is obligated to issue other securities of the Company, pay cash and/or distribute other property pursuant to Section 11 hereof, the Company will make all arrangements necessary so that such other securities, cash and/or property are available for distribution by the Rights Agent, if and when appropriate. Notwithstanding the foregoing provisions of this Section 7(c), the Company may suspend the issuance of Preferred Shares or shares of Common Stock or other securities upon exercise of a Right for a reasonable period, not in excess of 90 days, during which the Company seeks to register under the Securities Act of 1933, as amended, and any applicable securities law of any other jurisdiction, the Preferred Shares or shares of Common Stock or such other securities to be issued pursuant to the Rights.

(d) In case the registered holder of any Right Certificate shall exercise less than all the Rights evidenced thereby, a new Right Certificate evidencing Rights equivalent to the Rights remaining unexercised shall be issued by the Rights Agent to the registered holder of such Right Certificate or to his duly authorized assigns, subject to the provisions of Sections 7(e), 7(f) and 14 hereof, or the Rights Agent shall place an appropriate notation on the Right Certificate with respect to those Rights exercised.

(e) Notwithstanding anything in this Agreement to the contrary, from and after the Stock Acquisition Date, any Rights beneficially owned by (i) an Acquiring Person or any Associate or Affiliate thereof, (ii) a transferee of an Acquiring Person (or of any Affiliate or Associate thereof) who becomes a transferee concurrently with or after the Acquiring Person becomes such, (iii) a transferee of an Acquiring Person (or of any Affiliate or Associate thereof) who becomes a transferee prior to the Acquiring Person becoming such and receives such Rights pursuant to either (A) a transfer (whether or not for consideration) by the Acquiring Person to holders of equity interests in such Acquiring Person or to any Person with whom the Acquiring Person has any continuing agreement, arrangement or understanding (whether or not in writing) regarding the transferred Rights or (B) a transfer which the Board of Directors of the Company has determined is part of a plan, arrangement or understanding (whether or not in writing) which has a purpose or effect the avoidance of this Section 7(e) or of Section 11 or 13 with respect to the limitation of rights beneficially owned by an Acquiring Person (or any Associate or Affiliate thereof), or (iv) a subsequent transferee of any of the foregoing, shall become null and void without any further action and no existing or subsequent holder of such Rights shall have any rights whatsoever with respect to such Rights, whether under any provision of this Agreement or otherwise. No Right Certificate shall be issued pursuant to Section 3 hereof that represents Rights beneficially owned by an Acquiring Person whose Rights would be void pursuant to the provisions of this Section 7(e) or any Associate or Affiliate thereof; no Right Certificate shall be issued at any time upon the transfer of any Rights to an Acquiring Person whose Rights would be void pursuant to the provisions of this Section 7(e) or any Associate or Affiliate thereof or to any nominee of such Acquiring Person, Associate or Affiliate; and any Right Certificate delivered to the Rights Agent for transfer to an Acquiring Person whose Rights would be void pursuant to the provisions of this Section 7(e) shall be canceled; provided, that if any Right Certificate that should not have been issued, or should have been cancelled, pursuant to this sentence is issued or is not cancelled, it shall nevertheless be void as provided above in this Section 7(e). The Company shall use all reasonable efforts to insure that the provisions of this Section 7(e) hereof are complied with, but shall have no liability to any holder of Right Certificates or any other Person as a result of the failure to make any determination with respect to an Acquiring Person or its Affiliates, Associates or to transferees of the foregoing.

(f) Notwithstanding any other provision of this Agreement, neither the Rights Agent nor the Company shall be obligated to take any action whatsoever with respect to a registered holder of any Right Certificate upon the occurrence of any purported transfer or exercise as set forth in this Section 7 unless and until the registered holder shall have completed and signed the certificate contained in the form of election to purchase shares set forth on the reverse side thereof and shall have provided such additional evidence of the

identity of the Beneficial Owner and former Beneficial Owner (and Associates and Affiliates of the foregoing) as the Company shall reasonably request.

Section 8. Cancellation and Destruction of Right Certificates.

All Right Certificates surrendered for the purpose of exercise, transfer, split up, combination or exchange shall, if surrendered to the Company or to any of its agents, be delivered to the Rights Agent for cancellation or in cancelled form, or, if surrendered to the Rights Agent, shall be cancelled by it, and no Right Certificate shall be issued in lieu thereof except as expressly permitted by any of the provisions of this Rights Agreement. The Company shall deliver to the Rights Agent for cancellation and retirement, and the Rights Agent shall so cancel and retire, any other Right Certificate purchased or acquired by the Company otherwise than upon the exercise thereof. The Rights Agent shall deliver all cancelled Right Certificates to the Company, or shall, at the written request of the Company, destroy such cancelled Right Certificates, and in such case shall deliver a certificate of destruction thereof to the Company.

Section 9. Reservation and Availability of Capital Stock. (a)

The Company covenants and agrees that at all times prior to the Stock Acquisition Date, it will cause to be reserved and kept available out of its authorized and unissued Preferred Shares or any authorized and issued Preferred Shares held in its treasury, the number of Preferred Shares that, will be sufficient to permit the exercise in full of all outstanding Rights and, after the Stock Acquisition Date, shall to the extent reasonably practicable, so reserve and keep available a sufficient number of its authorized and unissued shares of Common Stock and/or other securities or out of its authorized and issued shares of Common Stock and/or other securities held in its treasury which may be required to permit the exercise in full of the Rights pursuant to this Agreement.

(b) The Company covenants and agrees that it will take all such action as may be necessary to insure that all Preferred Shares (and following the Stock Acquisition Date, shares of Common Stock and/or other securities) delivered upon exercise of Rights shall, at the time of delivery of the certificates for such shares (subject to payment of the Purchase Price), be duly and validly authorized and issued and fully paid and nonassessable shares.

(c) The Company covenants and agrees that it will pay when due and payable any and all U.S. federal and state transfer taxes and charges which may be payable in respect of the issuance or delivery of the Right Certificates or of any Preferred Shares (or shares of Common Stock and/or other securities, as the case may be) upon the exercise of Rights. The Company shall not, however, be required to pay any transfer tax which may be payable in respect of any transfer involved in the transfer or delivery of Right Certificates to a person other than, or the issuance or delivery of certificates or depositary receipts for Preferred Shares (or shares of Common Stock and/or other securities, as the case may be) in a name other than that of, the registered holder of the Right Certificate evidencing Rights surrendered for exercise or to issue or deliver any certificates or depositary receipts for Preferred Shares (or shares of Common Stock and/or other securities, as the case may be) upon the exercise of any Rights until any such tax shall have been paid (any such tax being

payable by the holder of such Right Certificate at the time of surrender) or until it has been established to the Company's satisfaction that no such tax is due.

(d) So long as the Preferred Shares (or shares of Common Stock and/or other securities, as the case may be) issuable upon the exercise of the Rights may be listed on any national securities exchange, the Company shall use its best efforts to cause, from and after such time as the Rights become exercisable, all shares reserved for such issuance to be listed on such exchange upon official notice of issuance upon such exercise.

(e) The Company shall use its best efforts to (i) file as soon as practicable following the Stock Acquisition Date (or, if required by law, at such earlier time following the Distribution Date as so required) a registration statement under the Securities Act of 1933, as amended (the "Act") with respect to the securities purchasable upon exercise of the Rights on an appropriate form, (ii) cause such registration statement to become effective as soon as practicable after such filing and (iii) cause such registration statement to remain effective (with a prospectus at all times meeting the requirements of the Act and the rules and regulations thereunder) until the earlier of (A) the date as of which the Rights are no longer exercisable for such securities and (B) the expiration of the Rights. The Company will also take such action as may be appropriate to ensure compliance with the securities or "blue sky" laws of the various states. The Company may temporarily suspend, in accordance with applicable law, for a period of time not to exceed 90 days after the date set forth in clause (i) of the first sentence of this Section 9(e), the exercisability of the Rights in order to prepare and file such registration statement and permit it to become effective. Upon any such suspension, the Company shall issue a public announcement stating that the exercisability of the Rights has been temporarily suspended, as well as a public announcement at such time as the suspension is no longer in effect. Notwithstanding any provision of this Agreement to the contrary, the Rights shall not be exercisable in any jurisdiction if the requisite qualification in such jurisdiction shall not have been obtained, the exercise thereof shall not be permitted under applicable law or a registration statement shall not have been declared effective.

Section 10. Preferred Share Record Date. Each Person in whose name any certificate or depositary receipt for Preferred Shares (or shares of Common Stock and/or other securities, as the case may be) is issued upon the exercise of Rights shall for all purposes be deemed to have become the holder of record of the Preferred Shares (or shares of Common Stock and/or other securities, as the case may be) represented thereby on, and such certificate or depositary receipt shall be dated, the date upon which the Right Certificate evidencing such Rights was duly surrendered and payment of the Purchase Price (and any applicable transfer taxes) was made; provided, however, that if the date of such surrender and payment is a date upon which the transfer books of the Company are closed, such Person shall be deemed to have become the record holder of such shares on, and such certificate or depositary receipt shall be dated, the next succeeding Business Day on which the transfer books of the Company are open. Prior to the exercise of the Rights evidenced thereby, the holder of a Right Certificate shall not be entitled to any rights of a stockholder of the Company with respect to shares for which the Rights shall be exercisable, including, without limitation, the right to vote, to receive dividends or other distributions or to exercise

any preemptive rights, and shall not be entitled to receive any notice of any proceedings of the Company, except as provided herein.

Section 11. Adjustment of Purchase Price, Number of Shares or Number of Rights. The Purchase Price, the number and kind of securities, or fractions thereof, covered by each Right and the number of Rights outstanding are subject to adjustment from time to time as provided in this Section 11.

(a) (i) In the event the Company shall at any time after the date of this Agreement (A) declare or pay a dividend on the Preferred Shares payable in Preferred Shares, (B) subdivide or split the outstanding Preferred Shares, (C) combine or consolidate the outstanding Preferred Shares into a smaller number of Preferred Shares or (D) issue any shares of its capital stock in a reclassification of the Preferred Shares (including any such reclassification in connection with a consolidation or merger in which the Company is the continuing or surviving corporation), except as otherwise provided in this Section 11(a) and Section 7(e), the Purchase Price in effect at the time of the record date for such dividend or of the effective date of such subdivision, split, combination, consolidation or reclassification, and the number and kind of shares of Preferred Shares or capital stock, as the case may be, issuable upon exercise of a Right on such date, shall be proportionately adjusted so that the holder of any Right exercised after such time shall be entitled to receive, upon payment of the Purchase Price then in effect, the aggregate number and kind of shares of Preferred Shares or capital stock, as the case may be, which, if such Right had been exercised immediately prior to such date and at a time when the transfer books of the Company were open, such holder would have owned upon such exercise and been entitled to receive by virtue of such dividend, subdivision, split, combination, consolidation or reclassification. If an event occurs which would require an adjustment under both this Section 11(a)(i) and Section 11(a)(ii), the adjustment provided for in this Section 11(a)(i) shall be in addition to, and shall be made prior to, any adjustment required pursuant to Section 11(a)(ii).

(ii) Immediately upon the Stock Acquisition Date, proper provision shall be made so that each holder of a Right (except as otherwise provided in Section 7(e) hereof) shall thereafter have the right to receive, upon exercise thereof at the then current Purchase Price in accordance with the terms of this Agreement and subject to Sections 9(e), 11(a)(iii) and 24, in lieu of Preferred Shares, such number of shares of Common Stock of the Company as shall equal the result obtained by (x) multiplying the then current Purchase Price by the then number of one one-hundredths of a Preferred Share for which a Right was or would have been exercisable immediately prior to the first Stock Acquisition Date (whether or not such Right was then exercisable) and (y) dividing that product by 50% of the current market price per share of the Common Stock (determined pursuant to Section 11(d) hereof) on the first Stock Acquisition Date (such number of shares being hereinafter referred to as the "Adjustment Shares"); provided, however, if the transaction that would otherwise give rise to the foregoing adjustment is also subject to the provisions of Section 13 hereof, then only the provisions of Section 13 hereof shall apply and no adjustment shall be made pursuant to this Section 11(a)(ii).

(iii) In the event that the number of shares of Common Stock, which are authorized by the Company's certificate of incorporation but not outstanding or reserved for issuance for purposes other than upon exercise of the Rights, is not sufficient to permit the exercise in full of the Rights in accordance with the foregoing clause (ii) of this Section 11(a), and the Rights become so exercisable, the Company (acting by resolution of its Board of Directors) shall (to the extent permitted by applicable law):

(A) determine the excess of (1) the value of the Adjustment Shares issuable upon the exercise of a Right (the "Current Value") over (2) the then current Purchase Price attributable to each Right (such excess being referred to herein as the "Spread"), and

(B) with respect to each Right, to the extent permitted by applicable law and any contractual restrictions binding on the Company, make adequate provision to substitute for the Adjustment Shares, upon payment of the Purchase Price, (1) Common Stock or other equity securities of the Company (including, without limitation, shares, or units of shares, of preferred stock which the Board of Directors of the Company has deemed to have substantially the same value as shares of Common Stock (such shares of preferred stock being referred to herein as "Common Stock Equivalents")), (2) a reduction in the Purchase Price, (3) cash, (4) debt securities of the Company, (5) other assets, or (6) any combination of the foregoing (provided, that in making any such provision, Rights shall, to the fullest extent feasible in view of the number of shares of authorized Common Stock not outstanding or reserved for issuance for purposes other than upon exercise of the rights, be exercisable for Common Stock), in each case having an aggregate value equal to the Current Value, where such aggregate value has been determined by the Board of Directors of the Company based upon the advice of a nationally recognized investment banking firm selected by the Board of Directors of the Company;

provided, however, that if the Company shall not have made adequate provision to deliver value pursuant to clause (B) above within thirty (30) days following the Stock Acquisition Date (the "Trigger Date"), then the Company shall be obligated to deliver, upon the surrender for exercise of a Right and without requiring payment of the Purchase Price, shares of Common Stock (to the extent available) and then, if necessary, cash, securities and/or assets that have an aggregate value equal to the Spread. Notwithstanding the immediately preceding sentence, if the Board of Directors of the Company shall determine in good faith that it is likely that sufficient additional shares of Common Stock could be authorized for issuance upon exercise in full of the Rights, the thirty (30) day period set forth above may be extended to the extent necessary, but not to more than ninety (90) days after the Trigger Date, in order that the Company may seek stockholder approval for the authorization of such additional shares (such period, as it may be extended, being referred to herein as the "Substitution Period"). To the extent that the Company determines that some action need be taken pursuant to the foregoing provisions of this Section 11(a)(iii), the Company (x) shall provide, subject to Section 7(e), that such action shall apply uniformly to all outstanding Rights and (y) may suspend the exercisability of the Rights until the expiration of the Substitution Period in order to seek any authorization of additional shares

and/or to decide the appropriate form of distribution to be made pursuant to the first sentence of this Section 11(a)(iii) and to determine the value thereof. In the event of any such suspension, the Company shall issue a public announcement stating that the exercisability of the Rights has been temporarily suspended, as well as a public announcement at such time as the suspension is no longer in effect. For purposes of this Section 11(a)(iii), the terms of any Common Stock Equivalent shall be determined so that the per share or per unit value of such Common Stock Equivalent shall have the same value as the "current market price" per share of Common Stock (as determined pursuant to 11(d) on the date of the first occurrence of the Stock Acquisition Date).

(b) In case the Company shall fix a record date for the issuance of rights, options or warrants to all holders of Preferred Shares entitling them (for a period expiring within 45 calendar days after such record date) to subscribe for or purchase Preferred Shares (or shares having substantially the same rights, privileges, and preferences as the Preferred Shares ("Equivalent Preferred Shares")) or securities convertible into Preferred Shares or Equivalent Preferred Shares at a price per Preferred Share or Equivalent Preferred Share (or having a conversion price per share, if a security convertible into Preferred Shares or Equivalent Preferred Shares) less than the current market price per Preferred Share (as defined in Section 11(d) hereof) on such record date, the Purchase Price to be in effect after such record date shall be determined by multiplying the Purchase Price in effect immediately prior to such record date by a fraction, of which the numerator shall be the number of Preferred Shares and Equivalent Preferred Shares outstanding on such record date plus the number of Preferred Shares which the aggregate offering price of the total number of Preferred Shares and/or Equivalent Preferred Shares to be so offered (and/or the aggregate initial conversion price of the convertible securities to be so offered) would purchase at such current market price and of which the denominator shall be the number of Preferred Shares and Equivalent Preferred Shares outstanding on such record date plus the number of additional Preferred Shares and/or Equivalent Preferred Shares to be offered for subscription or purchase (or into which the convertible securities so to be offered are initially convertible). In case such subscription price may be paid in a consideration part or all of which shall be in a form other than cash, the value of such consideration shall be as determined in good faith by the Board of Directors of the Company, whose determination shall be described in a statement filed with the Rights Agent. Preferred Shares owned by or held for the account of the Company or any of its Subsidiaries shall not be deemed outstanding for the purpose of any such computation. Such adjustment shall be made successively whenever such a record date is fixed; and in the event that such rights, options or warrants are not so issued, the Purchase Price shall be adjusted to be the Purchase Price which would then be in effect if such record date had not been fixed.

(c) In case the Company shall fix a record date for the making of a distribution to all holders of Preferred Shares (including any such distribution made in connection with a consolidation or merger in which the Company is the continuing or surviving corporation) of evidences of indebtedness or assets (other than a regular periodic cash dividend at a rate not in excess of 150% of the rate of the last periodic cash dividend theretofore paid or a dividend payable in Preferred Shares) or subscription rights or warrants (excluding those referred to in Section 11(b) hereof), the Purchase Price to be in effect after

such record date shall be determined by multiplying the Purchase Price in effect immediately prior to such record date by a fraction, the numerator of which shall be the current market price per Preferred Share (as defined in Section 11(d) hereof) on such record date, less the fair market value (as determined in good faith by the Board of Directors of the Company, whose determination shall be described in a statement filed with the Rights Agent) of the portion of the assets or evidences of indebtedness so to be distributed or of such subscription rights or warrants applicable to one Preferred Share and of which the denominator shall be such current market price per Preferred Share. Such adjustments shall be made successively whenever such a record date is fixed; and in the event that such distribution is not so made, the Purchase Price shall again be adjusted to be the Purchase Price which would then be in effect if such record date had not been fixed.

(d) (i) For the purpose of any computation hereunder, and subject to Section 11(d)(ii), the "current market price" for any security (a "Security" for purposes of this Section 11(d)(i)) on any date shall be deemed to be the average of the daily closing prices per share of such Security for the thirty (30) consecutive Trading Days (as such term is hereinafter defined) immediately prior to such date; provided, however, that in the event that the current market price per share of the Security is determined during a period following the announcement by the issuer of such Security of a dividend or distribution on such Security payable in shares of such Security or securities convertible into shares of such Security, or any subdivision, split, combination, consolidation or reclassification of such Security, and prior to the expiration of thirty (30) Trading Days after the ex-dividend date for such dividend or distribution or the record date for such subdivision, split, combination, consolidation or reclassification, then, and in each such case, the current market price shall be appropriately adjusted to reflect ex-dividend or ex-distribution trading. The closing price for each day shall be the last sale price, regular way, or, in case no such sale takes place on such day, the average of the closing bid and asked prices, regular way, in either case as reported in the principal consolidated transaction reporting system with respect to securities listed or admitted to trading on the New York Stock Exchange or, if the Security is not listed or admitted to trading on the New York Stock Exchange, as reported in the principal consolidated transaction reporting system with respect to securities listed on the principal national securities exchange on which the shares of the Security are listed or admitted to trading or, if the shares of the Security are not listed or admitted to trading on any national securities exchange, the last quoted price or, if not so quoted, the average of the high bid and low asked prices in the over-the-counter market, as reported by the National Association of Securities Dealers, Inc. Automated Quotation System or any successor ("NASDAQ") or such other system then in use, or, if on any such date the shares of the Security are not quoted by any such organization, the average of the closing bid and asked prices as furnished by a professional market maker making a market in the Security selected by the Board of Directors of the Company. If on such date no such market maker is making a market in the Security, the fair value of such shares on such date as determined in good faith by the Board of Directors of the Company shall be used, such determination to be described in a statement filed with the Rights Agent. The term "Trading Day" shall mean a day on which the principal national securities exchange on which the shares of the Security are listed or admitted to trading is open for the transaction of business or, if the shares of the

Security are not listed or admitted to trading on any national securities exchange but are quoted on NASDAQ, a day on which NASDAQ is in operation or if the shares of Security are neither listed nor admitted to trading on any national securities exchange nor quoted on NASDAQ, a Business Day.

(ii) For the purpose of any computation hereunder, the "current market price" of the Preferred Shares shall be determined in accordance with the method set forth in Section 11(d)(i), except that if the Preferred Shares are not publicly traded, the "current market price" of the Preferred Shares shall be conclusively deemed to be the current per share market price of the Common Stock as determined pursuant to Section 11(d)(i) (appropriately adjusted to reflect any stock split, stock dividend or similar transaction occurring after the date hereof), multiplied by one hundred (as such number may be appropriately adjusted for stock splits, stock dividends, recapitalizations and similar events after the date of this Agreement). If neither the Common Stock nor the Preferred Shares are publicly held or so listed or traded, "current per share market price" shall mean the fair value per share as determined in good faith by an independent investment banking firm selected in good faith by the Board of Directors of the Company, whose determination shall be described in a statement filed with the Rights Agent and shall be conclusive for all purposes.

(e) Notwithstanding anything herein to the contrary, no adjustment in the Purchase Price shall be required unless such adjustment would require an increase or decrease of at least 1% in such price; provided, however, that any adjustments which by reason of this Section 11(e) are not required to be made shall be carried forward and taken into account in any subsequent adjustment. All calculations under this Section 11 shall be made to the nearest cent or to the nearest ten-thousandth of a share of Common Stock or to the nearest one one-millionth of a Preferred Share. Notwithstanding the first sentence of this Section 11(e), any adjustment required by this Section 11 shall be made no later than the earlier of (i) three years from the date of the transaction which mandates such adjustment and (ii) the date of the expiration of the right to exercise any Rights.

(f) In the event that at any time, as a result of an adjustment made pursuant to Section 11(a), or Section 13(a), the holder of any Right thereafter exercised shall become entitled to receive any securities other than Preferred Shares, thereafter the number or amount of such other securities so receivable upon exercise of any Right shall be subject to adjustment from time to time in a manner and on terms as nearly equivalent as practicable to the provisions with respect to the securities contained in Sections 11(a), (b), (c), (e), (g), (h), (i), (j), (k) and (m), and the provisions of Sections 7, 9, 10, 13 and 14 of this Agreement with respect to the Preferred Shares shall apply on like terms to any such other securities.

(g) All Rights originally issued by the Company subsequent to any adjustment made to the Purchase Price hereunder shall evidence the right to purchase, at the adjusted Purchase Price, the number of one one-hundredths of a Preferred Share purchasable from time to time hereunder upon exercise of the Rights, all subject to further adjustment as provided herein.

(h) Unless the Company shall have exercised its election as provided in Section 11(i) of this Agreement, upon each adjustment of the Purchase Price as a result of the calculations made in Section 11(b) and (c) of this Agreement, each Right outstanding immediately prior to the making of such adjustment shall thereafter evidence the right to purchase, at the adjusted Purchase Price, that number of one one-hundredths of a Preferred Share (calculated to the nearest one one-millionth of a Preferred Share) obtained by (i) multiplying (x) the number of one one-hundredths of a Preferred Share covered by a Right immediately prior to such adjustment by (y) the Purchase Price in effect immediately prior to such adjustment of the Purchase Price and (ii) dividing the product so obtained by the Purchase Price in effect immediately after such adjustment of the Purchase Price.

(i) The Company may elect on or after the date of any adjustment of the Purchase Price to adjust the number of Rights, in substitution for any adjustment in the number of one one-hundredths of a Preferred Share purchasable upon the exercise of a Right. Each of the Rights outstanding after such adjustment of the number of Rights shall be exercisable for the number of one one-hundredths of a Preferred Share for which it was exercisable immediately prior to such adjustment. Each Right held of record prior to such adjustment of the number of Rights shall become that number of Rights (calculated to the nearest one ten-thousandth) obtained by dividing the Purchase Price in effect immediately prior to adjustment of the Purchase Price by the Purchase Price in effect immediately after adjustment of the Purchase Price. The Company shall make a public announcement of its election to adjust the number of Rights, indicating the record date for the adjustment, and, if known at the time, the amount of the adjustment to be made. This record date may be the date on which the Purchase Price is adjusted or any day thereafter, but, if the Right Certificates have been issued, shall be at least 10 days later than the date of the public announcement. If Right Certificates have been issued, upon each adjustment of the number of Rights pursuant to this Section 11(i) the Company shall, as promptly as practicable, cause to be distributed to holders of record of Right Certificates on such record date, Right Certificates evidencing, subject to Section 14 hereof, the additional Rights to which such holders shall be entitled as a result of such adjustment, or, at the option of the Company, shall cause to be distributed to such holders of record in substitution and replacement for the Right Certificates held by such holders prior to the date of adjustment, and upon surrender thereof, if required by the Company, new Right Certificates evidencing all the Rights to which such holders shall be entitled after such adjustment. Right Certificates so to be distributed shall be issued, executed and countersigned in the manner provided for herein (and may bear, at the option of the Company, the adjusted Purchase Price) and shall be registered in the names of the holders of record of Right Certificates on the record date specified in the public announcement.

(j) Irrespective of any adjustment or change in the Purchase Price or the number of one one-hundredths of a Preferred Share issuable upon the exercise of the Rights, the Right Certificates theretofore and thereafter issued may continue to express the Purchase Price per share and the number of one one-hundredths of a Preferred Share which were expressed in the initial Right Certificates issued hereunder.

(k) Before taking any action that would cause an adjustment reducing the Purchase Price below one-hundredth of the then par value, if any, of the Preferred Shares issuable upon exercise of the Rights, the Company shall take any corporate action which may, in the opinion of its counsel, be necessary in order that the Company may validly and legally issue fully paid and nonassessable Preferred Shares at such adjusted Purchase Price.

(l) In any case in which this Section 11 shall require that an adjustment in the Purchase Price be made effective as of a record date for a specified event, the Company may elect to defer until the occurrence of such event the issuing to the holder of any Right exercised after such record date of the Preferred Shares and other capital stock or securities of the Company, if any, issuable upon such exercise over and above the Preferred Shares and other capital stock or securities of the Company, if any, issuable upon such exercise on the basis of the Purchase Price in effect prior to such adjustment; provided, however, that the Company shall deliver to such holder a due bill or other appropriate instrument evidencing such holder's right to receive such additional shares upon the occurrence of the event requiring such adjustment.

(m) Anything in this Section 11 to the contrary notwithstanding, the Company shall be entitled to make such reductions in the Purchase Price, in addition to those adjustments expressly required by this Section 11, as and to the extent that the Company's Board of Directors shall, its sole discretion determine to be advisable in order (i) that any (A) consolidation or subdivision of the Preferred Shares, (B) issuance wholly for cash of any Preferred Shares at less than the current market price, (C) issuance wholly for cash of Preferred Shares or securities which by their terms are convertible into or exchangeable for Preferred Shares, (D) stock dividends or (E) issuance of rights, options or warrants referred to hereinabove in this Section 11, hereafter made by the Company to holders of its Preferred Shares shall not be taxable to such stockholders.

(n) The Corporation covenants and agrees that it shall not, at any time after the Distribution Date, (i) consolidate with any other Person (other than a wholly-owned Subsidiary of the Corporation in a transaction which does not violate Section 11(o) hereof), (ii) merge with or into any other Person (other than a wholly-owned Subsidiary of the Corporation in a transaction which does not violate Section 11(o) hereof), or (iii) sell or transfer (or permit any Subsidiary to sell or transfer), in one transaction, or a series of related transactions, assets or earning power aggregating more than 50% of the assets or earning power of the Corporation and its Subsidiaries (taken as a whole) to any other Person or Persons (other than the Corporation and/or any of its Subsidiaries in one or more transactions each of which does not violate Section 11(o) hereof), if (x) at the time of or immediately after such consolidation, merger, sale or transfer there are any charter or by-law provisions or any rights, warrants or other instruments or securities outstanding or agreements in effect or other actions taken, which would materially diminish or otherwise eliminate the benefits intended to be afforded by the Rights or (y) prior to, simultaneously with or immediately after such consolidation, merger or sale, the stockholders of the Person who constitutes, or would constitute, the "Principal Party" for purposes of Section 13(a) hereof shall have received a distribution of Rights previously owned by such Person or any of its Affiliates and Associates. The Corporation shall not consummate any such

consolidation, merger, sale or transfer unless prior thereto the Corporation and such other Person shall have executed and delivered to the Rights Agent a supplemental agreement evidencing compliance with this Section 11(n).

(o) The Company covenants and agrees that, after a Stock Acquisition Date it will not, except as permitted by Section 24 or Section 27 hereof, take (or permit any Subsidiary to take) any action the purpose of which is to, or if at the time such action is taken it is reasonably foreseeable that the effect of such action is to, materially diminish or otherwise eliminate the benefits intended to be afforded by the Rights.

(p) Notwithstanding anything in this Agreement to the contrary, in the event that the Company shall, at any time after the date of this Agreement and prior to the Distribution Date, (i) declare any dividend on the outstanding shares of Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding Common Stock, (iii) combine or consolidate the outstanding Common Stock into a smaller number of shares, or (iv) effect a reclassification of its outstanding Common Stock, the number of one one-hundredths of Preferred Shares so purchasable after such event upon proper exercise of each Right shall be determined by multiplying the number of one one-hundredths of Preferred Shares so purchasable immediately prior to such event by a fraction, the numerator of which shall be the total number of shares of Common Stock outstanding immediately prior to such event and the denominator of which shall be the total number of shares of Common Stock outstanding immediately following such event. The adjustments provided for in this Section 11(p) shall be made successively whenever such a dividend is declared or paid or such a subdivision, combination or consolidation is effected. If an event occurs which would require an adjustment under Section 11(a)(ii) and this Section 11(p), the adjustments provided for in this Section 11(p) shall be in addition and prior to any adjustment required pursuant to Section 11(a)(ii).

Section 12. Certification of Adjusted Purchase Price or Number of Shares. Whenever an adjustment is made as provided in Sections 11 or 13 hereof, the Company shall (a) promptly prepare a certificate setting forth such adjustment and a brief statement of the facts accounting for such adjustment, (b) promptly file with the Rights Agent and with each transfer agent for the Preferred Shares or the Common Stock a copy of such certificate and (c) mail a brief summary thereof to each holder of a Right Certificate in accordance with Section 25 hereof. The Rights Agent shall be fully protected in relying on such certificate and on any adjustment contained therein and shall not be deemed to have knowledge of any such adjustment unless and until it shall have received such certificate.

Section 13. Consolidation, Merger or Sale or Transfer of Assets or Earning Power. (a) In the event (a "Section 13 Event") that, following the Stock Acquisition Date, directly or indirectly, (x) the Company shall consolidate with, or merge with and into, any Person or Persons, (y) the Company shall consolidate with or merge with and into, any Person or Persons, and the Company shall be the continuing or surviving corporation of such consolidation or merger (other than, in a case of any transaction described in (x) or (y), a merger or consolidation which would result in all of the securities generally entitled to vote in the election of directors ("voting securities") of the Company outstanding immediately

prior thereto continuing to represent (either by remaining outstanding or by being converted into securities of the surviving entity) all of the voting securities of Company or such surviving entity outstanding immediately after such merger or consolidation and holders of such securities not having changed as a result of such merger or consolidation), or (z) the Company shall sell or otherwise transfer (or one or more of its Subsidiaries shall sell or otherwise transfer), in one or a series of related transactions, assets or earning power aggregating more than 50% of the assets or earning power of the Company and its Subsidiaries (taken as a whole and calculated on the basis of the Company's most recent regularly prepared financial statements) to any Person or Persons (other than the Company or any Subsidiary of the Company in one or more transactions each of which does not violate Section 11(o) hereof), then, and in each such case (except as provided in Section 13(d) hereof), proper provision shall be made so that (i) each holder of a Right, except as provided in Section 7(e) hereof, shall thereafter have the right to receive, upon the exercise thereof at the then current Purchase Price in accordance with the terms of this Agreement and in lieu of the Preferred Shares, Common Stock and other securities or assets of the Company, such number of validly authorized and issued, fully paid, non-assessable and freely tradable shares of Common Stock of the Principal Party (as hereinafter defined), not subject to any liens, encumbrances, rights of first refusal or other adverse claims, as shall be equal to the result obtained by (A) multiplying the then current Purchase Price by the number of one one-hundredths of a Preferred Share for which a Right was exercisable immediately prior to the first occurrence of a Section 13 Event (without taking into account any adjustment previously made pursuant to Section 11(a)(ii)) and (y) dividing that product by 50% of the current market price per share of the Common Stock of such Principal Party (determined pursuant to Section 11(d) hereof) on the date of consummation of such Section 13 Event; (ii) such Principal Party shall thereafter be liable for, and shall assume, by virtue of such Section 13 Event, all the obligations and duties of the Company pursuant to this Agreement; (iii) the term "Company" shall thereafter be deemed to refer to such Principal Party, it being specifically intended that the provisions of Section 11 hereof shall apply only to such Principal Party following the first occurrence of a Section 13 Event; and (iv) such Principal Party shall take such steps (including, but not limited to, the reservation of a sufficient number of shares of its Common Stock in accordance with Section 9 hereof (applying the provisions thereof with respect to Preferred Shares of the Company to the Common Stock of such Principal Party)) in connection with such consummation as may be necessary to assure that the provisions hereof shall thereafter be applicable, as nearly as reasonably may be possible, in relation to the shares of its Common Stock thereafter deliverable upon the exercise of the Rights.

(b) "Principal Party" shall mean:

(i) in the case of any transaction described in clause (x) or (y) of the first sentence of Section 13(a): (A) the Person that is the issuer of any securities into which Common Shares of the Company are converted in such merger or consolidation, or, if there is more than one such issuer of the issuer of Common Stock of which has the greatest aggregate market value or (B) if no securities are so issued, the Person that is the other party

to such merger or consolidation, or, if there is more than one such Person, the Person the Common Stock of which has the greatest aggregate market value (including, if applicable, the Company if it is the surviving corporation); and

(ii) in the case of any transaction described in clause (z) of the first sentence of Section 13(a), the Person that is the party receiving the greatest portion of the assets or earning power transferred pursuant to such transaction or transactions or if the Person receiving the greatest portion of the assets or earning power cannot be determined, whichever of such Persons which is the issuer of Common Stock having the greatest aggregate market value;

provided, however, that in any of the cases described in 13(b)(i) or (b)(ii) above, (1) if the shares of Common Stock of such Person are not at such time and have not been continuously over the preceding twelve (12) month period registered under Section 12 of the Exchange Act, and such Person is a direct or indirect Subsidiary of another Person the shares of Common Stock of which are and have been so registered, "Principal Party" shall refer to such other Person; (2) in case such Person is a Subsidiary, directly or indirectly, of more than one Person, the shares of Common Stock of two or more of which are and have been so registered, "Principal Party" shall refer to whichever of such Persons is the issuer of the shares of Common Stock having the greatest aggregate market value; and (3) in case such Person is owned, directly or indirectly, by a joint venture formed by two or more Persons that are not owned, directly or indirectly, by the same Person, the rules set forth in (1) and (2) above shall apply to each of the chains of ownership having an interest in such joint venture as if such party were a "Subsidiary" of both or all of such joint ventures and the Principal Parties in each such chain shall bear the obligations set forth in this Section 13 in the same ratio as their direct or indirect interests in such Person bear to the total of such interests.

(c) The Company shall not consummate any such consolidation, merger, sale or transfer unless the Principal Party shall have a sufficient number of its authorized shares of Common Stock which have not been issued or reserved for issuance to permit the exercise in full of the Rights in accordance with this Section 13 and unless prior thereto the Company and such Principal Party shall have executed and delivered to the Rights Agent a supplemental agreement providing for the terms set forth in paragraphs (a) and (b) of this Section 13 and that all rights of first refusal or preemptive rights in respect of the issuance of shares of Common Stock of the Principal Party upon exercise of the outstanding Rights have been waived and that such transaction shall not result in a default by the Principal Party under this Agreement, and further providing that, as soon as practicable after the date of any consolidation, merger, sale or transfer mentioned in paragraph (a) of this Section 13, the Principal Party at its own expense shall:

(i) prepare and file a registration statement under the Act with respect to the Rights and the securities purchasable upon the exercise of the Rights on an appropriate form,

and use its best efforts to cause such registration statement to become effective as soon as practicable after such filing and to remain effective (with a prospectus at all times meeting the requirements of the Act) until the Final Expiration Date;

(ii) use its best efforts to qualify or register the Rights and the securities purchasable upon exercise of the Rights under the blue sky laws of such jurisdictions as may be necessary or appropriate;

(iii) deliver to holders of the Rights historical financial statements for the Principal Party which comply in all respects with the requirements for registration on Form 10 under the Exchange Act; and

(iv) use its best efforts to list (or continue the listing of) the Rights and the securities purchasable upon exercise of the Rights on a national securities exchange or to meet the eligibility requirement for quotation on NASDAQ.

The provisions of this Section 13 shall similarly apply to successive mergers or consolidations or sales or other transfers. In the event that a Section 13 Event shall occur at any time after the occurrence of a Stock Acquisition Date, the Rights which have not theretofore been exercised pursuant to Section 11(a)(ii) shall thereafter become exercisable in the manner described in Section 13(a).

(d) Notwithstanding anything in this Agreement to the contrary, Section 13 shall not be applicable to a transaction described in subparagraphs (x) and (y) of Section 13(a) if: (i) such transaction is consummated with a Person or Persons who acquired Common Stock pursuant to a Permitted Offer (or an Affiliate of any such Person or Persons) as promptly as reasonably practical (and in any event within one year) following consummation of such Permitted Offer; (ii) the price per share of Common Stock offered in such transaction is not less than the price per share of Common Stock paid to all holders of Common Stock whose shares were purchased pursuant to such Permitted Offer; and (iii) the form of consideration offered in such transaction is the same as the form of consideration paid pursuant to such Permitted Offer. Upon consummation of any such transaction contemplated by this Section 13(d), all Rights hereunder shall expire.

(e) In case the Principal Party which is to be a party to a transaction referred to in this Section 13 has provision in any of its authorized securities or in its Certificate of Incorporation or By-laws or other instrument governing its corporate affairs, which provision would have the effect of (i) causing such Principal Party to issue, in connection with, or as a consequence of, the consummation of a transaction referred to in this Section 13, shares of Common Stock of such Principal Party at less than the then current market price per share (determined pursuant to Section 11(d) hereof) or securities exercisable for, or convertible into, Common Stock of such Principal Party at less than such then current market price (other than to holders of Rights pursuant to this Section 13) or (ii) providing for any special payment, tax or similar provisions in connection with the issuance of the Common Stock of such Principal Party pursuant to the provisions of Section 13, then, in such event, the Company shall not consummate any such transaction unless prior thereto the

Company and such Principal Party shall have executed and delivered to the Rights Agent a supplemental agreement providing that the provision in question of such Principal Party shall have been canceled, waived or amended, or that the authorized securities shall be redeemed, so that the applicable provision will have no effect in connection with, or as a consequence of, the Consummation of the proposed transaction.

Section 14. Fractional Rights and Fractional Shares. (a) The Company shall not be required to issue fractions of Rights (except, prior to the Distribution Date, as provided in Section 11 hereof) or to distribute Right Certificates which evidence fractional Rights. In lieu of such fractional Rights, there shall be paid to the registered holders of the Right Certificates with regard to which such fractional Rights would otherwise be issuable, an amount in cash equal to the same fraction of the current market value of a whole Right. For the purposes of this Section 14(a), the current market value of a whole Right shall be the closing price of the Rights for the Trading Day immediately prior to the date on which such fractional Rights would have been otherwise issuable. The closing price of the Rights for any day shall be the last sale price, regular way, or, in case no such sale takes place on such day, the average of the closing bid and asked prices, regular way, in either case as reported in the principal consolidated transaction reporting system with respect to securities listed or admitted to trading on the New York Stock Exchange or, if the Rights are not listed or admitted to trading on the New York Stock Exchange, as reported in the principal consolidated transaction reporting system with respect to securities listed on the principal national securities exchange on which the Rights are listed or admitted to trading or, if the Rights are not listed or admitted to trading on any national securities exchange, the last quoted price or, if not so quoted, the average of the high bid and low asked prices in the over-the-counter market, as reported by NASDAQ or such other system then in use or, if on any such date the Rights are not quoted by any such organization, the average of the closing bid and asked prices as furnished by a professional market maker making a market in the Rights, as selected by the Board of Directors of the Company. If on any such date the Rights are not quoted by any such organization and no professional market maker is making such a market in the Rights, the fair value of the Rights on such date as determined in good faith by the Board of Directors of the Company shall be used.

(b) The Company shall not be required to issue fractions of Preferred Shares (other than fractions which are integral multiples of one one-hundredth of a Preferred Share) upon exercise of the Rights or to distribute certificates which evidence fractional Preferred Shares (other than fractions which are integral multiples of one one-hundredth of a Preferred Share). Fractions of Preferred Shares in integral multiples of one one-hundredth of a Preferred Share may, at the election of the Company, be evidenced by depositary receipts, pursuant to an appropriate agreement between the Company and a depositary selected by it, provided that such agreement shall provide that the holders of such depositary receipts shall have all the rights, privileges and preferences to which they are entitled as beneficial owners of the Preferred Shares represented by such depositary receipts. In lieu of fractional Preferred Shares that are not integral multiples of one one-hundredth of a Preferred Share, the Company shall pay to the registered holders of Right Certificates at the time such Rights are exercised as herein provided an amount in cash equal to the same fraction of the current market value of one Preferred Share. For purposes of this Section 14(b), the current market

value of a Preferred Share shall be the closing price of a Preferred Share (as determined pursuant to the second sentence of Section 11(d)(i) hereof) for the Trading Day immediately prior to the date of such exercise.

(c) Following the occurrence of the Stock Acquisition Date or a Section 13 Event, the Company shall not be required to issue fractions of shares of its Common Stock upon exercise of the Rights or to distribute certificates which evidence fractional shares of its Common Stock. In lieu of fractional shares of its Common Stock, the Company may pay to the registered holders of Right Certificates at the time such Rights are exercised as herein provided an amount in cash equal to the same fraction of the current market value of one share of its Common Stock. For purposes of this Section 14(c), the current market value of one share of Common Stock of the Company shall be the closing price of one share of Common Stock of the Company (as determined pursuant to 11(d)(i)) for the Trading Day immediately prior to the date of such exercise.

(d) The holder of a Right by the acceptance thereof expressly waives any right to receive any fractional Rights or any fractional shares upon exercise of a Right (except as provided above).

Section 15. Rights of Action. All rights of action in respect of this Agreement, other than the rights of action vested in the Rights Agent pursuant to Section 18, are vested in the respective registered holders of the Right Certificates (and, prior to the Distribution Date, the registered holders of the Common Stock); and any registered holder of any Right Certificate (or, prior to the Distribution Date, of the Common Stock), without the consent of the Rights Agent or of the holder of any other Right Certificate (or, prior to the Distribution Date, any holder of the Common Stock), may, on his own behalf and for his own benefit, enforce, and may institute and maintain any suit, action or proceeding against the Company to enforce, or otherwise act in respect of, his right to exercise the Rights evidenced by such Right Certificate in the manner provided in such Right Certificate and in this Agreement. Without limiting the foregoing or any remedies available to the holders of Rights, it is specifically acknowledged that the holders of Rights would not have an adequate remedy at law for any breach of this Agreement and will be entitled to specific performance of the obligations under, and injunctive relief against actual or threatened violations of the obligations of any Person subject to, this Agreement.

Section 16. Agreement of Right Holders. Every holder of a Right by accepting the same, consents and agrees with the Company and the Rights Agent and with every other holder of a Right that:

(a) prior to the Distribution Date, the Rights will be transferable only simultaneously and together with the transfer of Common Stock;

(b) after the Distribution Date, the Right Certificates are transferable only on the registry books of the Rights Agent if surrendered at the principal office or such other office of the Rights Agent designated for such purpose, duly endorsed or accompanied by a proper instrument of transfer and with the appropriate forms and certificates fully executed;

(c) subject to Section 6, Section 7(f) and Section 11(a) hereof, the Company and the Rights Agent may deem and treat the person in whose name the Right Certificate (or, prior to the Distribution Date, the associated Common Stock certificate) is registered as the absolute owner thereof and of the Rights evidenced thereby (notwithstanding any notations of ownership or writing on the Right Certificates or the associated Common Stock certificate made by anyone other than the Company or the Rights Agent) for all purposes whatsoever, and neither the Company nor the Rights Agent shall be required to be affected by any notice to the contrary; and

(d) notwithstanding anything in this Agreement to the contrary, neither the Company nor the Rights Agent shall have any liability to any holder of a Right or other Person as a result of its inability to perform any of its obligations under this Agreement by reason of any preliminary or permanent injunction or other order, decree or ruling issued by a court of competent jurisdiction or by a governmental, regulatory or administrative agency or commission, or any statute, rule, regulation or executive order promulgated or enacted by any governmental authority, prohibiting or otherwise restraining performance of such obligation; provided, however, that the Company must use its best efforts to have any such injunction, order, decree or ruling lifted, dissolved or otherwise overturned as soon as possible.

Section 17. Right Certificate Holder Not Deemed a Stockholder. No holder, as such, of any Right Certificate shall be entitled to vote, receive dividends or be deemed for any purpose the holder of Preferred Shares or any other securities of the Company which may at any time be issuable on the exercise of the Rights represented thereby, nor shall anything contained herein or in any Right Certificate be construed to confer upon the holder of any Right Certificate as such, any of the rights of a stockholder of the Company or any right to vote for the election of directors or upon any matter submitted to stockholders at any meeting thereof, or to give or withhold consent to any corporate action, or to receive notice of meetings or other actions affecting stockholders (except as provided in Section 25 of this Agreement), or to receive dividends or other distributions or to exercise any preemptive or subscription rights, or otherwise, until the Right or Rights evidenced by such Right Certificate shall have been exercised in accordance with the provisions hereof.

Section 18. Concerning the Rights Agent. The Company agrees to pay to the Rights Agent reasonable compensation for all services rendered by it hereunder and, from time to time, on demand of the Rights Agent, its reasonable expenses and counsel fees and other disbursements incurred in the administration and execution of this Agreement and the exercise and performance of its duties hereunder. The Company also agrees to indemnify the Rights Agent for, and to hold it harmless against, any loss, liability or expense, incurred without negligence, bad faith or willful misconduct on the part of the Rights Agent, for anything done or omitted by the Rights Agent in connection with the acceptance and administration of this Agreement, including the costs and expenses of defending against any claim of liability.

The Rights Agent shall be protected and shall incur no liability for or in respect of any action taken, suffered or omitted by it in connection with its administration of

this Agreement in reliance upon any Right Certificate or certificate for Common Stock or for other securities of the Company, instrument of assignment or transfer, power of attorney, endorsement, affidavit, letter, notice, direction, consent, certificate, statement, or other paper or document believed by it to be genuine and to be signed, executed and, where necessary, verified or acknowledged, by the proper person or persons.

Section 19. Merger or Consolidation or Change of Name of Rights Agent. Any corporation into which the Rights Agent or any successor Rights Agent may be merged or with which it may be consolidated, or any corporation resulting from any merger or consolidation to which the Rights Agent or any successor Rights Agent shall be a party, or any corporation succeeding to the corporate trust or stock transfer business of the Rights Agent or any successor Rights Agent, shall be the successor to the Rights Agent under this Agreement without the execution or filing of any paper or any further act on the part of any of the parties hereto, provided that such corporation would be eligible for appointment as a successor Rights Agent under the provisions of Section 21 hereof. In case at the time such successor Rights Agent shall succeed to the agency created by this Agreement, any of the Right Certificates shall have been countersigned but not delivered, any such successor Rights Agent may adopt the countersignature of the predecessor Rights Agent and deliver such Right Certificate so countersigned; and in case at that time any of the Right Certificates shall not have been countersigned, any successor Rights Agent may countersign such Right Certificate either in the name of the predecessor Rights Agent or in the name of the successor Rights Agent; and in all such cases such Right Certificate shall have the full force provided in the Right Certificate and in this Agreement.

In case at any time the name of the Rights Agent shall be changed and at such time any of the Right Certificates shall have been countersigned but not delivered, the Rights Agent may adopt the countersignature under its prior name and deliver Right Certificates so countersigned; and in case at that time the Rights Agent may countersign such Right Certificates either in its prior name or in its changed name; and in all such cases such Right Certificates shall have the full force provided in the Right Certificates and in this Agreement.

Section 20. Duties of Rights Agent. The Rights Agent undertakes only those duties and obligations imposed by this Agreement upon the following terms and conditions, by all of which the Company and the holders of Right Certificates, by their acceptance thereof, shall be bound:

(a) The Rights Agent may consult with legal counsel (who may be legal counsel for the Company), and the opinion of such counsel shall be full and complete authorization and protection to the Rights Agent as to any action taken or omitted by it in good faith and in accordance such opinion.

(b) Whenever in the performance of its duties under this Agreement the Rights Agent shall deem it necessary or desirable that any fact or matter (including, without limitation, the identity of any Acquiring Person or any Affiliate or Associate thereof and the determination of the current market price per share of any Security) be proved or established

by the Company prior to taking or suffering any action hereunder, such fact or matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a certificate signed by the Chairman of the Board, the Chief Executive Officer, the President, any Vice President, the Treasurer or the Secretary of the Company and delivered to the Rights Agent; and such certificate shall be full authorization to the Rights Agent for any action taken or suffered in good faith by it under the provisions of this Agreement in reliance upon such certificate.

(c) The Rights Agent shall be liable hereunder only for its own negligence, bad faith or willful misconduct.

(d) The Rights Agent shall not be liable for or by reason of any of the statements of fact or recitals contained in this Agreement or in the Right Certificates (except its countersignature thereof), or be required to verify the same, but all such statements and recitals are and shall be deemed to have been made by the Company only.

(e) The Rights Agent shall not be under any responsibility in respect of the validity of this Agreement or the execution and delivery hereof (except the due execution hereof by the Rights Agent) or in respect of the validity or execution of any Right Certificate (except its countersignature thereof); nor shall it be responsible for any breach by the Company of any covenant or condition contained in this Agreement or in any Right Certificate; nor shall it be responsible for any change in the exercisability of the Rights (including Rights becoming null and void pursuant to Section 7(e) hereof); nor shall it be responsible for any adjustment required under the provisions of Sections 11 or 13 hereof or responsible for the manner, method or amount of any such adjustment or the ascertaining of the existence of facts that would require any such adjustment (except with respect to the exercise of Rights evidenced by Right Certificates after receipt of a certificate described in Section 12 hereof); nor shall it by any act hereunder be deemed to make any representation or warranty as to the authorization or reservation of any Preferred Shares or Common Stock other securities to be issued pursuant to this Agreement or any Right Certificate or as to whether any Preferred Shares or Common Stock or other securities will, when issued, be validly authorized and issued, fully paid and nonassessable.

(f) The Company agrees that it will perform, execute, acknowledge and deliver or cause to be performed, executed, acknowledged and delivered all such further and other acts, instruments and assurances as may reasonably be required by the Rights Agent for the carrying out or performing by the Rights Agent of the provisions of this Agreement.

(g) The Rights Agent is hereby authorized and directed to accept instructions with respect to the performance of its duties hereunder from the Chairman of the Board, the Chief Executive Officer, the President, any Vice President, the Treasurer or the Secretary of the Company, and to apply to such officers for advice or instructions in connection with its duties, and it shall not be liable for any action taken or suffered to be taken by it in good faith in accordance with instructions of any such officer. Any application by the Rights Agent for written instructions from the Company may, at the option of the Rights Agent, set forth in writing any action proposed to be taken or omitted by the Rights Agent under this

Rights Agreement and the date on and/or after which such action shall be taken or such omission shall be effective. The Rights Agent shall not be liable for any action taken by, or omission of, the Rights Agent in accordance with a proposal included in any such application on or after the date specified in such application (which date shall not be less than five Business Days after the date any officer of the Company actually receives such application, unless any such officer shall have consented in writing to an earlier date) unless, prior to taking any such action (or the effective date in the case of an omission), the Rights Agent shall have received written instructions in response to such application specifying the action to be taken or omitted.

(h) The Rights Agent and any stockholder, director, officer or employee of the Rights Agent may buy, sell or deal in any of the Rights or other securities of the Company or become pecuniarily interested in any transaction in which the Company may be interested, or contract with or lend money to the Company or otherwise act as fully and freely as though it were not Rights Agent under this Agreement. Nothing herein shall preclude the Rights Agent from acting in any other capacity for the Company or for any other legal entity, except it may not act for an Acquiring Person in an investment banking capacity, or otherwise assist an Acquiring Person in ways hostile to the Company, without the consent of the Company.

(i) The Rights Agent may execute and exercise any of the rights or powers hereby vested in it or perform any duty hereunder either itself or by or through its attorneys or agents, and the Rights Agent shall not be answerable or accountable for any act, omission, default, neglect or misconduct of any such attorneys or agents or for any loss to the Company resulting from any such act, omission, default, neglect or misconduct, provided reasonable care was exercised in the selection and continued employment thereof.

(j) If, with respect to any Right Certificate surrendered to the Rights Agent for exercise or transfer, the certificate attached to the form of assignment or form of election to purchase, as the case may be, has either not been completed or indicates an affirmative response to any item therein, the Rights Agent shall not take any further action with respect to such requested exercise or transfer without first consulting with the Company.

Section 21. Change of Rights Agent. The Rights Agent or any successor Rights Agent may resign and be discharged from its duties under this Agreement upon thirty (30) days' notice in writing mailed to the Company and to each transfer agent of the Common Stock by registered or certified mail, and to the holders of the Right Certificates by first-class mail. The Company may remove the Rights Agent or any successor Rights Agent upon thirty (30) days' notice in writing, mailed to the Rights Agent or successor Rights Agent, as the case may be, and to each transfer agent of the Common Stock and Preferred Shares by registered or certified mail, and to the holders of the Right Certificates by first-class mail. If the Rights Agent shall resign or be removed or shall otherwise become incapable of acting, the Company shall appoint a successor to the Rights Agent. If the Company shall fail to make such appointment within a period of sixty (60) days after giving notice of such removal or after it has been notified in writing of such resignation or incapacity by the resigning or incapacitated Rights Agent or by the holder of a Right

Certificate (who shall, with such notice, submit his Right Certificate for inspection by the Company), then the registered holder of any Right Certificate may apply to any court of competent jurisdiction for the appointment of a new Rights Agent. Any successor Rights Agent, whether appointed by the Company or by such a court, shall be a corporation, bank or trust company organized and doing business under the laws of the United States or of the State of New York (or any other state of the United States so long as such corporation is authorized to do business as a banking institution in the State of New York) in good standing, having an office in the State of New York, which is authorized under such laws to exercise corporate trust or stock transfer powers and is subject to supervision or examination by federal or state authority and which has at the time of its appointment as Rights Agent a combined capital and surplus of at least \$100,000,000. After appointment, the successor Rights Agent shall be vested with the same powers, rights, duties and responsibilities as if it had been originally named as Rights Agent without further act or deed; but the predecessor Rights Agent shall deliver and transfer to the successor Rights Agent any property at the time held by it hereunder, and execute and deliver any further assurance, conveyance, act or deed necessary for the purpose. Not later than the effective date of any such appointment, the Company shall file notice thereof in writing with the predecessor Rights Agent and each transfer agent of the Common Stock and Preferred Shares, and mail a notice thereof in writing to the registered holders of the Right Certificates. Failure to give any notice provided for in this Section 21, however, or any defect therein, shall not affect the legality or validity of the resignation or removal of the Rights Agent or the appointment of the successor Rights Agent, as the case may be. Notwithstanding the foregoing provision, in the event of resignation, removal or incapacity of the Rights Agent, the Company shall have the authority to act as the Rights Agent until a successor Rights Agent shall have assumed the duties of the Rights Agent hereunder.

Section 22. Issuance of New Right Certificate. Notwithstanding any of the provisions of this Agreement or of the Rights to the contrary, the Company may, at its option, issue new Right Certificates evidencing Rights in such form as may be approved by its Board of Directors to reflect any adjustment or change in the Purchase Price and the number or kind or class of shares of stock or other securities or property purchasable under the Right Certificates made in accordance with the provisions of this Agreement.

In addition, in connection with the issuance or sale of shares of Common Stock following the Distribution Date (other than upon exercise or exchange of a Right) and prior to the Expiration Date, the Company, subject to Section 7(e) hereof, (a) shall, with respect to shares of Common Stock so issued or sold pursuant to the exercise of stock options or under any employee plan or arrangement, or upon the exercise, conversion or exchange of securities, notes or debentures issued by the Company, and (b) may, in any other case, if deemed necessary or appropriate by the Board of Directors, issue Right Certificates representing the appropriate number of Rights in connection with such issuance or sale; provided, however, that (i) the Company shall not be obligated to issue any Right Certificate if, and to the extent that, the Company shall be advised by counsel that such issuance would create a significant risk of material adverse tax consequences to the Company or the Person to whom such Rights Certificate would be issued, and (ii) no such

Rights Certificate shall be issued if, and to the extent that, appropriate adjustment shall otherwise have been made in lieu of the issuance thereof.

Section 23. Redemption. (a) The Company may, by resolution of its Board of Directors, at its option, at any time prior to the earlier of (x) the Stock Acquisition Date or (y) the close of business on the Final Expiration Date, redeem all but not less than all of the then outstanding Rights at a redemption price of \$0.01 per Right, as such amount may be appropriately adjusted to reflect any stock split, stock dividend or similar transaction occurring after the date hereof (such redemption price being hereinafter referred to as the "Redemption Price"). The redemption of the Rights by the Board of Directors may be made effective at such time, on such basis and with such conditions as the Board of Directors in its sole discretion may establish. The Company may, at its option, pay the Redemption Price in cash, Common Stock (based on the current market price of the Common Stock (as determined in accordance with Section 11(d)(i) hereof) at the time of redemption) or any other form of consideration deemed appropriate by the Board of Directors of the Company.

(b) Immediately upon adoption of an effective resolution of the Board of Directors of the Company ordering the redemption of the Rights in compliance with Section 23(a) (or upon the subsequent satisfaction of all conditions to such redemption established by such resolution), evidence of which shall have been filed with the Rights Agent, and without any further action and without any notice, the right to exercise the Rights will terminate and the only right thereafter of the holders of Rights shall be to receive the Redemption Price. Within 10 Business Days after the action of the Board of Directors ordering the redemption of the Rights (or such subsequent satisfaction of all such conditions), the Company shall give notice of such redemption to the holders of the then outstanding Rights by mailing such notice to all such holders at their last addresses as they appear upon the registry books of the Rights Agent or, prior to the Distribution Date, on the registry books of the transfer agent for the Common Stock. Any notice which is mailed in the manner herein provided shall be deemed given, whether or not the holder receives the notice. Each such notice of redemption will state the method by which the payment of the Redemption Price will be made. Neither the Company nor any of its Affiliates or Associates may redeem, acquire or purchase any Rights at any time in any manner other than that specifically set forth in this Section 23, and other than in connection with the repurchase of Common Stock of the Company prior to the Distribution Date.

(c) In the event that the Board of Directors adopts an effective resolution ordering the redemption of the Rights in compliance with Section 23(a), the Company may, at its option, discharge all of its obligations with respect to the Rights by (i) issuing a press release announcing the manner of redemption of the Rights in accordance with this Agreement and (ii) mailing payment of the Redemption Price to the registered holders of the Rights at their last addresses as they appear on the registry books of the Rights Agent or, prior to the Distribution Date, on the registry books of the transfer agent of the Common Stock, and upon such action, all outstanding Rights and Right Certificates shall be null and void without any further action by the Company.

Section 24. Exchange. (a) The Board of Directors of the Company may, at its option, at any time after the Stock Acquisition Date exchange all or part of the then-outstanding and exercisable Rights (which shall not include Rights that have become void pursuant to the provisions of Section 7(e) hereof) for Common Stock (or Common Stock Equivalents) at an exchange ratio of one share of Common Stock per Right, appropriately adjusted to reflect any stock split, stock dividend or similar transaction occurring after the date hereof (such exchange ratio being hereinafter referred to as the "Exchange Ratio"). Notwithstanding the foregoing, the Board of Directors of the Company shall not be empowered to effect such exchange at any time after any Person (other than the Company, any wholly owned Subsidiary of the Company, any employee benefit plan or employee stock plan of the Company or any such Subsidiary, or any entity holding Common Stock as a fiduciary for or pursuant to the terms of any such employee benefit plan or employee stock plan), together with all Affiliates and Associates of such Person, becomes the Beneficial Owner of 50% or more of the Common Stock then outstanding.

(b) Immediately upon the action of the Board of Directors of the Company ordering the exchange of Rights pursuant to and in compliance with subsection (a) of this Section 24 and without any further action and without any notice, the right to exercise such Rights shall terminate and the only right thereafter of a holder of such Rights, which excludes Rights that have become void pursuant to the provisions of Section 7(e) hereof, shall be to receive that number of shares of Common Stock, or Common Stock Equivalents, equal to the number of such Rights held by such holder multiplied by the Exchange Ratio. The Company shall promptly file notice of such Board action with the Rights Agent and give public notice of any such exchange; provided, however, that the failure to give, or any defect in, such notice shall not affect the validity of such exchange. The Company shall promptly mail a notice of any such exchange to all of the holders of such Rights at their last addresses as they appear upon the registry books of the Rights Agent. Any notice which is mailed in the manner herein provided shall be deemed given, whether or not the holder receives the notice. Each such notice of exchange will state the method by which the exchange of the Common Stock for Rights will be effected and, in the event of any partial exchange, the number of Rights which will be exchanged. Any partial exchange shall be effected pro rata based on the number of Rights (other than Rights which have become void pursuant to the provisions of Section 7(e)) held by each holder of Rights.

(c) In the event that there shall not be sufficient shares of Common Stock issued but not outstanding or authorized but unissued to permit any exchange of Rights as contemplated in accordance with this Section 24, the Company shall take all such action as may be necessary to authorize additional Common Stock for issuance upon exchange of the Rights.

(d) The Company shall not be required, pursuant to this Section 24, to issue fractions of shares of Common Stock or to distribute certificates which evidence fractional shares of Common Stock. In lieu of such fractional shares of Common Stock, the Company shall pay to the registered holders of the Right Certificates, with regard to which such fractional shares of Common Stock would otherwise be issuable, an amount in cash equal to the same fraction of the current market value of a whole share of Common Stock. For the

purposes of this paragraph (c), the current market value of a whole share of Common Stock shall be the closing price of a share of Common Stock (as determined pursuant to the second sentence of Section 11(d)(i) hereof) for the Trading Day immediately prior to the date of exchange pursuant to this Section 24, and the value of any Common Stock Equivalent shall be deemed to have the same current market value as the Common Stock on such date.

Section 25. Notice of Certain Events. (a) In case the Company shall propose (a) to pay any dividend payable in stock of any class to the holders of its Preferred Shares (or, after the Distribution Date, holders of the Common Stock) or to make any other distribution described to the holders of its Preferred Shares (or, after the Distribution Date, holders of the Common Stock), other than a regular quarterly cash dividend at a rate not in excess of 150% of the rate of the last quarterly cash dividend theretofore paid, or (b) to offer to the holders of its Preferred Shares (or, after the Distribution Date, holders of the Common Stock) rights, options or warrants to subscribe for or to purchase any additional Preferred Shares or shares of stock of any class or any other securities, rights or options, or (c) to effect any reclassification of its Preferred Shares (other than a reclassification involving only the subdivision of outstanding Preferred Shares), or (d) after the Distribution Date, to effect any merger, consolidation or other combination into or with any Person (other than a Subsidiary of the Company in a transaction which does not violate Section 11(o) hereof), or to effect any sale or other transfer (or to permit one or more of its Subsidiaries to effect any sale or other transfer), in one or more transactions, of more than 50% of the assets or earning power of the Company and its Subsidiaries (taken as a whole) to any Person or Persons (other than the Company and/or any of its Subsidiaries in one or more transactions each of which does not violate Section 11(o) hereof), or (e) after the Distribution Date, to effect the liquidation, dissolution or winding up of the Company, then, in each such case, the Company shall give to each holder of a Right, in accordance with Section 26 hereof, a notice of such proposed action to the extent feasible and file a certificate with the Rights Agent to that effect, which shall specify the record date for the purposes of such stock dividend, distribution of rights or Rights, or the date on which such reclassification, consolidation, merger, sale, transfer, liquidation, dissolution, or winding up is to take place and the date of participation therein by the holders of Common Stock and/or Preferred Shares, if any such date is to be fixed, and such notice shall be so given in the case of any action covered by clause (a) or (b) above at least ten (10) days prior to the record date for determining holders of the Preferred Shares for purposes of such action, and in the case of any such other action, at least twenty (20) days prior to the date of the taking of such proposed action or the date of participation therein by the holders of Common Stock and/or Preferred Shares, whichever shall be earlier. The failure to give notice required by this Section 24 or any defect therein shall not affect the legality or validity of the action taken by the Company or the vote upon any such action.

(b) Upon the Stock Acquisition Date (i) the Company shall as soon as practicable thereafter give to each holder of a Right Certificate, to the extent feasible and in accordance with Section 26 hereof, a notice of the occurrence of such event, which notice shall describe such event and the consequences of such event to holders of Rights under Sections 7(e) and 11(a) hereof and (ii) all references in Section 25(a) hereof to Preferred

Shares shall be deemed thereafter to refer also to Common Stock or other securities issuable in respect of the Rights.

Section 26. Notices. Notices or demands authorized by this Agreement to be given or made by the Rights Agent or by the holder of any Right Certificate to or on the Company shall be sufficiently given or made if sent by first-class mail, postage prepaid, addressed (until another address is filed in writing with the Rights Agent) as follows:

Capital One Financial Corporation
2980 Fairview Park Drive
Suite 1300
Falls Church, VA 22042
Attention: Corporate Secretary

Subject to the provisions of Section 21, any notice or demand authorized by this Agreement to be given or made by the Company or by the holder of any Right Certificate to or on the Rights Agent shall be sufficiently given or made if sent by first-class mail, postage prepaid, addressed (until another address is filed in writing with the Company) as follows:

Mellon Bank, N.A.
Four Station Square
Third Floor
Pittsburgh, PA 15219
Attention: Mellon Securities Transfer Services

Notices or demands authorized by this Agreement to be given or made by the Company or the Rights Agent to the holder of any Right Certificate (or, if prior to the Distribution Date, to the holder of any certificate for shares of Common Stock) shall be sufficiently given or made if sent by first-class mail, postage prepaid, addressed to such holder at the address of such holder as shown on the registry books of the Company.

Section 27. Supplements and Amendments. Prior to the Stock Acquisition Date, the Company and the Rights Agent shall, if the Company so directs, supplement or amend this Agreement without the approval of any holders of certificates representing Common Stock or Rights Certificate. From and after the earlier of the Stock Acquisition Date, the Company and the Rights Agent shall, if the Company so directs, supplement or amend this Agreement without the approval of any holders of Right Certificates in order (i) to cure any ambiguity, (ii) to correct or supplement any provision contained herein which may be defective or inconsistent with any other provisions herein, (iii) to shorten or lengthen any time period hereunder or (iv) to change or supplement the provision hereunder in any manner which the Company may deem necessary or desirable and which shall not adversely affect the interests of the holders of Right Certificates (other than an Acquiring Person or an Affiliate or Associate thereof); provided, however, that this Agreement may not be supplemented or amended to lengthen, pursuant to clause (iii) of this sentence, (A) a time period relating to when the Rights may be redeemed or to modify the ability (or inability) of the Board of Directors of the Company to redeem the Rights, in either case at such time as

the Rights are not then redeemable or (B) any other time period unless such lengthening is for the purpose of protecting, enhancing or clarifying the rights of and/or the benefits to the holders of Rights (other than an Acquiring Person or an Affiliate or Associate of any such Person). Upon the delivery of a certificate from an appropriate officer of the Company which states that the proposed supplement or amendment is in compliance with the terms of this Section 27, the Rights Agent shall execute such supplement or amendment provided that such supplement or amendment does not adversely affect the rights or obligations of the Rights Agent under Section 18 or Section 20 hereof. Prior to the Distribution Date, the interests of the holders of Rights shall be deemed coincident with the interests of the holders of Common Stock.

Section 28. Successors. All the covenants and provisions of this Agreement by or for the benefit of the Company or the Rights Agent shall bind and inure to the benefit of their respective successors and assigns hereunder.

Section 29. Benefits of this Agreement. Nothing in this Agreement shall be construed to give to any Person or corporation other than the Company, the Rights Agent and the registered holders of the Right Certificates (and, prior to the Distribution Date, of the Common Stock of the Company) any legal or equitable right, remedy or claim under this Agreement; but this Agreement shall be for the sole and exclusive benefit of the Company, the Rights Agent and the registered holders of the Right Certificates (and, prior to the Distribution Date, of the Common Stock of the Company).

Section 30. Severability. If any term, provision, covenant or restriction of this Agreement or the Rights is held by a court of competent jurisdiction or other authority to be invalid, void or unenforceable, the remainder of this Agreement and the Rights shall remain in full force and effect and shall in no way be affected, impaired or invalidated; provided, however, that notwithstanding anything in this Agreement to the contrary, if any such term, provision, covenant or restriction is held by such court or authority to be invalid, void or unenforceable and the Board of Directors of the Company determines in its good faith judgment that severing the invalid language from this Agreement would adversely affect the purpose or effect of this Agreement, the right of redemption set forth in Section 23 hereof shall be reinstated and shall not expire until the close of business on the tenth Business Day following the date of such determination by the Board of Directors.

Section 31. Determination and Actions by the Board of Directors, etc. The Board of Directors of the Company shall have the exclusive power and authority to administer this Agreement and to exercise all rights and powers specifically granted to the Board of Directors or to the Company, or as may be necessary or advisable in the administration of this Agreement, including, without limitation, the right and power to (i) interpret the provisions of this Agreement, and (ii) make all determinations deemed necessary or advisable for the administration of this Agreement (including, without limitation, a determination to redeem or not to redeem the Rights pursuant to Section 23 hereof or to supplement or amend the Agreement and whether any proposed supplement or amendment adversely affects the interests of the holders of Right Certificates and comports with the requirements of Section 27 hereof or to find or to announce publicly that any

Person has become an Acquiring Person). For all purposes of this Agreement, any calculation of the number of shares of Common Stock or other securities outstanding at any particular time, including for purposes of determining the particular percentage of such outstanding shares of Common Stock or any other securities of which any Person is the Beneficial Owner, shall be made in accordance with the last sentence of Rule 13d-3(d)(1)(i) of the General Rules and Regulations under the Exchange Act as in effect on the date of this Agreement. All such actions, calculations, interpretations and determinations (including for purpose of clause (y) below, all omissions with respect to the foregoing) which are done or made by the Board of Directors of the Company in good faith, shall (x) be final, conclusive and binding on the Company, the Rights Agent, the holders of the Right Certificates and all other parties, and (y) not subject the Board of Directors or any director to any liability to the holders of the Right Certificates.

Section 32. Governing Law. This Agreement and each Right Certificate issued hereunder shall be deemed to be a contract made under the laws of the State of Delaware and for all purposes shall be governed by and construed in accordance with the laws of such State applicable to contracts to be made and performed entirely within such State.

Section 33. Counterparts. This Agreement may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original, and all such counterparts shall together constitute but one and the same instrument.

Section 34. Descriptive Headings. Descriptive headings of the several Sections of this Agreement are inserted for convenience only and shall not control or affect the meaning or construction of any of the provisions hereof.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and their respective corporate seals to be hereunto affixed and attested, all as of the date and the year first above written.

Capital One Financial Corporation

By /s/ Richard D. Fairbank

Title: Chief Executive Officer

Mellon Bank, N.A.

By /s/

Title:

CAPITAL ONE BANK

AMENDED AND RESTATED ISSUING AND PAYING AGENCY AGREEMENT

THIS AGREEMENT, dated as of April 30, 1996, between Capital One Bank, a banking association chartered under the laws of the Commonwealth of Virginia (the "Bank") and Chemical Bank, as issuing and paying agent (the "Issuing and Paying Agent," which term shall also refer to any duly appointed successor thereto).

WITNESSETH:

Section 1. Appointment of Issuing and Paying Agent. The Bank proposes to issue from time to time its Bank Notes (each, a "Bank Note" and collectively, the "Bank Notes") in such amounts as may be duly authorized by the Bank pursuant to the Amended and Restated Distribution Agreement, dated April 30, 1996 (the "Distribution Agreement"), among the Bank and the agents named therein (the "Agents").

Each Bank Note will be issued in book-entry form and will be represented by a global certificate (each, a "Global Bank Note" and collectively, the "Global Bank Notes") registered in the name of The Depository Trust Company, as depository ("DTC," which term includes any successor thereof), or a nominee thereof (which successor shall be a clearing agency registered under the Securities Exchange Act of 1934, as amended, if so required by applicable law) (each beneficial interest in a Global Bank Note, a "Book-Entry Bank Note" and collectively, the "Book-Entry Bank Notes").

The Bank hereby appoints the Issuing and Paying Agent to act, on the terms and conditions specified herein, as issuing and paying agent for the Global Bank Notes and as registrar, transfer agent and authenticating agent for the Global Bank Notes and to perform such other responsibilities as are described herein and the Issuing and Paying Agent hereby accepts such appointments. The aggregate principal amount of the Global Bank Notes which may be issued pursuant to this Agreement outstanding at any one time is unlimited.

The Issuing and Paying Agent shall exercise due care in the performance of its obligations hereunder and shall perform such obligations in a manner consistent with industry standards.

Section 2. Global Bank Note Forms; Terms; Execution.

(i) The Global Bank Notes shall be substantially (A) in the form set forth in Exhibit A-1 hereto if such Global Bank Note is a Senior Bank Note (each, a "Senior Bank Note" and collectively, the "Senior Bank Notes") and bears interest at a fixed rate of interest (each such Global Bank Note, a "Fixed Rate Global Senior Bank Note" and collectively, the "Fixed Rate Global Senior Bank Notes"), (B) in the form of Exhibit A-2 hereto if such Global Bank Note is a Senior Bank Note and bears interest at a floating rate of interest determined by reference to an interest rate basis specified therein (each such Global Bank Note, a "Floating Rate Global Senior Bank Note" and collectively, the "Floating Rate Global Senior Bank Notes"), (C) in the form of Exhibit A-3 hereto if such Global Bank Note is a Subordinated Bank Note (each, a "Subordinated Bank Note" and collectively, the "Subordinated Bank Notes") and bears interest at a fixed rate of interest (each such Global Bank Note, a "Fixed Rate Global Subordinated Bank Note" and collectively, the "Fixed Rate Global Subordinated Bank Notes"), (D) in the form of Exhibit A-4 hereto if such Global Bank Note is a Subordinated Bank Note and bears interest at a floating rate of interest determined by reference to an interest rate basis specified therein (each such Global Bank Note, a "Floating Rate Global Subordinated Bank Note" and collectively, the "Floating Rate Global Subordinated Bank Notes"), or (E) in such other form as the Bank may from time to time designate.

(ii) Each Senior Bank Note issued by the Bank shall have a maturity of 30 days to 30 years from its original date of issuance, and each Subordinated Bank Note issued by the Bank shall have a maturity from five years to 30 years from its original date of issue. The Book-Entry Bank Notes shall be issued in minimum denominations of \$250,000 and in integral multiples of \$1,000 in excess thereof.

The interest rate borne by any particular Global Bank Note may vary from the interest rates borne by any other Global Bank Notes. Any such variation shall not affect the interest rate borne by any other Global Bank Notes previously issued hereunder.

(iii) The Bank will from time to time deliver or cause to be delivered to the Issuing and Paying Agent a supply of blank Global Bank Notes in such quantities as the Bank shall determine, bearing consecutive control numbers. Each Global Bank Note will have been executed by the manual or facsimile signature of an Authorized Representative (as defined in Section 3 hereof) of the Bank. The Issuing and Paying Agent will acknowledge receipt of the Global Bank Notes delivered to it and will hold such blank Global Bank Notes in safekeeping in accordance with its customary practice and shall complete, authenticate and

deliver such Global Bank Notes in accordance with the provisions hereof.

Section 3. Authorized Representatives. From time to time, the Bank will furnish the Issuing and Paying Agent with a certificate executed by an officer of the Bank certifying the incumbency and specimen signatures of those officers of the Bank authorized to execute Global Bank Notes on behalf of the Bank by manual or facsimile signature and to give instructions and notices on behalf of the Bank hereunder (the "Authorized Representatives"). Until the Issuing and Paying Agent receives a subsequent certificate, the Issuing and Paying Agent shall be entitled to rely on the last such certificate delivered to it for the purposes of determining the identities of Authorized Representatives of the Bank. Any Global Bank Note bearing the manual or facsimile signatures of persons who are Authorized Representatives of the Bank on the date such signatures are affixed shall bind the Bank after the completion, authentication and delivery thereof by the Issuing and Paying Agent, notwithstanding that such persons shall have ceased to hold office on the date such Global Bank Note is so completed, authenticated and delivered by the Issuing and Paying Agent.

Section 4. Issuance Instructions; Completion, Authentication and Delivery of Global Bank Notes.

(i) All instructions regarding the completion, authentication and delivery of Global Bank Notes shall be given by an Authorized Representative of the Bank by telephone (confirmed in writing as soon as practicable), by facsimile transmission or by other acceptable written means by such Authorized Representative.

(ii) Upon receipt of the instructions described above, the Issuing and Paying Agent shall cause to be withdrawn the necessary and applicable Global Bank Notes from safekeeping and, in accordance with such instructions, shall:

- (a) complete each Global Bank Note;
- (b) record each Global Bank Note in the applicable Bank Note Register (as defined in Section 10 hereof);
- (c) cause each Global Bank Note to be manually authenticated by any one of the signatories of the Issuing and Paying Agent duly authorized and designated by it for such purpose; and
- (d) with respect to the Global Bank Notes, hold each Global Bank Note in safekeeping on behalf of the registered holder thereof;

provided that instructions regarding the completion and authentication of a Global Bank Note, whether delivered by facsimile transmission or by other written means, are received by the Issuing and Paying Agent by 11:00 A.M., New York City time, on the Business Day immediately preceding the date of settlement relating to such Global Bank Note (or 9:00 A.M., New York City time, on the date of settlement relating to such Bank Note if the trade date and the date of settlement relating to such Bank Note are the same day). As used in this Agreement, the term "Business Day" shall mean any day that is not a Saturday or Sunday and that is not a day on which banking institutions in The City of New York or the city in which the Bank is headquartered are authorized or required by law, regulation or executive order to close, and with respect to LIBOR Notes (as defined in the applicable Floating Rate Global Bank Note) only, any day that is also a London Business Day. As used in this Agreement, "London Business Day" means any day on which dealings in deposits in U.S. dollars are transacted in the London interbank market.

Section 5. Reliance on Instructions; Request for Instructions. The Issuing and Paying Agent shall incur no liability to the Bank in acting hereunder upon instructions contemplated hereby which the Issuing and Paying Agent reasonably believed in good faith to have been given by an Authorized Representative of the Bank. In the event a discrepancy exists between the instructions as originally received by the Issuing and Paying Agent and any subsequent written confirmation thereof, such original instructions will be deemed controlling; provided that the Issuing and Paying Agent gives notice to the Bank of such discrepancy promptly upon the receipt of such written confirmation.

Any application by the Issuing and Paying Agent for written instructions from the Bank may, at the option of the Issuing and Paying Agent, set forth in writing any action proposed to be taken or omitted by the Issuing and Paying Agent under this Agreement and the date on and/or after which such action shall be taken or such omission shall be effective. The Issuing and Paying Agent shall not be liable for any action taken by, or omission of, the Issuing and Paying Agent in accordance with a proposal included in such application on or after the date specified in such application (which date shall not be less than three Business Days after the Bank has confirmed its receipt to the Issuing and Paying Agent of such application, unless any such officer shall have consented in writing to any earlier date) unless prior to taking any such action (or the effective date in the case of an omission), the Issuing and Paying Agent shall have received written instructions in response to such application specifying the action to be taken or omitted.

Section 6. The Bank's Representations and Warranties. Each instruction given to the Issuing and Paying Agent in

accordance with Section 4 hereof shall constitute a representation and warranty to the Issuing and Paying Agent by the Bank that the issuance and delivery of the Global Bank Notes have been duly and validly authorized by the Bank and that the Global Bank Notes, when completed and authenticated pursuant hereto, will constitute the valid and legally binding obligations of the Bank subject to applicable bankruptcy, liquidation, insolvency, reorganization, moratorium and similar laws of general applicability relating to, or affecting, creditors' rights and to general equity principles. The Bank further warrants that it is free to enter into this Agreement and to perform the terms hereof.

Section 7. Payments of Interest; Interest Payment Dates; Record Dates. Interest payments on Global Bank Notes with maturities of more than one year will be made: (i) in the case of the Fixed Rate Global Senior Bank Notes and Fixed Rate Global Subordinated Bank Notes (collectively, the "Fixed Rate Global Bank Notes"), semi-annually on May 15 and November 15 of each year (unless otherwise specified in any applicable Fixed Rate Global Bank Notes) and (ii) in the case of Floating Rate Global Senior Bank Notes and Floating Rate Global Subordinated Bank Notes (collectively, the "Floating Rate Global Bank Notes"), on such dates as are specified therein (collectively, the "Interest Payment Dates") and, in each case, at maturity or upon earlier redemption or repayment if so indicated in the applicable Global Bank Note. All such interest payments (other than interest due at maturity or upon earlier redemption or repayment) will be made to the Holders (as defined in Section 10 hereof) in whose names Fixed Rate Global Bank Notes are registered at the close of business on May 1 or November 1 (unless otherwise specified in any applicable Fixed Rate Global Bank Notes) (whether or not a Business Day) next preceding such Interest Payment Dates and in whose names Floating Rate Global Bank Notes are registered at the close of business on the fifteenth calendar day (whether or not a Business Day) prior to each such Interest Payment Date (each such May 1, November 1 and fifteenth calendar day, a "Record Date"). Notwithstanding the foregoing, if the Original Issue Date of any Global Bank Note with a maturity of more than one year occurs between a Record Date and the next succeeding Interest Payment Date, the first payment of interest on any such Global Bank Note will be made on the second Interest Payment Date succeeding the Original Issue Date (as defined in the Global Bank Notes). Interest payments will be calculated and made in the manner provided in the applicable Global Bank Note.

If the Bank does not deposit adequate funds pursuant to Section 9 hereof with respect to the interest due on a Global Bank Note with a maturity of more than one year on an Interest Payment Date, such interest will cease to be due to the Holder of such Global Bank Note as of the close of business on the Record Date relating to such Interest Payment Date and will be paid to

the Holder of such Global Bank Note as of the close of business on a special record date to be fixed by the Issuing and Paying Agent when funds for the payment of such interest have been deposited pursuant to Section 9 hereof. Notice of such special record date shall be given by the Issuing and Paying Agent, at the Bank's expense, to the registered Holder of such Global Bank Note not less than 10 calendar days prior to such special record date.

Interest payments on Fixed Rate Global Bank Notes with maturities of one year or less will be made only upon maturity upon presentation and surrender of the applicable Fixed Rate Global Bank Note (unless otherwise specified in the applicable Fixed Rate Global Bank Note). Interest payments on Fixed Rate Global Bank Notes with maturities of one year or less will be calculated in the manner provided in the applicable Fixed Rate Global Bank Note. Interest payments on Floating Rate Global Bank Notes with maturities of one year or less will be made on the Interest Payment Dates specified in such Floating Rate Global Bank Note and, in each case, at maturity or upon earlier redemption or repayment. Interest payments on Floating Rate Global Bank Notes with maturities of one year or less will be calculated in the manner provided in the applicable Floating Rate Global Bank Note.

Section 8. Payment of Principal. The Issuing and Paying Agent will pay the Holder of each Global Bank Note the principal amount of each such Global Bank Note, together with accrued interest and premium, if any, at maturity (or upon earlier redemption or repayment, if applicable).

Section 9. Deposit of Funds. The total amount of any principal of, premium, if any, and interest due on Global Bank Notes, on any Interest Payment Date or any maturity date or date of redemption or repayment shall be paid by the Bank to the Issuing and Paying Agent no later than 1:00 P.M., New York City time, in funds available for use by the Issuing and Paying Agent on such date. The Bank will make such payment on such Global Bank Notes via Fedwire to an account specified by the Issuing and Paying Agent. Upon receipt of funds from the Bank with respect to any Global Bank Note, on such date or as soon as possible thereafter, the Issuing and Paying Agent will pay by separate wire transfer (using message entry instructions in a form previously specified by DTC) to an account previously specified by DTC, in funds available for immediate use by DTC, each payment of principal of, premium, if any, and interest due on a Global Bank Note on such date.

The Issuing and Paying Agent shall hold such amounts paid to it by the Bank in trust for the Holders but shall, pending payment by it to the account specified above, not be under any liability for interest on monies at any time received

by it pursuant to any of the terms of this Agreement or of the Global Bank Notes, nor shall the Issuing and Paying Agent be required to invest such monies.

Section 10. Bank Note Register; Registration, Transfer, Exchange; Persons Deemed Owners.

(i) The Issuing and Paying Agent shall maintain at its offices the Senior Note Register and Subordinated Note Register (together, the "Bank Note Registers"). The Issuing and Paying Agent is hereby appointed as Registrar for the purpose of registering each Global Bank Note and transfers of such Global Bank Note as herein provided. The terms "Senior Note Register" and "Subordinated Note Register" shall mean the definitive records in which shall be recorded the names, addresses and taxpayer identifying numbers of the holders of the Global Senior Bank Notes and Global Subordinated Bank Notes, respectively (collectively, the "Holders"), the serial and CUSIP numbers of each such Global Bank Note and the Original Issue Date thereof and details with respect to the transfer and exchange of each Global Bank Note.

(ii) Upon surrender for registration of transfer of any Global Bank Note at the offices of the Issuing and Paying Agent, the Bank shall execute, and the Issuing and Paying Agent shall complete, authenticate and deliver, in the name of the designated transferee or transferees, one or more new Global Bank Notes of any authorized denominations and having identical terms and provisions and for an equal aggregate principal amount.

(iii) At the option of the Holder of a Global Bank Note, such Global Bank Note may be exchanged for other Global Bank Notes of any authorized denominations of an equal aggregate principal amount and having identical terms and provisions, upon surrender of the Global Bank Notes to be exchanged at the designated offices of the Issuing and Paying Agent. Whenever any Global Bank Notes are so surrendered for exchange, the Bank shall execute, and the Issuing and Paying Agent shall complete, authenticate and deliver, the Global Bank Notes which the Holder of the Global Bank Note making the exchange is entitled to receive. Except as provided below, owners of beneficial interests in a Global Bank Note representing Book-Entry Bank Notes will not be entitled to have such Book-Entry Bank Notes registered in their names, will not receive or be entitled to receive physical delivery of Bank Notes in certificated form and will not be considered the owners or holders thereof under this Agreement. However, if DTC notifies the Bank that it is unwilling or unable to continue as depository or if at any time DTC ceases to be a clearing agency registered under the Securities Exchange Act of 1934, as amended, and a successor depository is not appointed by the Bank within 60 days, or the Bank in its sole discretion determines not to have

Book-Entry Bank Notes represented by one or more Global Bank Notes, then Global Bank Notes representing Book-Entry Bank Notes may be exchanged in whole for definitive Bank Notes in registered form, of like tenor and of an equal aggregate principal amount, in minimum denominations of \$250,000 and integral multiples of \$1,000 in excess thereof, upon surrender of the Global Bank Notes to be exchanged at the offices of the Issuing and Paying Agent.

(iv) Notwithstanding the foregoing, the Issuing and Paying Agent shall not register the transfer of or exchange (i) any Global Bank Note that has been called for redemption in whole or in part, except the unredeemed portion of Global Bank Notes being redeemed in part, (ii) any Global Bank Note during the period beginning at the opening of business 15 days before the mailing of a notice of such redemption and ending at the close of business on the day of such mailing, or (iii) any Global Bank Note in violation of the legend contained on the face of such Global Bank Note.

(v) All Global Bank Notes issued upon any registration of transfer or exchange of Global Bank Notes shall be the valid obligations of the Bank, evidencing the same debt, and entitled to the same benefits as the Global Bank Notes surrendered upon such registration of transfer or exchange.

(vi) Every Global Bank Note presented or surrendered for registration of transfer or for exchange shall be duly endorsed, or be accompanied by a written instrument of transfer with such evidence of due authorization and guaranty of signature as may reasonably be required by the Issuing and Paying Agent, in form satisfactory to the Issuing and Paying Agent, duly executed by the Holder thereof or his attorney duly authorized in writing.

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

(viii) The Bank and the Issuing and Paying Agent, and any agent of the Bank or the Issuing and Paying Agent may treat the Holder in whose name a Global Bank Note is registered as the owner of such Global Bank Note for all purposes, whether or not such Global Bank Note be overdue, and neither the Bank, the Issuing and Paying Agent nor any such agent shall be affected by notice to the contrary except as required by applicable law.

Section 11. Mutilated, Destroyed, Lost, or Stolen Global Bank Notes. In case any Global Bank Note shall at any time become mutilated, destroyed, lost or stolen, and such Global

Bank Note or evidence of the loss, theft or destruction thereof satisfactory to the Bank and the Issuing and Paying Agent (together with indemnity hereinafter referred to and such other documents or proof as may be required by the Bank and the Issuing and Paying Agent) shall be delivered to the Issuing and Paying Agent, the Bank shall execute a new Global Bank Note, of like tenor and principal amount, having a serial number not contemporaneously outstanding, in exchange and substitution for the mutilated Global Bank Note or in lieu of the Global Bank Note destroyed, lost or stolen but, in the case of any destroyed, lost or stolen Global Bank Note, only upon receipt of evidence satisfactory to the Issuing and Paying Agent and the Bank that such Global Bank Note was destroyed, stolen or lost, and, if required, upon receipt of indemnity satisfactory to each of them. The Issuing and Paying Agent shall authenticate any such substituted Global Bank Note and deliver the same upon the written request or authorization of any Authorized Representative of the Bank. Upon the issuance of any substituted Global Bank Note, the Bank and the Issuing and Paying Agent may require the payment of a sum sufficient to cover all expenses and reasonable charges connected with the preparation, authentication and delivery of a new Global Bank Note. If any Global Bank Note which has matured or has been redeemed or repaid or is about to mature or to be redeemed or repaid, as the case may be, shall become mutilated, destroyed, lost or stolen, the Bank may, instead of issuing a substitute Global Bank Note, pay or authorize the payment of the same (without surrender thereof except in the case of a mutilated Global Bank Note) upon compliance by the Holder with the provisions of this Section.

Section 12. Cancellation. All Global Bank Notes surrendered for payment, registration of transfer or exchange shall, if surrendered to any person other than the Issuing and Paying Agent, be delivered to the Issuing and Paying Agent and shall be promptly cancelled by it. The Bank may at any time deliver to the Issuing and Paying Agent for cancellation any Global Bank Notes previously authenticated and delivered hereunder which the Bank may have acquired in any manner whatsoever, and all Global Bank Notes so delivered shall be promptly cancelled by the Issuing and Paying Agent. No Global Bank Note shall be authenticated in lieu of or in exchange for any Global Bank Note cancelled as provided in this Section, except as expressly permitted by this Agreement. All cancelled Global Bank Notes held by the Issuing and Paying Agent shall be returned to the Bank.

Upon the written request of the Bank, the Issuing and Paying Agent shall promptly cancel and return to the Bank all unissued Global Bank Notes in its possession.

Section 13. Redemption of Global Bank Notes.

(i) If any Global Bank Notes are to be redeemed prior to maturity, the Bank shall notify the Issuing and Paying Agent not more than 60 nor less than 45 calendar days prior to the date fixed by the Bank for such redemption (the "Redemption Date") of the Bank's election to redeem such Global Bank Notes in whole or in part in increments of \$1,000 (provided that any remaining principal amount of such Global Bank Notes shall be at least \$250,000).

(ii) Whenever less than all the Global Bank Notes at any time outstanding are to be redeemed, the terms of the Global Bank Notes to be so redeemed shall be selected by the Bank. If less than all the Global Bank Notes with identical terms at any time outstanding are to be redeemed, the Global Bank Notes to be so redeemed shall be selected by the Issuing and Paying Agent by lot or in any usual manner approved by it. The Issuing and Paying Agent shall promptly notify the Bank in writing of the Global Bank Notes selected for redemption and, in the case of Global Bank Notes selected for partial redemption, the principal amount thereof to be redeemed.

(iii) Unless otherwise specified in the applicable Global Bank Note, notice of redemption shall be given by the Issuing and Paying Agent, at the Bank's expense, by first-class mail, postage prepaid, mailed not more than 60 nor less than 30 calendar days prior to the Redemption Date, to each Holder of such Global Bank Note to be redeemed, at its address appearing in the Bank Note Register. All notices of redemption shall identify the Global Bank Notes to be redeemed (including CUSIP number) and shall state: (i) the Redemption Date; (ii) the redemption price, which shall be determined in accordance with the terms of the Global Bank Note (the "Redemption Price"); (iii) if less than all of the Global Bank Notes at any time outstanding are to be redeemed, the identification (and, in the case of partial redemption, the principal amounts) of the particular Global Bank Notes to be redeemed; (iv) that on the Redemption Date the Redemption Price plus accrued interest, if any, to the Redemption Date will become due and payable with respect to each Global Bank Note to be redeemed and that interest thereon will cease to accrue on and after said date; and (v) the place or places where such Global Bank Notes are to be surrendered for payment.

(iv) Notice of redemption having been given as described above, the Global Bank Notes so to be redeemed shall, on the Redemption Date, become due and payable at the Redemption Price, and from and after such date such Global Bank Notes shall cease to bear interest. The Bank shall deposit funds with the Issuing and Paying Agent prior to the Redemption Date which are sufficient to redeem such Global Bank Notes which are scheduled

to be so redeemed. Upon surrender of any such Global Bank Notes for redemption in accordance with such notice, the Issuing and Paying Agent shall pay such Global Bank Notes at the Redemption Price, together with unpaid interest accrued on such Global Bank Notes at the applicable rate borne by such Global Bank Notes to the Redemption Date.

(v) Any Global Bank Note which is to be redeemed only in part shall be surrendered to the Issuing and Paying Agent, and the Issuing and Paying Agent shall complete, authenticate and deliver to the Holder of such Global Bank Note, without service charge, a new Global Bank Note or Global Bank Notes, of any authorized denomination as requested by such Holder (which shall be \$250,000 or an integral multiple of \$1,000 in excess thereof), in an aggregate principal amount equal to and in exchange for the unredeemed portion of the principal of the Global Bank Note so surrendered.

(vi) The Bank, in issuing the Global Bank Notes, may use "CUSIP" numbers and, if so, the Issuing and Paying Agent shall use "CUSIP" numbers in notices of redemption as a convenience to Holders; provided, however, that any such notice may state that no representation is made as to the correctness of such numbers either as printed on the Global Bank Notes or as contained in any notice of a redemption and that reliance may be placed only on the other identification numbers printed on the Global Bank Notes, and any such redemption shall not be affected by any defect in or omission of such numbers.

Section 14. Repayment of Global Bank Notes.

(i) In order for any Global Bank Note to be repaid in whole or in part at the option of the Holder thereof, such Global Bank Note must be delivered by the Holder thereof, with the form entitled "Option to Elect Repayment" (set forth in such Global Bank Note) duly completed, to the Issuing and Paying Agent at its offices located at the address set forth in Section 20 hereof, or such other place or places of which the Bank shall from time to time notify the Holders of the Global Bank Notes, not more than 60 nor less than 30 calendar days prior to any date fixed for such repayment of such Global Bank Notes (the "Optional Repayment Date").

(ii) Upon surrender of any Global Bank Note for repayment in accordance with the provisions set forth above, the Global Bank Note to be repaid shall, on the Optional Repayment Date, become due and payable, and the Issuing and Paying Agent shall pay such Global Bank Note on the Optional Repayment Date at a price equal to 100% of the principal amount thereof, together with accrued interest to the Optional Repayment Date.

(iii) If less than the entire principal amount of any Global Bank Note is to be repaid, the Holder thereof shall specify the portion thereof (which shall be in increments of \$1,000) which such Holder elects to have repaid and shall surrender such Global Bank Note to the Issuing and Paying Agent, and the Issuing and Paying Agent shall complete, authenticate and deliver to the Holder of such Global Bank Note, without service charge, a new Global Bank Note or Global Bank Notes in an aggregate principal amount equal to and in exchange for the unrepaid portion of the principal of the Global Bank Note so surrendered and in such denominations as shall be specified by such Holder (which shall be \$250,000 or an integral multiple of \$1,000 in excess thereof).

Section 15. Acceleration of Maturity. If an Event of Default (as defined in the applicable Global Bank Note) with respect to a Senior Bank Note or Subordinated Bank Note, as the case may be, issued by the Bank shall occur, then the Holder of the applicable Senior Bank Note or Subordinated Bank Note may declare the principal amount of, and accrued interest and premium, if any, on such Senior Bank Note or Subordinated Bank Note due and payable by written notice to the Bank. Upon such declaration and notice, such principal amount, accrued interest and premium, if any, shall become immediately due and payable. The Bank shall promptly notify, and provide copies of any such notice to, the Issuing and Paying Agent, and the Issuing and Paying Agent shall promptly mail by first-class mail, postage prepaid, copies of such notice to the Holders of the Senior Bank Notes or the Subordinated Bank Notes, as the case may be, upon the occurrence of an Event of Default or of the curing or waiver of an Event of Default. Any Event of Default with respect to a Bank Note may be waived by the Holder thereof.

Notwithstanding the foregoing, the acceleration of any Bank Note issued prior to the date of this Agreement pursuant to the terms of the Issuing and Paying Agency Agreement dated as of December 7, 1994 which is amended and restated by this Agreement, shall be governed by the terms of such Agreement and of such Bank Notes. Holders of the Bank Notes issued on or after the date of such Agreement shall be disregarded for purposes of computing the percentage of Holders which may declare the principal amount of, and accrued interest and premium, if any, on such Bank Notes issued prior to the date of this Agreement due and payable.

Section 16. Application of Funds; Return of Unclaimed Funds. Any monies paid by the Bank and held by the Issuing and Paying Agent in trust for payment of principal of, premium, if any, or interest on, any Global Bank Notes that remain unclaimed for two years following the date on which such principal, premium or interest shall have become due and payable shall be returned to the Bank by the Issuing and Paying Agent and the Issuing and Paying Agent shall inform the Bank as to the specific Global Bank

Notes to which such monies related, and any Holder shall thereafter look, as an unsecured general creditor, only to the Bank for the payment thereof and all liability of the Issuing and Paying Agent with respect to such trust monies shall thereupon cease. Any funds deposited by the Bank with the Issuing and Paying Agent for the payment of principal of, premium, if any, or interest on, any Bank Note shall be held in trust on behalf of the Bank by the Issuing and Paying Agent for the payment of principal of, premium, if any, or interest on, any Bank Note until paid or returned to the Bank.

Section 17. Cancellation of Unissued Notes. Upon the written request of the Bank, the Issuing and Paying Agent promptly shall cancel and return to the Bank all unissued Bank Notes in its possession.

Section 18. Liability. Neither the Issuing and Paying Agent nor its directors, officers, employees or agents shall be liable to the Bank for any act or omission hereunder except in the case of gross negligence or willful misconduct. The duties and obligations of the Issuing and Paying Agent, its directors, officers and employees shall be determined by the express provisions of this Agreement and no implied covenants shall be read into this Agreement against any of them. Notwithstanding any other provision elsewhere contained in this Agreement, the Issuing and Paying Agent is acting solely as agent of the Bank and does not assume any obligation or relationship of trust or agency for or with any Holders. Neither the Issuing and Paying Agent nor any of its directors, officers or employees shall be required to ascertain whether any issuance or sale of Bank Notes (or any amendment or termination of this Agreement) has been duly authorized (provided that the Issuing and Paying Agent in good faith has determined that the facsimile or manual signature of the Authorized Representative or any person who has been designated by the Authorized Representative in writing to the Issuing and Paying Agent reasonably resembles the specimen signatures filed with the Issuing and Paying Agent) or is in compliance with any other agreement to which the Bank is a party (whether or not the Issuing and Paying Agent is also a party to such other agreement), and the Issuing and Paying Agent and each of its officers and employees shall be entitled to rely upon any instructions reasonably believed (in accordance with Section 3 hereof) by the Issuing and Paying Agent and its officers and employees to be given on behalf of the Bank by an Authorized Representative or by any person who has been designated by an Authorized Representative in writing to the Issuing and Paying Agent as a person authorized to give such instructions hereunder, whether or not in fact given by the Authorized Representative or such designated person. In no event shall the Issuing and Paying Agent be liable for special, indirect or consequential loss or damage of any kind whatsoever (including but not limited to lost profits), even if the Issuing and Paying Agent has been advised

of the likelihood of such loss or damage and regardless of the form of action.

The Issuing and Paying Agent may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys and the Issuing and Paying Agent shall not be responsible for any willful misconduct or gross negligence on the part of any agent or attorney appointed with due care by it hereunder. The Issuing and Paying Agent may consult with counsel of its selection and the advice of such counsel or any opinion of counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon. The Issuing and Paying Agent shall not be liable for any action taken, suffered, or omitted to be taken by it in good faith and reasonably believed by it to be authorized or within the discretion or rights or powers conferred upon it by this Agreement.

Section 19. Indemnification, Risk of Funds. The Bank shall indemnify and hold harmless the Issuing and Paying Agent, its directors, officers, employees and agents from and against all actions, claims, losses, damages, liabilities, losses and expenses (including reasonable legal fees and expenses) relating to or arising out of their actions or inactions taken or omitted to be taken by the Issuing and Paying Agent in good faith in connection with its performance under this Agreement including, but not limited to, any actions taken or omitted upon instructions by the Bank (in accordance with Section 3) or the issuance, delivery, payment or non-payment of any Bank Note or interest thereon, or other receipt or other funds for the payment of the Bank Notes or interest or premium thereon; provided, however, that the Issuing and Paying Agent shall be liable for any liabilities, losses, claims, damages, costs and expenses (including reasonable legal fees and expenses) caused by the negligence, bad faith or willful misconduct of its directors, officers, employees or agents. This indemnity shall survive the termination of this Agreement.

No provision of this Agreement shall require the Issuing and Paying Agent to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

Section 20. Compensation of the Issuing and Paying Agent. The Bank agrees to pay the compensation of the Issuing and Paying Agent, at such rates as shall be mutually agreed upon in writing between the Bank and the Issuing and Paying Agent from time to time. The Bank shall reimburse upon demand the Issuing

and Paying Agent for all reasonable out-of-pocket expenses (including reasonable legal fees and expenses), disbursements and advances incurred or made by the Issuing and Paying Agent with respect to the Bank in accordance with any provisions of this Agreement, except any such expense, disbursement or advance proven to be attributable to the breach of this Agreement or the gross negligence, bad faith or willful misconduct of the Issuing and Paying Agent, upon receipt of such invoices as the Bank may reasonably require. The provisions of this Section 20 shall survive the termination of this Agreement.

Section 21. Notices.

(i) All communications by or on behalf of the Bank relating to the issuance, transfer, exchange or payment of Bank Notes or interest thereon shall be directed to the offices of the Issuing and Paying Agent located at 450 West 33rd Street, New York, New York 10001, Attention: Global Trust Securities Group, or to such other offices as the Issuing and Paying Agent shall specify in writing to the Bank. The Bank will send all Global Bank Notes to be completed and delivered by the Issuing and Paying Agent to such offices or such other offices as the Issuing and Paying Agent shall specify in writing to the Bank.

(ii) All other notices and communications hereunder shall be in writing and shall be addressed as follows:

(a) if to the Bank:

Capital One Bank
2980 Fairview Park Drive
Falls Church, Virginia 22042
Attention: Treasurer
Telecopy: []

(b) if to the Issuing and Paying Agent:

Chemical Bank
450 West 33rd Street
New York, New York 10001
Attention: Global Trust Securities Group
Telecopy: (212) 946-3498

Section 22. Resignation or Removal of Issuing and Paying Agent and Appointment of Successor Issuing and Paying Agent; Merger, Conversion and Consolidation. The Bank agrees, for the benefit of the Holders from time to time of the Bank Notes, that there shall at all times be an Issuing and Paying Agent hereunder which shall be a bank or trust company organized and doing business under the laws of the United States or any

state thereof authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least \$10,000,000 and subject to supervision and examination by federal or state authority, until all the Global Bank Notes authenticated and delivered hereunder (A) shall have been delivered to the Issuing and Paying Agent for cancellation or (B) shall have become due and payable and funds sufficient to pay the principal of, premium, if any, and interest on, the Global Bank Notes shall have been made available for payment and either paid or returned to the Bank, whichever event occurs earlier. The foregoing capital and surplus requirements shall not be applicable if any of the Bank or an affiliate of the Bank is appointed as successor Issuing and Paying Agent.

The Issuing and Paying Agent may resign at any time as such agent upon written notice to the Bank of such intention on its part, specifying the date on which its desired resignation shall become effective; provided, however, that such date shall be not less than 90 calendar days after the giving of such notice by the Issuing and Paying Agent to the Bank. The Issuing and Paying Agent may be removed at any time as such agent by the filing with it of an instrument in writing signed by a duly authorized officer of the Bank and specifying such removal and the date, which shall be at least 30 calendar days following receipt of such written notice, upon which it is intended to become effective. Any such resignation or removal shall take effect on the date of the appointment by the Bank of a successor issuing and paying agent and the acceptance of such appointment by such successor issuing and paying agent that qualifies as such under the first paragraph of this Section. In the event of the resignation or removal of the Issuing and Paying Agent, if a successor issuing and paying agent has not been appointed by the Bank within 90 calendar days after the giving of notice of resignation or within 30 calendar days after receipt of notice of removal, the Issuing and Paying Agent may, at the expense of the Bank, petition any court of competent jurisdiction for appointment of a successor Issuing and Paying Agent. Upon any such resignation or removal, the Issuing and Paying Agent shall transfer to the successor Issuing and Paying Agent (or, if none shall have been appointed, to the Bank) all monies held by the Issuing and Paying Agent on behalf of the Bank in respect of any Global Bank Notes, any unissued Global Bank Notes and all books and records or copies thereof related to Global Bank Notes maintained by the Issuing and Paying Agent, including copies of the Bank Note Registers. Any resignation or removal hereunder shall not affect the Issuing and Paying Agent's rights to the payment of fees earned or charges incurred through the effective date of such resignation or removal.

Any corporation or bank into which the Issuing and Paying Agent hereunder may be merged or converted, or any corporation or bank with which the Issuing and Paying Agent may

be consolidated, or any corporation or bank resulting from any merger, conversion or consolidation to which the Issuing and Paying Agent shall be a party, or any corporation or bank to which the Issuing and Paying Agent shall sell or otherwise transfer all or substantially all of the assets and business of the Issuing and Paying Agent, provided that it shall be qualified under the first paragraph of this Section, shall be the successor Issuing and Paying Agent under this Agreement without the execution or filing of any paper or any further act on the part of any of the parties hereto.

Section 23. Benefit of Agreement. This Agreement is solely for the benefit of the parties hereto, Holders of Bank Notes, and their successors and assigns, and nothing herein, express or implied, shall give to any other persons any benefits or any legal or equitable right, remedy or claim under or by virtue of this Agreement. No party hereto may assign any of its rights or obligations hereunder except with the prior written consent of all the parties hereto.

Section 24. Bank Notes Held by the Issuing and Paying Agent. The Issuing and Paying Agent, in its individual or other capacity, may become the owner or pledgee of the Bank Notes with the same rights it would have if it were not acting as an issuing and paying agent hereunder.

Section 25. Amendment. This Agreement shall not be amended by any party hereto except in writing executed by the duly authorized officers of all parties.

Section 26. Governing Law. This Agreement shall be governed by, construed and enforced in accordance with, the laws of the State of New York applicable to agreements made and to be performed in such State, without regard to conflicts of laws principles.

Section 27. Counterparts. This Agreement may be executed by the parties hereto in any number of counterparts, and by each of the parties hereto in separate counterparts, and each such counterpart, when so executed and delivered, shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed on their behalf by their officers thereunto duly authorized, all as of the day and year first above written.

CAPITAL ONE BANK

By: /s/

Name:
Title:

CHEMICAL BANK,
as Issuing and Paying Agent

By: /s/ Vernon Wiltshire

Name: Vernon Wiltshire
Title: Assistant Vice President

THIS SENIOR NOTE IS AN OBLIGATION SOLELY OF THE BANK AND WILL NOT BE AN OBLIGATION OF, OR OTHERWISE GUARANTEED BY, ANY OTHER BANK OR CAPITAL ONE FINANCIAL CORPORATION. THIS SENIOR NOTE DOES NOT EVIDENCE DEPOSITS OF THE BANK AND IS NOT INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION OR ANY OTHER GOVERNMENT AGENCY. THE OBLIGATIONS EVIDENCED BY THIS SENIOR NOTE RANK PARI PASSU WITH ALL OTHER SENIOR UNSECURED INDEBTEDNESS OF THE BANK, EXCEPT DEPOSIT LIABILITIES (AS PROVIDED IN SECTION 11(D)(11) OF THE FEDERAL DEPOSIT INSURANCE ACT) AND OTHER OBLIGATIONS THAT ARE SUBJECT TO ANY PRIORITIES OR PREFERENCES. IN A LIQUIDATION OR OTHER RESOLUTION OF THE BANK, THIS SENIOR NOTE WOULD BE TREATED DIFFERENTLY FROM, AND HOLDERS OF THIS SENIOR NOTE COULD RECEIVE, IF ANYTHING, SIGNIFICANTLY LESS THAN HOLDERS OF, DEPOSIT LIABILITIES OF THE BANK.

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

THIS GLOBAL SECURITY MAY NOT BE TRANSFERRED EXCEPT AS A WHOLE BY THE DEPOSITARY TO A NOMINEE OF THE DEPOSITARY OR BY THE DEPOSITARY OR ANY SUCH NOMINEE TO A SUCCESSOR DEPOSITARY OR A NOMINEE OF SUCH SUCCESSOR DEPOSITARY.

THIS SENIOR NOTE IS ISSUABLE ONLY IN FULLY REGISTERED FORM IN MINIMUM DENOMINATIONS OF \$250,000 AND INTEGRAL MULTIPLES OF \$1,000 IN EXCESS THEREOF. EACH OWNER OF A BENEFICIAL INTEREST IN THIS SENIOR NOTE MUST BE AN INSTITUTIONAL INVESTOR WHO IS AN "ACCREDITED INVESTOR" WITHIN THE MEANING OF RULE 501 UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND IS REQUIRED TO HOLD A BENEFICIAL INTEREST IN \$250,000 PRINCIPAL AMOUNT OR ANY INTEGRAL MULTIPLE OF \$1,000 IN EXCESS THEREOF OF THIS SENIOR NOTE AT ALL TIMES.

No. FXR- _____
CUSIP NO.: _____

REGISTERED

CAPITAL ONE BANK
GLOBAL SENIOR BANK NOTE
(Fixed Rate)

ORIGINAL ISSUE DATE:

PRINCIPAL AMOUNT:

INTEREST RATE: _____%

MATURITY DATE:

INTEREST PAYMENT DATE(S):

- At Maturity only
- May 15 and November 15
- Other:

REGULAR RECORD DATES (FOR
 NOTES WITH MATURITIES OF
 MORE THAN ONE YEAR)
 (if other than May 1
 or November 1, prior to each
 Interest Payment Date):

INITIAL REDEMPTION
DATE:

INITIAL REDEMPTION
PERCENTAGE:

ANNUAL REDEMPTION
PERCENTAGE REDUCTION:

HOLDER'S OPTIONAL
REPAYMENT DATE(S):

DAY COUNT CONVENTION

- 30/360 FOR THE PERIOD FROM _____ TO _____ .
- ACTUAL/360 FOR THE PERIOD FROM _____ TO _____ .
- ACTUAL/ACTUAL FOR THE PERIOD FROM _____ TO _____ .

ADDENDUM ATTACHED:

- Yes
- No

ORIGINAL ISSUE DISCOUNT:

- Yes
- No

DEFAULT RATE: _____%

Total Amount of OID:
 Yield to Maturity:
 Initial Accrual Period:

OTHER PROVISIONS:

Capital One Bank, a bank duly authorized and existing under the laws of the Commonwealth of Virginia (the "Bank"), for value received, hereby promises to pay to CEDE & CO., or registered assigns, the principal sum of _____

United States

Dollars on the Maturity Date specified above (except to the extent redeemed or repaid prior to the Maturity Date) and to pay interest thereon from and including the Original Issue Date specified above or from and including the most recent interest payment date on which interest on this Senior Note (or any predecessor Senior Note) has been paid or duly provided for, semi-annually on May 15 and November 15 of each year (unless otherwise specified on the face hereof) (each, an "Interest Payment Date") and at maturity or upon earlier redemption or repayment, if applicable, commencing on the first Interest Payment Date next succeeding the Original Issue Date (or, if the Original Issue Date is between a Regular Record Date (as defined below) and the Interest Payment Date immediately following such Regular Record Date, on the second Interest Payment Date following the Original Issue Date), at the Interest Rate per annum specified above, until the principal hereof is paid or made available for payment, and (to the extent that the payment of such interest shall be legally enforceable) at the Default Rate per annum specified above on any overdue principal and premium, if any, and on any overdue installment of interest. If no Default Rate is specified above, the Default Rate shall be the Interest Rate on this Senior Note specified above. The interest so payable, and punctually paid or duly provided for, on any Interest Payment Date will be paid to the person in whose name this Senior Note (or any predecessor Senior Note) is registered at the close of business on the Regular Record Date, which shall be May 1 and November 1 (whether or not a Business Day (as defined below)), as the case may be, next preceding the applicable Interest Payment Date (unless otherwise specified on the face hereof) (each, a "Regular Record Date"); provided, however, that interest payable at maturity or upon earlier redemption or repayment, if applicable, will be payable to the person to whom principal shall be payable. Any such interest not so punctually paid or duly provided for shall forthwith cease to be payable to the holder as of the close of business on such Regular Record Date, and may either be paid to the person in whose name this Senior Note (or any predecessor Senior Note) is registered at the close of business on a special record date for the payment of such defaulted interest (the "Special Record Date") to be fixed by the Bank, notice of which shall be given to the holders of Senior Notes not less than 10 calendar days prior

to such Special Record Date, or be paid at any time in any other lawful manner.

Payment of principal of, premium, if any, and interest on, this Senior Note will be made in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts. The Bank will at all times appoint and maintain an issuing and paying agent (the "Issuing and Paying Agent," which term shall include any successor Issuing and Paying Agent), authorized by the Bank to pay principal of, premium, if any, and interest on, this Senior Note on behalf of the Bank pursuant to an issuing and paying agency agreement (the "Issuing and Paying Agency Agreement") and having an office or agency (the "Issuing and Paying Agent Office") in The City of New York or in the city in which the Bank is headquartered (the "Place of Payment"), where this Senior Note may be presented or surrendered for payment and where notices, designations or requests in respect of payments with respect to this Senior Note may be served. The Bank has initially appointed Chemical Bank as the Issuing and Paying Agent, with the Issuing and Paying Agent Office currently located at 450 West 33rd Street, New York, New York 10001, Attention: Global Trust Securities Group. The Bank may remove the Issuing and Paying Agent pursuant to the terms of the Issuing and Paying Agency Agreement and may appoint a successor Issuing and Paying Agent.

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

Reference herein to "this Senior Note", "hereof", "herein" and comparable terms shall include an Addendum hereto if an Addendum is specified above.

Reference is hereby made to the further provisions of this Senior Note set forth on the reverse hereof, which further

provisions shall for all purposes have the same effect as if set forth at this place.

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

CAPITAL ONE BANK

By: -----
Authorized Signatory

Dated:

ISSUING AND PAYING AGENT'S CERTIFICATE OF AUTHENTICATION

This is one of the Senior Notes referred to in the Issuing and Paying Agency Agreement.

CHEMICAL BANK,
as Issuing and Paying Agent

By: -----
Authorized Signatory

This Senior Note is one of a duly authorized issue of Senior Bank Notes of the Bank due from 30 days to 30 years from date of issue (the "Senior Notes").

Payments of interest hereon will include interest accrued to but excluding the relevant Interest Payment Date or Maturity Date or date of earlier redemption or repayment, as the case may be. Unless otherwise specified on the face hereof, interest on Senior Notes with maturities of greater than one year will be computed on the basis of a 360-day year of twelve 30-day months. Unless otherwise specified on the face hereof, interest on Senior Notes with maturities of one year or less will be computed on the basis of the actual number of days in the year divided by 360 and will be payable only at maturity to the person to whom principal shall be payable.

Any provision contained herein with respect to the calculation of the rate of interest applicable to this Senior Note, its Interest Payment Dates or any other matter relating hereto may be modified as specified in an Addendum relating hereto if so specified on the face hereof.

If any Interest Payment Date, Maturity Date or date of earlier redemption or repayment of this Senior Note falls on a day which is not a Business Day, the related payment of principal of, premium, if any, or interest on, this Senior Note shall be made on the next succeeding Business Day with the same force and effect as if made on the date such payment were due, and no interest shall accrue on the amount so payable for the period from and after such Interest Payment Date, Maturity Date or date of earlier redemption or repayment, as the case may be. "Business Day" means, unless otherwise specified on the face hereof, any day that is not a Saturday or Sunday and that in The City of New York or in the city in which the Bank is headquartered is not a day on which banking institutions are authorized or required by law, regulation or executive order to close.

This Senior Note will not be subject to any sinking fund. If so provided on the face of this Senior Note, this Senior Note may be redeemed by the Bank either in whole or in part on and after the Initial Redemption Date, if any, specified on the face

hereof. If no Initial Redemption Date is specified on the face hereof, this Senior Note may not be redeemed prior to the Maturity Date. On and after the Initial Redemption Date, if any, this Senior Note may be redeemed in increments of \$1,000 (provided that any remaining principal amount hereof shall be at least \$250,000) at the option of the Bank at the applicable Redemption Price (as defined below), together with unpaid interest accrued hereon at the applicable rate borne by this Senior Note to the date of redemption (each such date, a "Redemption Date"), on written notice given not more than 60 nor less than 30 calendar days prior to the Redemption Date to the registered holder hereof. Whenever less than all the Senior Notes at any time outstanding are to be redeemed, the terms of the Senior Notes to be so redeemed shall be selected by the Bank. If less than all the Senior Notes with identical terms at any time outstanding are to be redeemed, the Senior Notes to be so redeemed shall be selected by the Issuing and Paying Agent by lot or in any usual manner approved by it. In the event of redemption of this Senior Note in part only, a new Senior Note for the unredeemed portion hereof shall be issued in the name of the holder hereof upon the surrender hereof.

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

This Senior Note may be subject to repayment at the option of the holder hereof in accordance with the terms hereof on any Holder's Optional Repayment Date(s), if any, specified on the face hereof. If no Holder's Optional Repayment Date is specified on the face hereof, this Senior Note will not be repayable at the option of the holder hereof prior to maturity. On any Holder's Optional Repayment Date, this Senior Note will be repayable in whole or in part in increments of \$1,000 (provided that any remaining principal amount hereof will be at least \$250,000) at the option of the holder hereof at a repayment price equal to 100% of the principal amount to be repaid, together with accrued and unpaid interest hereon payable to the date of repayment. For this Senior Note to be repaid in whole or in part at the option of the holder hereof on a Holder's Optional Repayment Date, this Senior Note must be delivered, with the form entitled "Option to Elect Repayment" attached hereto duly completed, to the Issuing

and Paying Agent at its offices located at 450 West 33rd Street, New York, New York 10001, Attention: Global Trust Securities Group, or at such other address which the Bank shall from time to time notify the holders of the Senior Notes, not more than 60 nor less than 30 calendar days prior to such Holder's Optional Repayment Date. In the event of repayment of this Senior Note in part only, a new Senior Note for the unrepaid portion hereof shall be issued in the name of the holder hereof upon the surrender hereof. Exercise of such repayment option by the holder hereof shall be irrevocable.

If this Senior Note is an Original Issue Discount Note and if an Event of Default with respect to this Senior Note shall have occurred and be continuing, the Default Amount (as defined hereafter) of this Senior Note may be declared due and payable in the manner and with the effect provided herein. The "Default Amount" shall be equal to the adjusted issue price as of the first day of the accrual period as determined under Final Treasury Regulation Section 1.1275-1(b) (or successor regulation) under the United States Internal Revenue Code of 1986, as amended, in which the date of acceleration occurs increased by the daily portion of the original issue discount for each day in such accrual period ending on the date of acceleration, as determined under Final Treasury Regulation Section 1.1272-1(b) (or successor regulation) under the United States Internal Revenue Code of 1986, as amended. Upon payment of (i) the principal, or premium, if any, so declared due and payable and (ii) interest on any overdue principal and overdue interest or premium, if any (in each case to the extent that the payment of such interest shall be legally enforceable), all of the Bank's obligations in respect of the payment of principal of, premium, if any, and interest on, this Senior Note shall terminate.

In case any Senior Note shall at any time become mutilated, destroyed, lost or stolen, and such Senior Note or evidence of the loss, theft or destruction thereof satisfactory to the Bank and the Issuing and Paying Agent and such other documents or proof as may be required by the Bank and the Issuing and Paying Agent shall be delivered to the Issuing and Paying Agent, the Bank shall issue a new Senior Note, of like tenor and principal amount, having a serial number not contemporaneously outstanding, in exchange and substitution for the mutilated Senior Note or in lieu of the Senior Note destroyed, lost or stolen but, in the case of any destroyed, lost or stolen Senior Note, only upon receipt of evidence satisfactory to the Bank and the Issuing and Paying Agent that such Senior Note was destroyed, stolen or lost,

and, if required, upon receipt of indemnity satisfactory to the Bank and the Issuing and Paying Agent. Upon the issuance of any substituted Senior Note, the Bank and the Issuing and Paying Agent may require the payment of a sum sufficient to cover all expenses and reasonable charges connected with the preparation and delivery of a new Senior Note. If any Senior Note which has matured or has been redeemed or repaid or is about to mature or to be redeemed or repaid shall become mutilated, destroyed, lost or stolen, the Bank may, instead of issuing a substitute Senior Note, pay or authorize the payment of the same (without surrender thereof except in the case of a mutilated Senior Note) upon compliance by the holder with the provisions of this paragraph.

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

The occurrence of any of the following events shall constitute an "Event of Default" with respect to this Senior Note: (i) default in the payment of any interest with respect to any of the Senior Notes issued by the Bank when due, which continues for 30 calendar days; (ii) default in the payment of any principal of, or premium, if any, on, any of the Senior Notes issued by the Bank when due; (iii) the entry by a court having jurisdiction in the premises of (a) a decree or order for relief in respect of the Bank in an involuntary case or proceeding under any applicable United States federal or state bankruptcy, insolvency, reorganization or other similar law or (b) a decree or order appointing a conservator, receiver, liquidator, assignee, trustee, sequestrator or any other similar official of the Bank, or of substantially all of the property of the Bank, or ordering the winding up or liquidation of the affairs of the Bank, and the continuance of any such decree or order for relief or any such other decree or order unstayed and in effect for a period of 60 consecutive days; or (iv) the commencement by the Bank of a voluntary case or proceeding under any applicable United States federal or state bankruptcy, insolvency, reorganization or other similar law or of any other case or proceeding to be adjudicated as bankrupt or insolvent, or the consent by the Bank to the entry of a decree or order for relief in an involuntary case or proceeding under any applicable United States federal or state bankruptcy, insolvency,

reorganization or other similar law or to the commencement of any bankruptcy or insolvency case or proceeding, or the filing by the Bank of a petition or answer or consent seeking reorganization or relief under any applicable United States federal or state bankruptcy, insolvency, reorganization or similar law, or the consent by the Bank to the filing of such petition or to the appointment of or taking possession by a custodian, conservator, receiver, liquidator, assignee, trustee, sequestrator or similar official of the Bank or of substantially all of the property of the Bank, or the making by the Bank of an assignment for the benefit of creditors, or the taking of corporate action by the Bank in furtherance of any such action. If an Event of Default shall occur and be continuing, the holder of this Senior Note may declare the principal amount of, accrued interest and premium, if any, on, this Senior Note due and payable immediately by written notice to the Bank. Upon such declaration and notice, such principal amount, accrued interest and premium, if any, shall become immediately due and payable. Any Event of Default with respect to this Senior Note may be waived by the holder hereof.

The Issuing and Paying Agency Agreement provides that the Bank will promptly notify, and provide copies of any such notice to, the Issuing and Paying Agent, and the Issuing and Paying Agent will promptly mail by first-class mail, postage prepaid, copies of such notice to the holders of the Senior Notes, upon the occurrence of an Event of Default or of the curing or waiver of an Event of Default.

Nothing contained herein shall prevent any consolidation or merger of the Bank with any other corporation or successive consolidations or mergers in which the Bank or its successor or successors shall be a party or parties, or shall prevent any sale, conveyance, transfer or lease of the property of the Bank as an entirety or substantially as an entirety to any other corporation authorized to acquire and operate the same; provided, however (and the Bank hereby covenants and agrees) that any such consolidation, merger, sale or conveyance shall be upon the condition that: (i) immediately after such consolidation, merger, sale or conveyance the corporation (whether the Bank or such other corporation) formed by or surviving any such consolidation or merger, or the corporation to which such sale or

conveyance shall have been made, shall not be in default in the performance or observance of any of the terms, covenants and conditions of this Senior Note to be observed or performed by the Bank; and (ii) the corporation (if other than the Bank) formed by or surviving any such consolidation or merger, or the corporation to which such sale or conveyance shall have been made, shall be organized under the laws of the United States of America or any state thereof or the District of Columbia and shall expressly assume the due and punctual payment of the principal of, premium, if any, and interest on, this Senior Note. In case of any such consolidation, merger, sale, conveyance, transfer or lease, and upon the assumption by the successor corporation of the due and punctual performance of all of the covenants in this Senior Note to be performed or observed by the Bank, such successor corporation shall succeed to and be substituted for the Bank with the same effect as if it had been named in this Senior Note as the Bank and thereafter the predecessor corporation shall be relieved of all obligations and covenants in this Senior Note and may be liquidated and dissolved.

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

The Issuing and Paying Agent shall maintain at its offices a register (the register maintained in such office or any other office or agency of the Issuing and Paying Agent in The City of New York, herein referred to as the "Senior Note Register") in which, subject to such reasonable regulations as it may prescribe, the Issuing and Paying Agent shall provide for the registration of the Senior Notes and of transfers of the Senior Notes (in such capacity, the "Senior Notes Registrar").

The transfer of this Senior Note is registrable in the Senior Note Register, upon surrender of this Senior Note for registration of transfer at the office or agency of the Issuing and Paying Agent in the Place of Payment, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Bank and the Issuing and Paying Agent duly executed by, the holder hereof or his attorney duly authorized in writing, and thereupon one or more new Senior Notes of like tenor, of authorized denominations and for the same aggregate principal amount, will be issued to the designated transferee or transferees.

No provision of this Senior Note shall alter or impair the obligation of the Bank, which is absolute and unconditional, to pay principal of, premium, if any, and interest on, this Senior Note in U.S. dollars at the times, places and rate herein prescribed in accordance with its terms.

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

Beneficial interests represented by this Senior Note are exchangeable for definitive Senior Notes in registered form, of like tenor and of an equal aggregate principal amount, only if (x) The Depository Trust Company, as Depository (the "Depository") notifies the Bank that it is unwilling or unable to continue as Depository for this Senior Note or if at any time the Depository ceases to be a clearing agency registered under the Securities Exchange Act of 1934, as amended, and a successor depository is not appointed by the Bank within 60 days, or (y) the Bank in its sole discretion determines not to have such beneficial interests represented by this Senior Note. Any Senior Note representing such beneficial interests that is exchangeable pursuant to the preceding sentence shall be exchangeable in whole for definitive Senior Notes in registered form, of like tenor and of an equal aggregate principal amount, in minimum denominations of \$250,000 and integral multiples of \$1,000 in excess thereof. Such definitive Senior Notes shall be registered in the name or names of such person or persons as the Depository shall instruct the Issuing and Paying Agent.

Prior to due presentment of this Senior Note for registration of transfer, the Bank, the Issuing and Paying Agent or any agent of the Bank or the Issuing and Paying Agent may treat the holder in whose name this Senior Note is registered as the owner hereof for all purposes, whether or not this Senior Note be overdue, and neither the Bank, the Issuing and Paying Agent nor any such agent shall be affected by notice to the contrary except as required by applicable law.

All notices to the Bank under this Senior Note shall be in writing and addressed to the Bank, 2980 Fairview Park Drive, Falls Church, Virginia 22042, Attention: Treasurer, or to such other address of the Bank as the Bank may notify the holders of the Senior Notes.

This Senior Note shall be governed by, and construed in accordance with, the laws of the State of New York, without regard to conflicts of laws principles and all applicable federal laws and regulations.

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned hereby sell(s),
assign(s) and transfer(s) unto _____

PLEASE INSERT SOCIAL SECURITY NUMBER OR OTHER IDENTIFYING NUMBER OF ASSIGNEE

/ _____ /

(Please print or typewrite name and address,
including postal zip code, of assignee)

the within Senior Note and all rights thereunder, and hereby irrevocably
constitutes and appoints _____

to transfer said Senior Note on the books of the Issuing and Paying Agent,
with full power of substitution in the premises.

Dated: _____

NOTICE: The signature to this
assignment must correspond with
the name as written upon the face
of the within Senior Note in
every particular, without
alteration or enlargement or any
change whatsoever.

Signature Guarantee

OPTION TO ELECT REPAYMENT

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

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

For this Senior Note to be repaid, the undersigned must give to the Issuing and Paying Agent at its offices located at 450 West 33rd Street, New York, New York 10001, Attention: Global Trust Securities Group, or at such other place or places of which the Bank shall from time to time notify the holders of the Senior Notes, not more than 60 days nor less than 30 days prior notice to the date of repayment, with this "Option to Elect Repayment" form duly completed.

If less than the entire principal amount of this Senior Note is to be repaid, specify the portion hereof (which shall be increments of \$1,000) which the holder elects to have repaid and specify the denomination or denominations (which shall be \$250,000 or an integral multiple of \$1,000 in excess thereof) of the Senior Notes to be issued to the holder for the portion of this Senior Note not being repaid (in the absence of any such specification, one such Senior Note will be issued for the portion not being repaid):

\$ _____

Dated: _____

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

Signature Guarantee

THIS SENIOR NOTE IS AN OBLIGATION SOLELY OF THE BANK AND WILL NOT BE AN OBLIGATION OF, OR OTHERWISE GUARANTEED BY, ANY OTHER BANK OR CAPITAL ONE FINANCIAL CORPORATION THIS SENIOR NOTE DOES NOT EVIDENCE DEPOSITS OF THE BANK AND IS NOT INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION OR ANY OTHER GOVERNMENT AGENCY. THE OBLIGATIONS EVIDENCED BY THIS SENIOR NOTE RANK PARI PASSU WITH ALL OTHER SENIOR UNSECURED INDEBTEDNESS OF THE BANK, EXCEPT DEPOSIT LIABILITIES (AS PROVIDED IN SECTION 11(D)(11) OF THE FEDERAL DEPOSIT INSURANCE ACT) AND OTHER OBLIGATIONS THAT ARE SUBJECT TO ANY PRIORITIES OR PREFERENCES. IN A LIQUIDATION OR OTHER RESOLUTION OF THE BANK, THIS SENIOR NOTE WOULD BE TREATED DIFFERENTLY FROM, AND HOLDERS OF THIS SENIOR NOTE COULD RECEIVE, IF ANYTHING, SIGNIFICANTLY LESS THAN HOLDERS OF, DEPOSIT LIABILITIES OF THE BANK.

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

THIS GLOBAL SECURITY MAY NOT BE TRANSFERRED EXCEPT AS A WHOLE BY THE DEPOSITARY TO A NOMINEE OF THE DEPOSITARY OR BY THE DEPOSITARY OR ANY SUCH NOMINEE TO A SUCCESSOR DEPOSITARY OR A NOMINEE OF SUCH SUCCESSOR DEPOSITARY.

THIS SENIOR NOTE IS ISSUABLE ONLY IN FULLY REGISTERED FORM IN MINIMUM DENOMINATIONS OF \$250,000 AND INTEGRAL MULTIPLES OF \$1,000 IN EXCESS THEREOF. EACH OWNER OF A BENEFICIAL INTEREST IN THIS SENIOR NOTE MUST BE AN INSTITUTIONAL INVESTOR WHO IS AN "ACCREDITED INVESTOR" WITHIN THE MEANING OF RULE 501 UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND IS REQUIRED TO HOLD A BENEFICIAL INTEREST IN \$250,000 PRINCIPAL AMOUNT OR ANY INTEGRAL MULTIPLE OF \$1,000 IN EXCESS THEREOF OF THIS SENIOR NOTE AT ALL TIMES.

No. FLR-_____
CUSIP NO.: _____

REGISTERED

CAPITAL ONE BANK
GLOBAL SENIOR BANK NOTE
(Floating Rate)

ORIGINAL ISSUE DATE:
INITIAL INTEREST RATE: _____%
INTEREST RATE
BASIS OR BASES:

IF LIBOR:
 Libor Telerate
 Libor Reuters

INDEX CURRENCY:

SPREAD (PLUS OR MINUS)
AND/OR SPREAD MULTIPLIER:

MAXIMUM INTEREST RATE:

INTEREST PAYMENT DATES:

INITIAL INTEREST RESET DATE:

INTEREST RESET DATES:

INITIAL REDEMPTION DATE:

INITIAL REDEMPTION
PERCENTAGE:

INTEREST CALCULATION:

Regular Floating Rate
Senior Note
 Floating Rate/Fixed Rate
Senior Note
Fixed Rate Commencement Date:
Fixed Interest Rate:
 Inverse Floating Rate Senior
Note
Fixed Interest Rate:

ADDENDUM ATTACHED:

Yes
 No

OTHER PROVISIONS:

PRINCIPAL AMOUNT:

MATURITY DATE:

INDEX MATURITY:

REGULAR RECORD
DATES (if other than the 15th day
prior to each Interest Payment
Date):

MINIMUM INTEREST RATE:

INTEREST PAYMENT PERIOD:

INTEREST RESET PERIOD:

CALCULATION AGENT:

ANNUAL REDEMPTION
PERCENTAGE REDUCTION:

HOLDER'S OPTIONAL
REPAYMENT DATE(S):

DAY COUNT CONVENTION

30/360 for the period
from _____ to _____.
 Actual/360 for the
period from _____ to _____.
 Actual/Actual for the
period from _____ to
_____.

ORIGINAL ISSUE DISCOUNT

Yes
 No

Total Amount of OID:

Yield to Maturity:
Initial Accrual Period:

DEFAULT RATE: _____%

Capital One Bank, a bank duly organized and existing under the laws of the Commonwealth of Virginia (the "Bank"), for value received, hereby promises to pay to CEDE & CO., or registered assigns, the principal sum of _____

United States Dollars

on the Maturity Date specified above (except to the extent redeemed or repaid prior to the Maturity Date) and to pay interest thereon from and including the Original Issue Date specified above or from and including the most recent interest payment date to which interest on this Senior Note (or any predecessor Senior Note) has been paid or duly provided for (each, an "Interest Payment Date"), on the Interest Payment Dates specified above and at maturity or upon earlier redemption or repayment, if applicable, commencing on the first Interest Payment Date next succeeding the Original Issue Date (or, if the Original Issue Date is between a Regular Record Date (as defined below) and the Interest Payment Date immediately following such Regular Record Date, on the second Interest Payment Date following the Original Issue Date), at a rate per annum equal to the Initial Interest Rate specified above until the Initial Interest Reset Date specified above and thereafter at a rate per annum determined in accordance with the provisions hereof and any Addendum relating hereto depending upon the Interest Rate Basis or Bases, if any, and such other terms specified above, until the principal hereof is paid or made available for payment, and (to the extent that the payment of such interest shall be legally enforceable) at the Default Rate per annum specified above on any overdue principal and premium, if any, and on any overdue installment of interest. If no Default Rate is specified above, the Default Rate shall be the Interest Rate on this Senior Note specified above. The interest so payable, and punctually paid or duly provided for, on any Interest Payment Date will be paid to the person in whose name this Senior Note (or any predecessor Senior Note) is registered at the close of business on the Regular Record Date, which shall be the 15th calendar day (whether or not a Business Day (as defined below)) prior to such Interest Payment Date (unless otherwise specified on the face hereof) (each, a "Regular Record Date"); provided, however, that interest payable at maturity or upon earlier redemption or repayment, if applicable, will be payable to the person to whom principal shall be payable. Any such interest not so punctually paid or duly provided for shall forthwith cease to be payable to the holder as of the close of business on such Regular Record Date and may either be paid to the person in whose name this Senior Note (or any predecessor

Senior Note) is registered at the close of business on a special record date for the payment of such defaulted interest (the "Special Record Date") to be fixed by the Bank, notice of which shall be given to the holders of Senior Notes not less than 10 calendar days prior to such Special Record Date, or be paid at any time in any other lawful manner.

Payment of principal of, premium, if any, and interest on, this Senior Note will be made in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts. The Bank will at all times appoint and maintain an issuing and paying agent (the "Issuing and Paying Agent," which term shall include any successor Issuing and Paying Agent), authorized by the Bank to pay principal of, premium, if any, and interest on, this Senior Note on behalf of the Bank pursuant to an issuing and paying agency agreement (the "Issuing and Paying Agency Agreement") and having an office or agency (the "Issuing and Paying Agent Office") in The City of New York or the city in which the Bank is headquartered (the "Place of Payment"), where this Senior Note may be presented or surrendered for payment and where notices, designations or requests in respect of payments with respect to this Senior Note may be served. The Bank has initially appointed Chemical Bank as the Issuing and Paying Agent, with the Issuing and Paying Agent Office currently located at 450 West 33rd Street, New York, New York 10001, Attention: Global Trust Securities Group. The Bank may remove the Issuing and Paying Agent pursuant to the terms of the Issuing and Paying Agency Agreement, and appoint a successor Issuing and Paying Agent.

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

Reference herein to "this Senior Note", "hereof", "herein" and comparable terms shall include an Addendum hereto if an Addendum is specified above.

Reference is hereby made to the further provisions of this Senior Note set forth on the reverse hereof, which further provisions shall for all purposes have the same effect as if set forth at this place.

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

CAPITAL ONE BANK

By: _____
Authorized Signatory

Dated:

ISSUING AND PAYING AGENT'S CERTIFICATE OF AUTHENTICATION

This is one of the Senior Notes referred to in the Issuing and Paying Agency Agreement.

CHEMICAL BANK,
as Issuing and Paying Agent

By: _____
Authorized Signatory

[Reverse]

This Senior Note is one of a duly authorized issue of Senior Bank Notes of the Bank due from 30 days to 30 years from date of issue (the "Senior Notes").

If any Interest Payment Date (other than an Interest Payment Date at the Maturity Date or date of earlier redemption or repayment of this Senior Note) would otherwise fall on a day that is not a Business Day, such Interest Payment Date shall be postponed to the next succeeding day that is a Business Day, except that if an Interest Rate Basis is LIBOR, as indicated on the face hereof, and such next Business Day falls in the next succeeding calendar month, such Interest Payment Date shall be the immediately preceding day that is a Business Day. Except as provided above, interest payments will be made on the Interest Payment Dates shown on the face hereof. If the Maturity Date or date of earlier redemption or repayment of this Senior Note falls on a day which is not a Business Day, the related payment of principal of, premium, if any, and interest on, this Senior Note will be made on the next succeeding Business Day with the same force and effect as if made on the date such payment was due, and no interest shall accrue on the amount so payable for the period from and after such Maturity Date or date of earlier redemption or repayment, as the case may be.

This Senior Note will not be subject to any sinking fund. If so provided on the face of this Senior Note, this Senior Note may be redeemed by the Bank either in whole or in part on and after the Initial Redemption Date, if any, specified on the face hereof. If no Initial Redemption Date is specified on the face hereof, this Senior Note may not be redeemed prior to the Maturity Date. On and after the Initial Redemption Date, if any, this Senior Note may be redeemed in increments of \$1,000 (provided that any remaining principal amount hereof shall be at least \$250,000) at the option of the Bank at the applicable Redemption Price (as defined below), together with unpaid interest accrued hereon at the applicable rate borne by this Senior Note to the date of redemption (each such date, a "Redemption Date"), on written notice given not more than 60 nor less than 30 calendar days prior to the Redemption Date to the registered holder hereof. Whenever less than all the Senior Notes at any time outstanding are to be redeemed, the terms of

the Senior Notes to be so redeemed shall be selected by the Bank. If less than all the Senior Notes with identical terms at any time outstanding are to be redeemed, the Senior Notes to be so redeemed shall be selected by the Issuing and Paying Agent by lot or in any usual manner approved by it. In the event of redemption of this Senior Note in part only, a new Senior Note for the unredeemed portion hereof shall be issued in the name of the holder hereof upon the surrender hereof.

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

This Senior Note may be subject to repayment at the option of the holder hereof in accordance with the terms hereof on any Holder's Optional Repayment Date(s), if any, specified on the face hereof. If no Holder's Optional Repayment Date is specified on the face hereof, this Senior Note will not be repayable at the option of the holder hereof prior to maturity. On any Holder's Optional Repayment Date, this Senior Note will be repayable in whole or in part in increments of \$1,000 (provided that any remaining principal amount hereof will be at least \$250,000) at the option of the holder hereof at a repayment price equal to 100% of the principal amount to be repaid, together with accrued and unpaid interest hereon payable to the date of repayment. For this Senior Note to be repaid in whole or in part at the option of the holder hereof on a Holder's Optional Repayment Date, this Senior Note must be delivered, with the form entitled "Option to Elect Repayment" attached hereto duly completed, to the Issuing and Paying Agent at its offices located at 450 West 33rd Street, New York, New York 10001, Attention: Global Trust Securities Group, or at such other address which the Bank shall from time to time notify the holders of the Senior Notes, not more than 60 nor less than 30 calendar days prior to such Holder's Optional Repayment Date. In the event of repayment of this Senior Note in part only, a new Senior Note for the unrepaid portion hereof shall be issued in the name of the holder hereof upon the surrender hereof. Exercise of such repayment option by the holder hereof shall be irrevocable.

The interest rate borne by this Senior Note shall be determined as follows:

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

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

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

Notwithstanding the foregoing, if this Senior Note is designated on the face hereof as having an Addendum attached, this Senior Note shall bear interest in accordance with the terms described in such Addendum.

Except as provided above, the interest rate in effect on each day shall be (a) if such day is an Interest Reset Date, the interest rate determined as of the Interest Determination Date (as defined below) immediately preceding such Interest Reset Date or (b) if such day is not an Interest Reset Date, the interest rate determined as of the Interest Determination Date immediately preceding the next preceding Interest Reset Date. Each Interest Rate Basis shall be the rate determined in accordance with the applicable provision below. If any Interest Reset Date (which term includes the term Initial Interest Reset Date unless the context otherwise requires) would otherwise be a day that is not a Business Day, such Interest Reset Date shall be postponed to the next succeeding day that is a Business Day, except that if an Interest Rate Basis specified on the face hereof is LIBOR and such next Business Day falls in the next succeeding calendar month, such Interest Reset Date shall be the immediately preceding Business Day.

Unless otherwise specified on the face hereof, interest payable on this Senior Note on any Interest Payment Date shall be

the amount of interest accrued from and including the next preceding Interest Payment Date in respect of which interest has been paid (or from and including the Original Issue Date specified on the face hereof, if no interest has been paid), to but excluding the related Interest Payment Date or Maturity Date or date of earlier redemption or repayment, as the case may be.

Unless otherwise specified on the face hereof, accrued interest hereon shall be an amount calculated by multiplying the face amount hereof by an accrued interest factor. Such accrued interest factor shall be computed by adding the interest factor calculated for each day in the period for which accrued interest is being calculated. Unless otherwise specified on the face hereof, the interest factor for each such day shall be computed and paid on the basis of a 360-day year of twelve 30-day months if the Day Count Convention specified on the face hereof is "30/360" for the period specified thereunder, or by dividing the interest rate applicable to such day by 360 if the Day Count Convention specified on the face hereof is "Actual/360" for the period specified thereunder or by the actual number of days in the year if the Day Count Convention specified on the face hereof is "Actual/Actual" for the period specified thereunder. If interest on this Senior Note is to be calculated with reference to two or more Interest Rate Bases as specified on the face hereof, the interest factor will be calculated in each period in the same manner as if only one of the applicable Interest Rate Bases applied.

Unless otherwise specified on the face hereof, the "Interest Determination Date" with respect to the Commercial Paper Rate, the Federal Funds Rate and the Prime Rate will be the second Business Day preceding each Interest Reset Date; the "Interest Determination Date" with respect to the Eleventh District Cost of Funds Rate will be the last working day of the month immediately preceding each Interest Reset Date on which the Federal Home Loan Bank of San Francisco (the "FHLB of San Francisco") publishes the Index (as defined below); the "Interest Determination Date" with respect to LIBOR shall be the second London Business Day (as defined below) preceding each Interest Reset Date; the "Interest Determination Date" with respect to the Treasury Rate will be the day in the week in which the related Interest Reset Date falls on which day Treasury Bills (as defined below) are normally auctioned (Treasury Bills are normally sold at auction on Monday of each week, unless that day is a legal holiday, in which case

the auction is normally held on the following Tuesday, except that such auction may be held on the preceding Friday); provided, however, that if an auction is held on the Friday of the week preceding the related Interest Reset Date, the related Interest Determination Date shall be such preceding Friday; and provided further that if an auction shall fall on any Interest Reset Date, then the Interest Reset Date shall instead be the first Business Day following such auction. If the interest rate of this Senior Note is determined with reference to two or more Interest Rate Bases as specified on the face hereof, the Interest Determination Date pertaining to this Senior Note will be the latest Business Day which is at least two Business Days prior to such Interest Reset Date on which each Interest Rate Basis is determinable. Each Interest Rate Basis shall be determined on such date, and the applicable interest rate shall take effect on the Interest Reset Date.

Unless otherwise specified on the face hereof, the "Calculation Date" pertaining to any Interest Determination Date will be the earlier of (i) the tenth calendar day after such Interest Determination Date or, if such day is not a Business Day, the next succeeding Business Day and (ii) the Business Day immediately preceding the applicable Interest Payment Date or Maturity Date or date of earlier redemption or repayment, as the case may be. All calculations on this Senior Note shall be made by the Calculation Agent specified on the face hereof or such successor thereto as is duly appointed by the Bank.

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

As used herein, "Business Day" means, unless otherwise specified on the face hereof, any day that is not a Saturday or Sunday and that in The City of New York or in the city in which the Bank is headquartered is not a day on which banking institutions are authorized or required by law, regulation or

executive order to close and, if an Interest Rate Basis shown on the face hereof is LIBOR, is also a London Business Day.

As used herein, unless otherwise specified on the face hereof, "London Business Day" means any day on which dealings in deposits in U.S. dollars are transacted in the London interbank market.

Determination of Commercial Paper Rate. If an Interest Rate Basis for this Senior Note is the Commercial Paper Rate, as indicated on the face hereof, the Commercial Paper Rate shall be determined as of the applicable Interest Determination Date (a "Commercial Paper Rate Interest Determination Date"), as the Money Market Yield (as defined below) on such date of the rate for commercial paper having the Index Maturity specified on the face hereof as published by the Board of Governors of the Federal Reserve System in the relevant weekly statistical release entitled "Statistical Release H.15(519), Selected Interest Rates," or any successor publication of the Board of Governors of the Federal Reserve System ("H.15(519)") under the heading "Commercial Paper". In the event that such rate is not published by 3:00 P.M., New York City time, on the related Calculation Date, then the Commercial Paper Rate shall be the Money Market Yield on such Commercial Paper Rate Interest Determination Date of the rate for commercial paper having the Index Maturity shown on the face hereof as published in the daily statistical release entitled "Composite 3:30 P.M. Quotations for U.S. Government Securities" or any successor publication published by the Federal Reserve Bank of New York ("Composite Quotations") under the heading "Commercial Paper" (with an Index Maturity of one month or three months being deemed to be equivalent to an Index Maturity of 30 days or 90 days, respectively). If by 3:00 P.M., New York City time, on the related Calculation Date such rate is not yet published in either H.15(519) or Composite Quotations, then the Commercial Paper Rate on such Commercial Paper Rate Interest Determination Date shall be calculated by the Calculation Agent and shall be the Money Market Yield of the arithmetic mean of the offered rates at approximately 11:00 A.M., New York City time, on such Commercial Paper Rate Interest Determination Date of three leading dealers of commercial paper in The City of New York selected by the Calculation Agent for commercial paper having the Index Maturity specified on the face hereof placed for an industrial issuer whose bond rating is "AA," or the equivalent, from a nationally recognized securities rating

agency; provided, however, that if any of the dealers selected as aforesaid by the Calculation Agent are not quoting as mentioned in this sentence, the Commercial Paper Rate determined as of such Commercial Paper Rate Interest Determination Date shall be the rate in effect on such Commercial Paper Rate Interest Determination Date.

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

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

where "D" refers to the applicable per annum rate for commercial paper quoted on a bank discount basis and expressed as a decimal and "M" refers to the actual number of days in the interest period for which interest is being calculated.

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

District Cost of Funds Rate in effect on such Eleventh District Cost of Funds Rate Interest Determination Date.

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

Determination of Federal Funds Rate. If an Interest Rate Basis for this Senior Note is the Federal Funds Rate, as indicated on the face hereof, the Federal Funds Rate shall be determined as of the applicable Interest Determination Date (a "Federal Funds Rate Interest Determination Date"), as the rate on such date for federal funds as published in H.15(519) under the heading "Federal Funds (Effective)" or, if not so published by 3:00 P.M., New York City time, on the related Calculation Date, the rate on such Federal Funds Rate Interest Determination Date, as published in Composite Quotations under the heading "Federal Funds/Effective Rate." If by 3:00 P.M., New York City time, on the related Calculation Date such rate is not published in either H.15(519) or Composite Quotations, then the Federal Funds Rate on such Federal Funds Rate Interest Determination Date shall be calculated by the Calculation Agent and shall be the arithmetic mean of the rates for the last transaction in overnight United States dollar federal funds arranged prior to 9:00 A.M., New York City time on such Federal Funds Rate Interest Determination Date by three leading brokers of federal funds transactions in The City of New York selected by the Calculation Agent; provided, however, that if any of the brokers selected as aforesaid by the Calculation Agent are not quoting as mentioned in this sentence, the Federal Funds Rate determined as of such Federal Funds Rate Interest Determination Date shall be the Federal Funds Rate in effect on such Federal Funds Rate Interest Determination Date.

Determination of LIBOR. If an Interest Rate Basis for this Senior Note is LIBOR, as indicated on the face hereof, LIBOR shall be determined by the Calculation Agent as of the applicable Interest Determination Date (a "LIBOR Interest Determination Date") in accordance with the following provisions:

(a) With respect to any LIBOR Interest Determination Date, LIBOR will be, as specified on the face hereof,

either: (i) the rate for deposits in U.S. dollars having the Index Maturity designated on the face hereof, commencing on the second London Business Day immediately following that LIBOR Interest Determination Date, that appears on the Telerate Page 3750 as of 11:00 A.M., London time, on that LIBOR Interest Determination Date ("LIBOR Telerate") or (ii) the arithmetic mean of the offered rates for deposits in U.S. dollars having the Index Maturity designated on the face hereof, commencing on the second London Business Day immediately following that LIBOR Interest Determination Date, that appear on the Reuters Screen LIBO Page as of 11:00 A.M., London time, on that LIBOR Interest Determination Date, if at least two such offered rates appear on the Reuters Screen LIBO Page ("LIBOR Reuters"). "Telerate Page 3750" means the display designated as page "3750" on the Telerate Service (or such other page as may replace the 3750 page on that service or such other service or services as may be nominated by the British Bankers' Association for the purpose of displaying London interbank offered rates for U.S. dollar deposits). "Reuters Screen LIBO Page" means the display designated as page "LIBO" on the Reuters Monitor Money Rates Service (or such other page as may replace the LIBO page on that service for the purpose of displaying London interbank offered rates of major banks). If neither LIBOR Telerate nor LIBOR Reuters is specified on the face hereof, LIBOR will be determined as if LIBOR Telerate had been specified. If no rate appears on the Telerate Page 3750, or if fewer than two offered rates appear on the Reuters Screen LIBO Page, as applicable, LIBOR in respect of that LIBOR Interest Determination Date will be determined as if the parties had specified the rate described in (b) below.

(b) With respect to a LIBOR Interest Determination Date on which no rate appears on Telerate Page 3750, as specified in (a)(i) above, or on which fewer than two offered rates appear on the Reuters Screen LIBO Page, as specified in (a)(ii) above, as applicable, LIBOR will be determined on the basis of the rates at which deposits in U.S. dollars having the Index Maturity designated on the face hereof, are offered at approximately 11:00 A.M., London time, on that LIBOR Interest Determination Date by four major banks in the London interbank market selected by the Calculation Agent ("Reference Banks") to prime banks in the

London interbank market commencing on the second London Business Day immediately following that LIBOR Interest Determination Date and in a principal amount equal to an amount of not less than \$1,000,000 that is representative for a single transaction in such market at such time. The Calculation Agent will request the principal London office of each of the Reference Banks to provide a quotation of its rate. If at least two such quotations are provided, LIBOR in respect of that LIBOR Interest Determination Date will be the arithmetic mean of such quotations. If fewer than two quotations are provided, LIBOR in respect of that LIBOR Interest Determination Date will be the arithmetic mean of the rates quoted at approximately 11:00 A.M., New York City time, on that LIBOR Interest Determination Date by three major banks in The City of New York selected by the Calculation Agent for loans in U.S. dollars to leading European banks having the Index Maturity designated on the face hereof, commencing on the second London Business Day immediately following that LIBOR Interest Determination Date and in a principal amount equal to an amount of not less than \$1,000,000 that is representative for a single transaction in such market at such time; provided, however, that if the banks selected as aforesaid by the Calculation Agent are not quoting as mentioned in this sentence, LIBOR with respect to such LIBOR Interest Determination Date will be the rate of LIBOR in effect on such date.

Determination of Prime Rate. If an Interest Rate Basis for this Senior Note is the Prime Rate, as indicated on the face hereof, the Prime Rate shall be determined as of the applicable Interest Determination Date (a "Prime Rate Interest Determination Date") as the rate on such date as such rate is published in H.15(519) under the heading "Bank Prime Loan". If such rate is not published prior to 3:00 P.M., New York City time, on the related Calculation Date, then the Prime Rate shall be the arithmetic mean of the rates of interest publicly announced by each bank that appears on the Reuters Screen USPRIME1 (as defined below) as such bank's prime rate or base lending rate as in effect for such Prime Rate Interest Determination Date. If fewer than four such rates appear on the Reuters Screen USPRIME1 for such Prime Rate Interest Determination Date, the Prime Rate shall be the arithmetic mean of the prime rates quoted on the basis of the actual number of days in the year divided by a 360-day year as of the close of business on such Prime Rate Interest

Determination Date by four major money center banks in The City of New York selected by the Calculation Agent. If fewer than four major money center banks provide such quotations, the Prime Rate will be determined by the Calculation Agent and will be the arithmetic mean of four prime rates, quoted on the basis of the actual number of days in the year divided by a 360-day year, as of the close of business on such Prime Rate Interest Determination Date as furnished in The City of New York by the major money center banks, if any, that have provided quotations and as many substitute banks or trust companies as is necessary in order to obtain four such prime rate quotations, provided such substitute banks or trust companies are organized and doing business under the laws of the United States, or any state thereof, each having total equity capital of at least U.S. \$500 million and being subject to supervision or examination by federal or state authority, selected by the Calculation Agent to provide such rate or rates; provided, however, that if the banks or trust companies selected as aforesaid are not quoting as mentioned in this sentence, the Prime Rate determined as of such Prime Rate Interest Determination Date shall be the Prime Rate in effect on such Prime Rate Interest Determination Date.

"Reuters Screen USPRIME1" means the display designated as page "USPRIME1" on the Reuters Monitor Money Rates Service (or such other page as may replace the USPRIME1 page on that service for the purpose of displaying prime rates or base lending rates of major United States banks).

Determination of Treasury Rate. If an Interest Rate Basis for this Senior Note is the Treasury Rate, as specified on the face hereof, the Treasury Rate shall be determined as of the applicable Interest Determination Date (a "Treasury Rate Interest Determination Date") as the rate applicable to the most recent auction of direct obligations of the United States ("Treasury Bills") having the Index Maturity specified on the face hereof, as such rate is published in H.15(519) under the heading "Treasury Bills -- auction average (investment)" or, if not published by 3:00 P.M., New York City time, on the related Calculation Date, the auction average rate (expressed as a bond equivalent on the basis of a year of 365 or 366 days, as applicable, and applied on a daily basis) as otherwise announced by the United States Department of the Treasury. In the event that the results of the auction of Treasury Bills having the Index Maturity specified on the face hereof are not reported as

provided by 3:00 P.M., New York City time, on such Calculation Date, or if no such auction is held in a particular week, then the Treasury Rate shall be calculated by the Calculation Agent and shall be a yield to maturity (expressed as a bond equivalent on the basis of a year of 365 or 366 days, as applicable, and applied on a daily basis) of the arithmetic mean of the secondary market bid rates, as of approximately 3:30 P.M., New York City time, on such Treasury Rate Interest Determination Date, of three leading primary United States government securities dealers selected by the Calculation Agent, for the issue of Treasury Bills with a remaining maturity closest to the Index Maturity specified on the face hereof; provided, however, that if any of the dealers selected as aforesaid by the Calculation Agent are not quoting as mentioned in this sentence, the Treasury Rate determined as of such Treasury Rate Interest Determination Date shall be the Treasury Rate in effect on such Treasury Rate Interest Determination Date.

Any provision contained herein, including the determination of an Interest Rate Basis, the specification of an Interest Rate Basis, calculation of the interest rate applicable to this Senior Note, its Interest Payment Dates or any other matter relating hereto may be modified as specified in an Addendum relating hereto if so specified on the face hereof.

Notwithstanding the foregoing, the interest rate hereon shall not be greater than the Maximum Interest Rate, if any, or less than the Minimum Interest Rate, if any, specified on the face hereof. In addition to any Maximum Interest Rate applicable hereto pursuant to the above provisions, the interest rate on this Senior Note will in no event be higher than the maximum rate permitted by New York law, as the same may be modified by United States law of general application. The Calculation Agent shall calculate the interest rate hereon in accordance with the foregoing on or before each Calculation Date. Unless otherwise specified on the face hereof, Chemical Bank will be the Calculation Agent.

At the request of the Holder hereof, the Calculation Agent shall provide to the Holder hereof the interest rate hereon then in effect and, if determined, the interest rate which shall become effective as of the next Interest Reset Date.

If this Senior Note is an Original Issue Discount Note and if an Event of Default with respect to this Senior Note shall have occurred and be continuing, the Default Amount (as defined hereafter) of this Senior Note may be declared due and payable in the manner and with the effect provided herein. The "Default Amount" shall be equal to the adjusted issue price as of the first day of the accrual period as determined under Final Treasury Regulation Section 1.1275-1(b) (or successor regulation) under the United States Internal Revenue Code of 1986, as amended, in which the date of acceleration occurs increased by the daily portion of the original issue discount for each day in such accrual period ending on the date of acceleration, as determined under Final Treasury Regulation Section 1.1272-1(b) (or successor regulation) under the United States Internal Revenue Code of 1986, as amended. Upon payment of (i) the principal, or premium, if any, so declared due and payable and (ii) interest on any overdue principal and overdue interest or premium, if any (in each case to the extent that the payment of such interest shall be legally enforceable), all of the Bank's obligations in respect of the payment of principal of, premium, if any, and interest on, this Senior Note shall terminate.

In case any Senior Note shall at any time become mutilated, destroyed, lost or stolen, and such Senior Note or evidence of the loss, theft or destruction thereof satisfactory to the Bank and the Issuing and Paying Agent and such other documents or proof as may be required by the Bank and the Issuing and Paying Agent shall be delivered to the Issuing and Paying Agent, the Bank shall issue a new Senior Note, of like tenor and principal amount, having a serial number not contemporaneously outstanding, in exchange and substitution for the mutilated Senior Note or in lieu of the Senior Note destroyed, lost or stolen but, in the case of any destroyed, lost or stolen Senior Note, only upon receipt of evidence satisfactory to the Bank and the Issuing and Paying Agent that such Senior Note was destroyed, stolen or lost, and, if required, upon receipt of indemnity satisfactory to the Bank and the Issuing and Paying Agent. Upon the issuance of any substituted Senior Note, the Bank and the Issuing and Paying Agent may require the payment of a sum sufficient to cover all expenses and reasonable charges connected with the preparation and delivery of a new Senior Note. If any Senior Note which has matured or has been redeemed or repaid or is about to mature or to be redeemed or repaid shall become mutilated, destroyed, lost or stolen, the Bank may, instead of issuing a substitute Senior

Note, pay or authorize the payment of the same (without surrender thereof except in the case of a mutilated Senior Note) upon compliance by the holder with the provisions of this paragraph.

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

The occurrence of any of the following events shall constitute an "Event of Default" with respect to this Senior Note: (i) default in the payment of any interest with respect to any of the Senior Notes issued by the Bank when due, which continues for 30 calendar days; (ii) default in the payment of any principal of, or premium, if any, on, any of the Senior Notes issued by the Bank when due; (iii) the entry by a court having jurisdiction in the premises of (a) a decree or order for relief in respect of the Bank in an involuntary case or proceeding under any applicable United States federal or state bankruptcy, insolvency, reorganization or other similar law or (b) a decree or order appointing a conservator, receiver, liquidator, assignee, trustee, sequestrator or any other similar official of the Bank, or of substantially all of the property of the Bank, or ordering the winding up or liquidation of the affairs of the Bank, and the continuance of any such decree or order for relief or any such other decree or order unstayed and in effect for a period of 60 consecutive days; or (iv) the commencement by the Bank of a voluntary case or proceeding under any applicable United States federal or state bankruptcy, insolvency, reorganization or other similar law or of any other case or proceeding to be adjudicated as bankrupt or insolvent, or the consent by the Bank to the entry of a decree or order for relief in an involuntary case or proceeding under any applicable United States federal or state bankruptcy, insolvency, reorganization or other similar law or to the commencement of any bankruptcy or insolvency case or proceeding, or the filing by the Bank of a

petition or answer or consent seeking reorganization or relief under any applicable United States federal or state bankruptcy, insolvency, reorganization or similar law, or the consent by the Bank to the filing of such petition or to the appointment of or taking possession by a custodian, conservator, receiver, liquidator, assignee, trustee, sequestrator or similar official of the Bank or of substantially all of the property of the Bank, or the making by the Bank of an assignment for the benefit of creditors, or the taking of corporate action by the Bank in furtherance of any such action. If an Event of Default shall occur and be continuing, the holder of this Senior Note may declare the principal amount of, accrued interest and premium, if any, on, this Senior Note due and payable immediately by written notice to the Bank. Upon such declaration and notice, such principal amount, accrued interest and premium, if any, shall become immediately due and payable. Any Event of Default with respect to this Senior Note may be waived by the holder hereof.

The Issuing and Paying Agency Agreement provides that the Bank will promptly notify, and provide copies of any such notice to, the Issuing and Paying Agent, and the Issuing and Paying Agent will promptly mail by first-class mail, postage prepaid, copies of such notice to the holders of the Senior Notes, upon the occurrence of an Event of Default or of the curing or waiver of an Event of Default.

Nothing contained herein shall prevent any consolidation or merger of the Bank with any other corporation or successive consolidations or mergers in which the Bank or its successor or successors shall be a party or parties, or shall prevent any sale, conveyance, transfer or lease of the property of the Bank as an entirety or substantially as an entirety to any other corporation authorized to acquire and operate the same; provided, however (and the Bank hereby covenants and agrees) that any such consolidation, merger, sale or conveyance shall be upon the condition that: (i) immediately after such consolidation, merger, sale or conveyance the corporation (whether the Bank or such other corporation) formed by or surviving any such consolidation or merger, or the corporation to which such sale or conveyance shall have been made, shall not be in default in the performance or observance of any of the terms, covenants and conditions of this Senior Note to be observed or performed by the Bank; and (ii) the corporation (if other than the Bank) formed by or surviving any such consolidation or merger, or the corporation

to which such sale or conveyance shall have been made, shall be organized under the laws of the United States of America or any state thereof or the District of Columbia and shall expressly assume the due and punctual payment of the principal of, premium, if any, and interest on, this Senior Note. In case of any such consolidation, merger, sale, conveyance, transfer or lease, and upon the assumption by the successor corporation of the due and punctual performance of all of the covenants in this Senior Note to be performed or observed by the Bank, such successor corporation shall succeed to and be substituted for the Bank with the same effect as if it had been named in this Senior Note as the Bank and thereafter the predecessor corporation shall be relieved of all obligations and covenants in this Senior Note and may be liquidated and dissolved.

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

The Issuing and Paying Agent shall maintain at its offices a register (the register maintained in such office or any other office or agency of the Issuing and Paying Agent in The City of New York, herein referred to as the "Senior Note Register") in which, subject to such reasonable regulations as it may prescribe, the Issuing and Paying Agent shall provide for the registration of the Senior Notes and of transfers of the Senior Notes.

The transfer of this Senior Note is registrable in the Senior Note Register, upon surrender of this Senior Note for registration of transfer at the office or agency of the Issuing and Paying Agent in the Place of Payment, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Bank and the Issuing and Paying Agent duly executed by, the holder hereof or his attorney duly authorized in writing, and thereupon one or more new Senior Notes of like tenor, of authorized denominations and for the same aggregate principal amount, will be issued to the designated transferee or transferees.

No provision of this Senior Note shall alter or impair the obligation of the Bank, which is absolute and unconditional, to

pay principal of, premium, if any, and interest on, this Senior Note in U.S. dollars at the times, places and rate herein prescribed in accordance with its terms.

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

Beneficial interests represented by this Senior Note are exchangeable for definitive Senior Notes in registered form, of like tenor and of an equal aggregate principal amount, only if (x) The Depository Trust Company, as Depository (the "Depository") notifies the Bank that it is unwilling or unable to continue as Depository for this Senior Note or if at any time the Depository ceases to be a clearing agency registered under the Securities Exchange Act of 1934, as amended, and a successor depository is not appointed by the Bank within 60 days, or (y) the Bank in its sole discretion determines not to have such beneficial interests represented by this Senior Note. Any Senior Note representing such beneficial interests that is exchangeable pursuant to the preceding sentence shall be exchangeable in whole for definitive Senior Notes in registered form, of like tenor and of an equal aggregate principal amount, in minimum denominations of \$250,000 and integral multiples of \$1,000 in excess thereof. Such definitive Senior Notes shall be registered in the name or names of such person or persons as the Depository shall instruct the Issuing and Paying Agent.

Prior to due presentment of this Senior Note for registration of transfer, the Bank, the Issuing and Paying Agent or any agent of the Bank or the Issuing and Paying Agent may treat the holder in whose name this Senior Note is registered as the owner hereof for all purposes, whether or not this Senior Note be overdue, and neither the Bank, the Issuing and Paying Agent nor any such agent shall be affected by notice to the contrary except as required by applicable law.

All notices to the Bank under this Senior Note shall be in writing and addressed to the Bank, 2980 Fairview Park Drive, Falls Church, Virginia 22042, Attention: Treasurer, or to such other address of the Bank as the Bank may notify the holders of the Senior Notes.

This Senior Note shall be governed by, and construed in accordance with, the laws of the State of New York, without regard to conflicts of laws principles and all applicable federal laws and regulations.

ABBREVIATIONS

The following abbreviations, when used in the inscription on the face of the within Senior Note, shall be construed as though they were written out in full according to applicable laws or regulations.

TEN COM -- as tenants in common

TEN ENT -- as tenants by the entireties

JT TEN -- as joint tenants with right of survivorship and not as tenants in common

UNIF GIFT MIN ACT -- Custodian

 (Cust) (Minor)
 under Uniform Gifts to Minors Act

 (State)

Additional abbreviations may also be used though not in the above list.

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned hereby sell(s),
assign(s) and transfer(s) unto _____

PLEASE INSERT SOCIAL SECURITY NUMBER OR OTHER IDENTIFYING NUMBER OF ASSIGNEE

_____/_____/_____

(Please print or typewrite name and address,
including postal zip code, of assignee)

the within Senior Note and all rights thereunder, and hereby irrevocably
constitutes and appoints _____

to transfer said Senior Note on the books of the Issuing and Paying Agent,
with full power of substitution in the premises.

Dated: _____

NOTICE: The signature to this assignment
must correspond with the name as written
upon the face of the within Senior Note in
every particular, without alteration or
enlargement or any change whatsoever.

Signature Guarantee

OPTION TO ELECT REPAYMENT

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

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

For this Senior Note to be repaid, the undersigned must give to the Issuing and Paying Agent at its offices located at 450 West 33rd Street, New York, New York 10001, Attention: Global Trust Securities Group, or at such other place or places of which the Bank shall from time to time notify the holders of the Senior Notes, not more than 60 days nor less than 30 days prior notice to the date of repayment, with this "Option to Elect Repayment" form duly completed.

If less than the entire principal amount of this Senior Note is to be repaid, specify the portion hereof (which shall be increments of \$1,000) which the holder elects to have repaid and specify the denomination or denominations (which shall be \$250,000 or an integral multiple of \$1,000 in excess thereof) of the Senior Notes to be issued to the holder for the portion of this Senior Note not being repaid (in the absence of any such specification, one such Senior Note will be issued for the portion not being repaid):

\$ _____

Dated: _____

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

Signature Guarantee

THIS SUBORDINATED NOTE IS AN OBLIGATION SOLELY OF THE BANK AND WILL NOT BE AN OBLIGATION OF, OR OTHERWISE GUARANTEED BY, ANY OTHER BANK OR CAPITAL ONE FINANCIAL CORPORATION. THIS SUBORDINATED NOTE DOES NOT EVIDENCE DEPOSITS OF THE BANK AND IS NOT INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION OR ANY OTHER GOVERNMENT AGENCY. THIS SUBORDINATED NOTE IS SUBORDINATED TO THE CLAIMS OF DEPOSITORS AND GENERAL CREDITORS OF THE BANK, IS INELIGIBLE AS COLLATERAL FOR A LOAN BY THE BANK AND IS NOT SECURED.

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

THIS GLOBAL SECURITY MAY NOT BE TRANSFERRED EXCEPT AS A WHOLE BY THE DEPOSITORY TO A NOMINEE OF THE DEPOSITORY OR BY THE DEPOSITORY OR ANY SUCH NOMINEE TO A SUCCESSOR DEPOSITORY OR A NOMINEE OF SUCH SUCCESSOR DEPOSITORY.

THIS SUBORDINATED NOTE IS ISSUABLE ONLY IN FULLY REGISTERED FORM IN MINIMUM DENOMINATIONS OF \$250,000 AND INTEGRAL MULTIPLES OF \$1,000 IN EXCESS THEREOF. EACH OWNER OF A BENEFICIAL INTEREST IN THIS SUBORDINATED NOTE MUST BE AN INSTITUTIONAL INVESTOR WHO IS AN "ACCREDITED INVESTOR" WITHIN THE MEANING OF RULE 501 UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND IS REQUIRED TO HOLD A BENEFICIAL INTEREST IN \$250,000 PRINCIPAL AMOUNT OR ANY INTEGRAL MULTIPLE OF \$1,000 IN EXCESS THEREOF OF THIS SUBORDINATED NOTE AT ALL TIMES.

No. FXR- _____
CUSIP NO.: _____

REGISTERED

CAPITAL ONE BANK

GLOBAL SUBORDINATED BANK NOTE
(Fixed Rate)

ORIGINAL ISSUE DATE:

PRINCIPAL AMOUNT:

INTEREST RATE: _____%

MATURITY DATE:

INTEREST PAYMENT DATE(S):

- At Maturity only
- May 15 and November 15
- Other:

REGULAR RECORD DATES
 (if other than May 1
 or November 1, prior to each
 Interest Payment Date):

INITIAL REDEMPTION
DATE:

INITIAL REDEMPTION
PERCENTAGE:

ANNUAL REDEMPTION
PERCENTAGE REDUCTION:

HOLDER'S OPTIONAL
REPAYMENT DATE(S):

DAY COUNT CONVENTION

- 30/360 FOR THE PERIOD FROM TO .
- ACTUAL/360 FOR THE PERIOD FROM TO .
- ACTUAL/ACTUAL FOR THE PERIOD FROM TO .

ADDENDUM ATTACHED:

- Yes
- No

ORIGINAL ISSUE DISCOUNT:

- Yes
- No

DEFAULT RATE: _____%

Total Amount of OID:
 Yield to Maturity:
 Initial Accrual Period:

OTHER PROVISIONS:

Capital One Bank, a bank duly authorized and existing under the laws of the Commonwealth of Virginia (the "Bank"), for value received, hereby promises to pay to CEDE & CO., or registered assigns, the principal sum of _____

United States

Dollars on the Maturity Date specified above (except to the extent redeemed or repaid prior to the Maturity Date) and to pay interest thereon from and including the Original Issue Date specified above or from and including the most recent interest payment date on which interest on this Subordinated Note (or any predecessor Subordinated Note) has been paid or duly provided for, semi-annually on May 15 and November 15 of each year (unless otherwise specified on the face hereof) (each, an "Interest Payment Date") and at maturity or upon earlier redemption or repayment, if applicable, commencing on the first Interest Payment Date next succeeding the Original Issue Date (or, if the Original Issue Date is between a Regular Record Date (as defined below) and the Interest Payment Date immediately following such Regular Record Date, on the second Interest Payment Date following the Original Issue Date), at the Interest Rate per annum specified above, until the principal hereof is paid or made available for payment, and (to the extent that the payment of such interest shall be legally enforceable) at the Default Rate per annum specified above on any overdue principal and premium, if any, and on any overdue installment of interest. If no Default Rate is specified above, the Default Rate shall be the Interest Rate on this Subordinated Note specified above. The interest so payable, and punctually paid or duly provided for, on any Interest Payment Date will be paid to the person in whose name this Subordinated Note (or any predecessor Subordinated Note) is registered at the close of business on the Regular Record Date, which shall be the May 1 and November 1 (whether or not a Business Day (as defined below)), as the case may be, next preceding the applicable Interest Payment Date (unless otherwise specified on the face hereof) (each, a "Regular Record Date"); provided, however, that interest payable at maturity or upon earlier redemption or repayment, if applicable, will be payable to the person to whom principal shall be payable. Any such interest not so punctually paid or duly provided for shall forthwith cease to be payable to the holder as of the close of business on such Regular Record Date, and may either be paid to the person in whose name this Subordinated Note (or any predecessor Subordinated Note) is registered at the close of business on a special record date for the payment of such

defaulted interest (the "Special Record Date") to be fixed by the Bank, notice of which shall be given to the holders of Subordinated Notes not less than 10 calendar days prior to such Special Record Date, or be paid at any time in any other lawful manner.

Payment of principal of, premium, if any, and interest on, this Subordinated Note will be made in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts. The Bank will at all times appoint and maintain an issuing and paying agent (the "Issuing and Paying Agent," which term shall include any successor Issuing and Paying Agent), authorized by the Bank to pay principal of, premium, if any, and interest on, this Subordinated Note on behalf of the Bank pursuant to an issuing and paying agency agreement (the "Issuing and Paying Agency Agreement") and having an office or agency (the "Issuing and Paying Agent Office") The City of New York or in the city in which the Bank is headquartered (the "Place of Payment"), where this Subordinated Note may be presented or surrendered for payment and where notices, designations or requests in respect of payments with respect to this Subordinated Note may be served. The Bank has initially appointed Chemical Bank as the Issuing and Paying Agent, with the Issuing and Paying Agent Office currently located at 450 West 33rd Street, New York, New York 10001, Attention: Global Trust Securities Group. The Bank may remove the Issuing and Paying Agent pursuant to the terms of the Issuing and Paying Agency Agreement and may appoint a successor Issuing and Paying Agent.

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

Reference herein to "this Subordinated Note", "hereof", "herein" and comparable terms shall include an Addendum hereto if an Addendum is specified above.

Reference is hereby made to the further provisions of this Subordinated Note set forth on the reverse hereof, which further provisions shall for all purposes have the same effect as if set forth at this place.

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

CAPITAL ONE BANK

By: _____
Authorized Signatory

Dated:

ISSUING AND PAYING AGENT'S CERTIFICATE OF AUTHENTICATION

This is one of the Subordinated Notes referred to in the Issuing and Paying Agency Agreement.

CHEMICAL BANK,
as Issuing and Paying Agent

By: _____
Authorized Signatory

[Reverse]

This Subordinated Note is one of a duly authorized issue of Subordinated Bank Notes of the Bank due from five years to 30 years from date of issue (the "Subordinated Notes").

Payments of interest hereon will include interest accrued to but excluding the relevant Interest Payment Date or Maturity Date or date of earlier redemption or repayment, as the case may be. Unless otherwise specified on the face hereof, interest on this Subordinated Note will be computed on the basis of a 360-day year of twelve 30-day months.

Any provision contained herein with respect to the calculation of the rate of interest applicable to this Subordinated Note, its Interest Payment Dates or any other matter relating hereto may be modified as specified in an Addendum relating hereto if so specified on the face hereof.

If any Interest Payment Date, Maturity Date or date of earlier redemption or repayment of this Subordinated Note falls on a day which is not a Business Day, the related payment of principal of, premium, if any, or interest on, this Subordinated Note shall be made on the next succeeding Business Day with the same force and effect as if made on the date such payment were due, and no interest shall accrue on the amount so payable for the period from and after such Interest Payment Date, Maturity Date or date of earlier redemption or repayment, as the case may be. "Business Day" means, unless otherwise specified on the face hereof, any day that is not a Saturday or Sunday and that in The City of New York or in the city in which the Bank is headquartered is not a day on which banking institutions are authorized or required by law, regulation or executive order to close.

The indebtedness of the Bank evidenced by this Subordinated Note, including principal, premium, if any, and interest, shall be subordinate and junior in right of payment to the Bank's obligations to its depositors, its obligations under the Senior Notes (as such term is defined in the Issuing and Paying Agency Agreement) and its obligations to its other creditors, including its obligations to the Federal Reserve Bank, the Federal Deposit Insurance Corporation and any rights acquired by the Federal

Deposit Insurance Corporation as a result of loans made by the Federal Deposit Insurance Corporation to the Bank or the purchase or guarantee of any of its assets by the Federal Deposit Insurance Corporation, pursuant to the provisions of 12 U.S.C. 1823(c), (d) or (e), whether such obligations are outstanding at this date or are hereafter incurred, other than any obligations which by their express terms rank on parity with, or junior to, the Subordinated Notes. In case of any insolvency, receivership, conservatorship, reorganization, readjustment of debt, marshalling of assets and liabilities or similar proceedings or any liquidation or winding-up of or relating to the Bank, whether voluntary or involuntary, all such obligations (except obligations which rank on parity with or junior to, the Subordinated Notes) shall be entitled to be paid in full before any payment shall be made on account of the principal of, premium, if any, or interest on this Subordinated Note. In the event of any such proceeding, after payment in full of all sums owing with respect to such prior obligations, the holder of this Subordinated Note, together with any obligations of the Bank ranking on a parity with this Subordinated Note, shall be entitled to be paid from the remaining assets of the Bank the unpaid principal, premium, if any, and interest before any payment or other distribution, whether in cash, property or otherwise, shall be made on account of any capital stock or any obligations of the Bank ranking junior to this Subordinated Note.

This Subordinated Note will not be subject to any sinking fund. If so provided on the face of this Subordinated Note, this Subordinated Note may be redeemed by the Bank either in whole or in part on and after the Initial Redemption Date, if any, specified on the face hereof. If no Initial Redemption Date is specified on the face hereof, this Subordinated Note may not be redeemed prior to the Maturity Date. On and after the Initial Redemption Date, if any, this Subordinated Note may be redeemed in increments of \$1,000 (provided that any remaining principal amount hereof shall be at least \$250,000) at the option of the Bank at the applicable Redemption Price (as defined below), together with unpaid interest accrued hereon at the applicable rate borne by this Subordinated Note to the date of redemption (each such date, a "Redemption Date"), on written notice given not more than 60 nor less than 30 calendar days prior to the Redemption Date to the registered holder hereof. Whenever less than all the Subordinated Notes at any time outstanding are to be redeemed, the terms of the Subordinated Notes to be so redeemed

shall be selected by the Bank. If less than all the Subordinated Notes with identical terms at any time outstanding are to be redeemed, the Subordinated Notes to be so redeemed shall be selected by the Issuing and Paying Agent by lot or in any usual manner approved by it. In the event of redemption of this Subordinated Note in part only, a new Subordinated Note for the unredeemed portion hereof shall be issued in the name of the holder hereof upon the surrender hereof.

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

This Subordinated Note may be subject to repayment at the option of the holder hereof in accordance with the terms hereof on any Holder's Optional Repayment Date(s), if any, specified on the face hereof. If no Holder's Optional Repayment Date is specified on the face hereof, this Subordinated Note will not be repayable at the option of the holder hereof prior to maturity. On any Holder's Optional Repayment Date, this Subordinated Note will be repayable in whole or in part in increments of \$1,000 (provided that any remaining principal amount hereof will be at least \$250,000) at the option of the holder hereof at a repayment price equal to 100% of the principal amount to be repaid, together with accrued and unpaid interest hereon payable to the date of repayment. For this Subordinated Note to be repaid in whole or in part at the option of the holder hereof on a Holder's Optional Repayment Date, this Subordinated Note must be delivered, with the form entitled "Option to Elect Repayment" attached hereto duly completed, to the Issuing and Paying Agent at its offices located at 450 West 33rd Street, New York, New York 10001, Attention: Global Trust Securities Group, or at such other address which the Bank shall from time to time notify the holders of the Subordinated Notes, not more than 60 nor less than 30 calendar days prior to such Holder's Optional Repayment Date. In the event of repayment of this Subordinated Note in part only, a new Subordinated Note for the unrepaid portion hereof shall be issued in the name of the holder hereof upon the surrender

hereof. Exercise of such repayment option by the holder hereof shall be irrevocable.

If this Subordinated Note is an Original Issue Discount Note and if an Event of Default with respect to this Subordinated Note shall have occurred and be continuing, the Default Amount (as defined hereafter) of this Subordinated Note may be declared due and payable in the manner and with the effect provided herein. The "Default Amount" shall be equal to the adjusted issue price as of the first day of the accrual period as determined under Final Treasury Regulation Section 1.1275-1(b) (or successor regulation) under the United States Internal Revenue Code of 1986, as amended, in which the date of acceleration occurs increased by the daily portion of the original issue discount for each day in such accrual period ending on the date of acceleration, as determined under Final Treasury Regulation Section 1.1272-1(b) (or successor regulation) under the United States Internal Revenue Code of 1986, as amended. Upon payment of (i) the principal, or premium, if any, so declared due and payable and (ii) interest on any overdue principal and overdue interest or premium, if any (in each case to the extent that the payment of such interest shall be legally enforceable), all of the Bank's obligations in respect of the payment of principal of, premium, if any, and interest on, this Subordinated Note shall terminate.

In case any Subordinated Note shall at any time become mutilated, destroyed, lost or stolen, and such Subordinated Note or evidence of the loss, theft or destruction thereof satisfactory to the Bank and the Issuing and Paying Agent and such other documents or proof as may be required by the Bank and the Issuing and Paying Agent shall be delivered to the Issuing and Paying Agent, the Bank shall issue a new Subordinated Note, of like tenor and principal amount, having a serial number not contemporaneously outstanding, in exchange and substitution for the mutilated Subordinated Note or in lieu of the Subordinated Note destroyed, lost or stolen but, in the case of any destroyed, lost or stolen Subordinated Note, only upon receipt of evidence satisfactory to the Bank and the Issuing and Paying Agent that such Subordinated Note was destroyed, stolen or lost, and, if required, upon receipt of indemnity satisfactory to the Bank and the Issuing and Paying Agent. Upon the issuance of any substituted Subordinated Note, the Bank and the Issuing and Paying Agent may require the payment of a sum sufficient to cover

all expenses and reasonable charges connected with the preparation and delivery of a new Subordinated Note. If any Subordinated Note which has matured or has been redeemed or repaid or is about to mature or to be redeemed or repaid shall become mutilated, destroyed, lost or stolen, the Bank may, instead of issuing a substitute Subordinated Note, pay or authorize the payment of the same (without surrender thereof except in the case of a mutilated Subordinated Note) upon compliance by the holder with the provisions of this paragraph.

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

An "Event of Default" with respect to this Subordinated Note will occur if the Bank shall consent to, or a court or other governmental agency shall enter a decree or order for, the appointment of a conservator or receiver or other similar official in any liquidation, insolvency or similar proceeding with respect to the Bank or all or substantially all of its property and, in the case of a decree or order, such decree or order shall have remained in force for a period of 60 consecutive days. If an Event of Default shall occur and be continuing, the holder of this Subordinated Note may declare the principal amount of, and accrued interest and premium, if any, on, this Subordinated Note due and payable immediately by written notice to the Bank. Upon such declaration and notice, such principal amount, accrued interest and premium, if any, shall become immediately due and payable. Any Event of Default with respect to this Subordinated Note may be waived by the holder hereof. THERE IS NO RIGHT OF ACCELERATION IN THE CASE OF A DEFAULT IN THE PAYMENT OF PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON, THIS SUBORDINATED NOTE OR IN THE PERFORMANCE OF ANY OTHER OBLIGATION OF THE BANK UNDER THIS SUBORDINATED NOTE OR UNDER ANY OTHER SECURITY ISSUED BY THE BANK.

The Issuing and Paying Agency Agreement provides that the Bank will promptly notify, and provide copies of any such notice to, the Issuing and Paying Agent, and the Issuing and Paying Agent will promptly mail by first-class mail, postage prepaid, copies of such notice to the holders of the Subordinated Notes, upon the occurrence of an Event of Default or of the curing or waiver of an Event of Default.

Nothing contained herein shall prevent any consolidation or merger of the Bank with any other corporation or successive consolidations or mergers in which the Bank or its successor or successors shall be a party or parties, or shall prevent any sale, conveyance, transfer or lease of the property of the Bank as an entirety or substantially as an entirety to any other corporation authorized to acquire and operate the same; provided, however (and the Bank hereby covenants and agrees) that any such consolidation, merger, sale or conveyance shall be upon the condition that: (i) immediately after such consolidation, merger, sale or conveyance the corporation (whether the Bank or such other corporation) formed by or surviving any such consolidation or merger, or the corporation to which such sale or conveyance shall have been made, shall not be in default in the performance or observance of any of the terms, covenants and conditions of this Subordinated Note to be observed or performed by the Bank; and (ii) the corporation (if other than the Bank) formed by or surviving any such consolidation or merger, or the corporation to which such sale or conveyance shall have been made, shall be organized under the laws of the United States of America or any state thereof or the District of Columbia and shall expressly assume the due and punctual payment of the principal of, premium, if any, and interest on, this Subordinated Note. In case of any such consolidation, merger, sale, conveyance, transfer or lease, and upon the assumption by the successor corporation of the due and punctual performance of all of the covenants in this Subordinated Note to be performed or observed by the Bank, such successor corporation shall succeed to and be substituted for the Bank with the same effect as if it had been named in this Subordinated Note as the Bank and thereafter the predecessor corporation shall be relieved of all obligations and covenants in this Subordinated Note and may be liquidated and dissolved.

Any action by the holder of this Subordinated Note shall bind all future holders of this Subordinated Note, and of any Subordinated Note issued in exchange or substitution herefor or

in place hereof, in respect of anything done or permitted by the Bank or by the Issuing and Paying Agent in pursuance of such action.

The Issuing and Paying Agent shall maintain at its offices a register (the register maintained in such office or any other office or agency of the Issuing and Paying Agent in The City of New York, herein referred to as the "Subordinated Note Register") in which, subject to such reasonable regulations as it may prescribe, the Issuing and Paying Agent shall provide for the registration of the Subordinated Notes and of transfers of the Subordinated Notes (in such capacity, the "Subordinated Notes Registrar").

The transfer of this Subordinated Note is registrable in the Subordinated Note Register, upon surrender of this Subordinated Note for registration of transfer at the office or agency of the Issuing and Paying Agent in the Place of Payment, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Bank and the Issuing and Paying Agent duly executed by, the holder hereof or his attorney duly authorized in writing, and thereupon one or more new Subordinated Notes of like tenor, of authorized denominations and for the same aggregate principal amount, will be issued to the designated transferee or transferees.

No provision of this Subordinated Note shall alter or impair the obligation of the Bank, which is absolute and unconditional, to pay principal of, premium, if any, and interest on, this Subordinated Note in U.S. dollars at the times, places and rate herein prescribed in accordance with its terms.

In the event of the failure by the Bank to make payment of principal of, premium, if any, or interest on this Subordinated Note (and, in the case of payment of interest, such failure to pay shall have continued for 2 days), the Bank will, upon demand of the holder of this Subordinated Note, pay to the holder of this Subordinated Note the whole amount then due and payable on this Subordinated Note for principal, premium, if any, and interest, with interest on the overdue principal of, premium, if any, and interest on, this Subordinated Note to the extent provided for herein. If the Bank fails to pay such amount upon such demand, the holder of this Subordinated Note may among other

things, institute a judicial proceeding for the collection of such amount.

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

Beneficial interests represented by this Subordinated Note are exchangeable for definitive Subordinated Notes in registered form, of like tenor and of an equal aggregate principal amount, only if (x) The Depository Trust Company, as Depository (the "Depository") notifies the Bank that it is unwilling or unable to continue as Depository for this Subordinated Note or if at any time the Depository ceases to be a clearing agency registered under the Securities Exchange Act of 1934, as amended, and a successor depository is not appointed by the Bank within 60 days, or (y) the Bank in its sole discretion determines not to have such beneficial interests represented by this Subordinated Note. Any Subordinated Note representing such beneficial interests that is exchangeable pursuant to the preceding sentence shall be exchangeable in whole for definitive Subordinated Notes in registered form, of like tenor and of an equal aggregate principal amount, in minimum denominations of \$250,000 and integral multiples of \$1,000 in excess thereof. Such definitive Subordinated Notes shall be registered in the name or names of such person or persons as the Depository shall instruct the Issuing and Paying Agent.

Prior to due presentment of this Subordinated Note for registration of transfer, the Bank, the Issuing and Paying Agent or any agent of the Bank or the Issuing and Paying Agent may treat the holder in whose name this Subordinated Note is registered as the owner hereof for all purposes, whether or not this Subordinated Note be overdue, and neither the Bank, the Issuing and Paying Agent nor any such agent shall be affected by notice to the contrary except as required by applicable law.

All notices to the Bank under this Subordinated Note shall be in writing and addressed to the Bank, 2980 Fairview Park Drive, Falls Church, Virginia 22042, Attention: Treasurer, or to such other address of the Bank as the Bank may notify the holders of the Subordinated Notes.

This Subordinated Note shall be governed by, and construed in accordance with, the laws of the State of New York, without regard to conflicts of laws principles and all applicable federal laws and regulations.

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned hereby sell(s),
assign(s) and transfer(s) unto _____

PLEASE INSERT SOCIAL SECURITY NUMBER OR OTHER IDENTIFYING NUMBER OF ASSIGNEE

/ _____ /

(Please print or typewrite name and address,
including postal zip code, of assignee)

the within Subordinated Note and all rights thereunder, and hereby irrevocably
constitutes and appoints _____

to transfer said Subordinated Note on the books of the Issuing and Paying
Agent, with full power of substitution in the premises.

Dated: _____

NOTICE: The signature to this
assignment must correspond with
the name as written upon the face
of the within Subordinated Note
in every particular, without
alteration or enlargement or any
change whatsoever.

Signature Guarantee

OPTION TO ELECT REPAYMENT

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

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

For this Subordinated Note to be repaid, the undersigned must give to the Issuing and Paying Agent at its offices located at 450 West 33rd Street, New York, New York 10001, Attention: Global Trust Securities Group, or at such other place or places of which the Bank shall from time to time notify the holders of the Subordinated Notes, not more than 60 days nor less than 30 days prior notice to the date of repayment, with this "Option to Elect Repayment" form duly completed.

If less than the entire principal amount of this Subordinated Note is to be repaid, specify the portion hereof (which shall be increments of \$1,000) which the holder elects to have repaid and specify the denomination or denominations (which shall be \$250,000 or an integral multiple of \$1,000 in excess thereof) of the Subordinated Notes to be issued to the holder for the portion of this Subordinated Note not being repaid (in the absence of any such specification, one such Subordinated Note will be issued for the portion not being repaid):

\$ _____

Dated: _____

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

Signature Guarantee

THIS SUBORDINATED NOTE IS AN OBLIGATION SOLELY OF THE BANK AND WILL NOT BE AN OBLIGATION OF, OR OTHERWISE GUARANTEED BY, ANY OTHER BANK OR CAPITAL ONE FINANCIAL CORPORATION. THIS SUBORDINATED NOTE DOES NOT EVIDENCE DEPOSITS OF THE BANK AND IS NOT INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION OR ANY OTHER GOVERNMENT AGENCY. THIS SUBORDINATED NOTE IS SUBORDINATED TO THE CLAIMS OF DEPOSITORS AND GENERAL CREDITORS OF THE BANK, IS INELIGIBLE AS COLLATERAL FOR A LOAN BY THE BANK AND IS NOT SECURED.

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

THIS GLOBAL SECURITY MAY NOT BE TRANSFERRED EXCEPT AS A WHOLE BY THE DEPOSITORY TO A NOMINEE OF THE DEPOSITORY OR BY THE DEPOSITORY OR ANY SUCH NOMINEE TO A SUCCESSOR DEPOSITORY OR A NOMINEE OF SUCH SUCCESSOR DEPOSITORY.

THIS SUBORDINATED NOTE IS ISSUABLE ONLY IN FULLY REGISTERED FORM IN MINIMUM DENOMINATIONS OF \$250,000 AND INTEGRAL MULTIPLES OF \$1,000 IN EXCESS THEREOF. EACH OWNER OF A BENEFICIAL INTEREST IN THIS SUBORDINATED NOTE MUST BE AN INSTITUTIONAL INVESTOR WHO IS AN "ACCREDITED INVESTOR" WITHIN THE MEANING OF RULE 501 UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND IS REQUIRED TO HOLD A BENEFICIAL INTEREST IN \$250,000 PRINCIPAL AMOUNT OR ANY INTEGRAL MULTIPLE OF \$1,000 IN EXCESS THEREOF OF THIS SUBORDINATED NOTE AT ALL TIMES.

No. FLR-_____
CUSIP NO.: _____

REGISTERED

CAPITAL ONE BANK
GLOBAL SUBORDINATED BANK NOTE
(Floating Rate)

Capital One Bank, a bank duly authorized and existing under the laws of the Commonwealth of Virginia (the "Bank"), for value received, hereby promises to pay to CEDE & CO., or registered assigns, the principal sum of _____

United States

Dollars on the Maturity Date specified above (except to the extent redeemed or repaid prior to the Maturity Date) and to pay interest thereon from and including the Original Issue Date specified above or from and including the most recent interest payment date to which interest on this Subordinated Note (or any predecessor Subordinated Note) has been paid or duly provided for (each, an "Interest Payment Date"), on the Interest Payment Dates specified above and at maturity or upon earlier redemption or repayment, if applicable, commencing on the first Interest Payment Date next succeeding the Original Issue Date (or, if the Original Issue Date is between a Regular Record Date (as defined below) and the Interest Payment Date immediately following such Regular Record Date, on the second Interest Payment Date following the Original Issue Date), at a rate per annum equal to the Initial Interest Rate specified above until the Initial Interest Reset Date specified above and thereafter at a rate per annum determined in accordance with the provisions hereof and any Addendum relating hereto depending upon the Interest Rate Basis or Bases, if any, and such other terms specified above, until the principal hereof is paid or made available for payment, and (to the extent that the payment of such interest shall be legally enforceable) at the Default Rate per annum specified above on any overdue principal and premium, if any, and on any overdue installment of interest. If no Default Rate is specified above, the Default Rate shall be the Interest Rate on this Subordinated Note specified above. The interest so payable, and punctually paid or duly provided for, on any Interest Payment Date will be paid to the person in whose name this Subordinated Note (or any predecessor Subordinated Note) is registered at the close of business on the Regular Record Date, which shall be the 15th calendar day (whether or not a Business Day (as defined below)) prior to such Interest Payment Date (unless otherwise specified on the face hereof) (each, a "Regular Record Date"); provided, however, that interest payable at maturity or upon earlier redemption or repayment, if applicable, will be payable to the person to whom principal shall be payable. Any such interest not so punctually paid or duly provided for shall forthwith cease to be payable to the holder as of the close of business on such Regular Record Date and may

either be paid to the person in whose name this Subordinated Note (or any predecessor Subordinated Note) is registered at the close of business on a special record date for the payment of such defaulted interest (the "Special Record Date") to be fixed by the Bank, notice of which shall be given to the holders of Subordinated Notes not less than 10 calendar days prior to such Special Record Date, or be paid at any time in any other lawful manner.

Payment of principal of, premium, if any, and interest on, this Subordinated Note will be made in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts. The Bank will at all times appoint and maintain an issuing and paying agent (the "Issuing and Paying Agent," which term shall include any successor Issuing and Paying Agent), authorized by the Bank to pay principal of, premium, if any, and interest on, this Subordinated Note on behalf of the Bank pursuant to an issuing and paying agency agreement (the "Issuing and Paying Agency Agreement") and having an office or agency (the "Issuing and Paying Agent Office") in The City of New York or the city in which the Bank is headquartered (the "Place of Payment"), where this Subordinated Note may be presented or surrendered for payment and where notices, designations or requests in respect of payments with respect to this Subordinated Note may be served. The Bank has initially appointed Chemical Bank as the Issuing and Paying Agent, with the Issuing and Paying Agent Office currently located at 450 West 33rd Street, New York, New York 10001, Attention: Global Trust Securities Group. The Bank may remove the Issuing and Paying Agent pursuant to the terms of the Issuing and Paying Agency Agreement, and appoint a successor Issuing and Paying Agent.

Payment of principal of, premium, if any, and interest on, this Subordinated Note due at maturity or upon earlier redemption or repayment, if applicable, will be made in immediately available funds upon presentation and surrender of this Subordinated Note to the Issuing and Paying Agent at the Issuing and Paying Agent Office; provided that this Subordinated Note is presented to the Issuing and Paying Agent in time for the Issuing and Paying Agent to make such payment in accordance with its normal procedures. Payments of interest on this Subordinated Note (other than at maturity or upon earlier redemption or

repayment) will be made by wire transfer to such account as has been appropriately designated to the Issuing and Paying Agent by the person entitled to such payments.

Reference herein to "this Subordinated Note", "hereof", "herein" and comparable terms shall include an Addendum hereto if an Addendum is specified above.

Reference is hereby made to the further provisions of this Subordinated Note set forth on the reverse hereof, which further provisions shall for all purposes have the same effect as if set forth at this place.

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

CAPITAL ONE BANK

By: -----
Authorized Signatory

Dated:

ISSUING AND PAYING AGENT'S CERTIFICATE OF AUTHENTICATION

This is one of the Subordinated Notes referred to in the Issuing and Paying Agency Agreement.

CHEMICAL BANK,
as Issuing and Paying Agent

By: -----
Authorized Signatory

[Reverse]

This Subordinated Note is one of a duly authorized issue of Subordinated Bank Notes of the Bank due from five years to 30 years from date of issue (the "Subordinated Notes").

If any Interest Payment Date (other than an Interest Payment Date at the Maturity Date or date of earlier redemption or repayment of this Subordinated Note) would otherwise fall on a day that is not a Business Day, such Interest Payment Date shall be postponed to the next succeeding day that is a Business Day, except that if an Interest Rate Basis is LIBOR, as indicated on the face hereof, and such next Business Day falls in the next succeeding calendar month, such Interest Payment Date shall be the immediately preceding day that is a Business Day. Except as provided above, interest payments will be made on the Interest Payment Dates shown on the face hereof. If the Maturity Date or date of earlier redemption or repayment of this Subordinated Note falls on a day which is not a Business Day, the related payment of principal of, premium, if any, and interest on, this Subordinated Note will be made on the next succeeding Business Day with the same force and effect as if made on the date such payment was due, and no interest shall accrue on the amount so payable for the period from and after such Maturity Date or date of earlier redemption or repayment, as the case may be.

The indebtedness of the Bank evidenced by this Subordinated Note, including principal, premium, if any, and interest, shall be subordinate and junior in right of payment to the Bank's obligations to its depositors, its obligations under the Senior Notes (as such term is defined in the Issuing and Paying Agency Agreement) and its obligations to its other creditors, including its obligations to the Federal Reserve Bank, the Federal Deposit Insurance Corporation and any rights acquired by the Federal Deposit Insurance Corporation as a result of loans made by the Federal Deposit Insurance Corporation to the Bank or the purchase or guarantee of any of its assets by the Federal Deposit Insurance Corporation, pursuant to the provisions of 12 U.S.C. 1823(c), (d) or (e), whether such obligations are outstanding at this date or are hereafter incurred, other than any obligations which by their express terms rank on parity with, or junior to, the Subordinated Notes. In case of any insolvency, receivership,

conservatorship, reorganization, readjustment of debt, marshalling of assets and liabilities or similar proceedings or any liquidation or winding-up of or relating to the Bank, whether voluntary or involuntary, all such obligations (except obligations which rank on parity with or junior to, the Subordinated Notes) shall be entitled to be paid in full before any payment shall be made on account of the principal of, premium, if any, or interest on this Subordinated Note. In the event of any such proceeding, after payment in full of all sums owing with respect to such prior obligations, the holder of this Subordinated Note, together with any obligations of the Bank ranking on a parity with this Subordinated Note, shall be entitled to be paid from the remaining assets of the Bank the unpaid principal, premium, if any, and interest, before any payment or other distribution, whether in cash, property or otherwise, shall be made on account of any capital stock or any obligations of the Bank ranking junior to this Subordinated Note.

This Subordinated Note will not be subject to any sinking fund. If so provided on the face of this Subordinated Note, this Subordinated Note may be redeemed by the Bank either in whole or in part on and after the Initial Redemption Date, if any, specified on the face hereof. If no Initial Redemption Date is specified on the face hereof, this Subordinated Note may not be redeemed prior to the Maturity Date. On and after the Initial Redemption Date, if any, this Subordinated Note may be redeemed in increments of \$1,000 (provided that any remaining principal amount hereof shall be at least \$250,000) at the option of the Bank at the applicable Redemption Price (as defined below), together with unpaid interest accrued hereon at the applicable rate borne by this Subordinated Note to the date of redemption (each such date, a "Redemption Date"), on written notice given not more than 60 nor less than 30 calendar days prior to the Redemption Date to the registered holder hereof. Whenever less than all the Subordinated Notes at any time outstanding are to be redeemed, the terms of the Subordinated Notes to be so redeemed shall be selected by the Bank. If less than all the Subordinated Notes with identical terms at any time outstanding are to be redeemed, the Subordinated Notes to be so redeemed shall be selected by the Issuing and Paying Agent by lot or in any usual manner approved by it. In the event of redemption of this Subordinated Note in part only, a new Subordinated Note for the

unredeemed portion hereof shall be issued in the name of the holder hereof upon the surrender hereof.

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

This Subordinated Note may be subject to repayment at the option of the holder hereof in accordance with the terms hereof on any Holder's Optional Repayment Date(s), if any, specified on the face hereof. If no Holder's Optional Repayment Date is specified on the face hereof, this Subordinated Note will not be repayable at the option of the holder hereof prior to maturity. On any Holder's Optional Repayment Date, this Subordinated Note will be repayable in whole or in part in increments of \$1,000 (provided that any remaining principal amount hereof will be at least \$250,000) at the option of the holder hereof at a repayment price equal to 100% of the principal amount to be repaid, together with accrued and unpaid interest hereon payable to the date of repayment. For this Subordinated Note to be repaid in whole or in part at the option of the holder hereof on a Holder's Optional Repayment Date, this Subordinated Note must be delivered, with the form entitled "Option to Elect Repayment" attached hereto duly completed, to the Issuing and Paying Agent at its offices located at 450 West 33rd Street, New York, New York 10001, Attention: Global Trust Securities Group, or at such other address which the Bank shall from time to time notify the holders of the Subordinated Notes, not more than 60 nor less than 30 calendar days prior to such Holder's Optional Repayment Date. In the event of repayment of this Subordinated Note in part only, a new Subordinated Note for the unrepaid portion hereof shall be issued in the name of the holder hereof upon the surrender hereof. Exercise of such repayment option by the holder hereof shall be irrevocable.

The interest rate borne by this Subordinated Note shall be determined as follows:

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

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

3. If this Subordinated Note is designated as an Inverse Floating Rate Subordinated Note on the face hereof,

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

Notwithstanding the foregoing, if this Subordinated Note is designated on the face hereof as having an Addendum attached, this Subordinated Note shall bear interest in accordance with the terms described in such Addendum.

Except as provided above, the interest rate in effect on each day shall be (a) if such day is an Interest Reset Date, the interest rate determined as of the Interest Determination Date (as defined below) immediately preceding such Interest Reset Date or (b) if such day is not an Interest Reset Date, the interest rate determined as of the Interest Determination Date immediately preceding the next preceding Interest Reset Date. Each Interest Rate Basis shall be the rate determined in accordance with the applicable provision below. If any Interest Reset Date (which term includes the term Initial Interest Reset Date unless the context otherwise requires) would otherwise be a day that is not a Business Day, such Interest Reset Date shall be postponed to the next succeeding day that is a Business Day, except that if an Interest Rate Basis specified on the face hereof is LIBOR and such next Business Day falls in the next succeeding calendar month, such Interest Reset Date shall be the immediately preceding Business Day.

Unless otherwise specified on the face hereof, interest payable on this Subordinated Note on any Interest Payment Date

shall be the amount of interest accrued from and including the next preceding Interest Payment Date in respect of which interest has been paid (or from and including the Original Issue Date specified on the face hereof, if no interest has been paid), to but excluding the related Interest Payment Date or Maturity Date or date of earlier redemption or repayment, as the case may be.

Unless otherwise specified on the face hereof, accrued interest hereon shall be an amount calculated by multiplying the face amount hereof by an accrued interest factor. Such accrued interest factor shall be computed by adding the interest factor calculated for each day in the period for which accrued interest is being calculated. Unless otherwise specified on the face hereof, the interest factor for each such day shall be computed and paid on the basis of a 360-day year of twelve 30-day months if the Day Count Convention specified on the face hereof is "30/360" for the period specified thereunder, or by dividing the interest rate applicable to such day by 360 if the Day Count Convention specified on the face hereof is "Actual/360" for the period specified thereunder or by the actual number of days in the year if the Day Count Convention specified on the face hereof is "Actual/Actual" for the period specified thereunder. If interest on this Subordinated Note is to be calculated with reference to two or more Interest Rate Bases as specified on the face hereof, the interest factor will be calculated in each period in the same manner as if only one of the applicable Interest Rate Bases applied.

Unless otherwise specified on the face hereof, the "Interest Determination Date" with respect to the Commercial Paper Rate, the Federal Funds Rate and the Prime Rate will be the second Business Day preceding each Interest Reset Date; the "Interest Determination Date" with respect to the Eleventh District Cost of Funds Rate will be the last working day of the month immediately preceding each Interest Reset Date on which the Federal Home Loan Bank of San Francisco (the "FHLB of San Francisco") publishes the Index (as defined below); the "Interest Determination Date" with respect to LIBOR shall be the second London Business Day (as defined below) preceding each Interest Reset Date; the "Interest Determination Date" with respect to the Treasury Rate will be the day in the week in which the related Interest Reset Date falls on which day Treasury Bills (as defined below) are normally auctioned (Treasury Bills are normally sold at auction on Monday

of each week, unless that day is a legal holiday, in which case the auction is normally held on the following Tuesday, except that such auction may be held on the preceding Friday); provided, however, that if an auction is held on the Friday of the week preceding the related Interest Reset Date, the related Interest Determination Date shall be such preceding Friday; and provided further that if an auction shall fall on any Interest Reset Date, then the Interest Reset Date shall instead be the first Business Day following such auction. If the interest rate of this Subordinated Note is determined with reference to two or more Interest Rate Bases as specified on the face hereof, the Interest Determination Date pertaining to this Subordinated Note will be the latest Business Day which is at least two Business Days prior to such Interest Reset Date on which each Interest Rate Basis is determinable. Each Interest Rate Basis shall be determined on such date, and the applicable interest rate shall take effect on the Interest Reset Date.

Unless otherwise specified on the face hereof, the "Calculation Date" pertaining to any Interest Determination Date will be the earlier of (i) the tenth calendar day after such Interest Determination Date or, if such day is not a Business Day, the next succeeding Business Day and (ii) the Business Day immediately preceding the applicable Interest Payment Date or Maturity Date or date of earlier redemption or repayment, as the case may be. All calculations on this Subordinated Note shall be made by the Calculation Agent specified on the face hereof or such successor thereto as is duly appointed by the Bank.

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

As used herein, "Business Day" means, unless otherwise specified on the face hereof, any day that is not a Saturday or Sunday and that in The City of New York or in the city in which the Bank is headquartered is not a day on which banking

institutions are authorized or required by law, regulation or executive order to close and, if an Interest Rate Basis shown on the face hereof is LIBOR, is also a London Business Day.

As used herein, unless otherwise specified on the face hereof, "London Business Day" means any day on which dealings in deposits in U.S. dollars are transacted in the London interbank market.

Determination of Commercial Paper Rate. If an Interest Rate Basis for this Subordinated Note is the Commercial Paper Rate, as indicated on the face hereof, the Commercial Paper Rate shall be determined as of the applicable Interest Determination Date (a "Commercial Paper Rate Interest Determination Date"), as the Money Market Yield (as defined below) on such date of the rate for commercial paper having the Index Maturity specified on the face hereof as published by the Board of Governors of the Federal Reserve System in the relevant weekly statistical release entitled "Statistical Release H.15(519), Selected Interest Rates," or any successor publication of the Board of Governors of the Federal Reserve System ("H.15(519)") under the heading "Commercial Paper". In the event that such rate is not published by 3:00 P.M., New York City time, on the related Calculation Date, then the Commercial Paper Rate shall be the Money Market Yield on such Commercial Paper Rate Interest Determination Date of the rate for commercial paper having the Index Maturity shown on the face hereof as published in the daily statistical release entitled "Composite 3:30 P.M. Quotations for U.S. Government Securities" or any successor publication published by the Federal Reserve Bank of New York ("Composite Quotations") under the heading "Commercial Paper" (with an Index Maturity of one month or three months being deemed to be equivalent to an Index Maturity of 30 days or 90 days, respectively). If by 3:00 P.M., New York City time, on the related Calculation Date such rate is not yet published in either H.15(519) or Composite Quotations, then the Commercial Paper Rate on such Commercial Paper Rate Interest Determination Date shall be calculated by the Calculation Agent and shall be the Money Market Yield of the arithmetic mean of the offered rates at approximately 11:00 A.M., New York City time, on such Commercial Paper Rate Interest Determination Date of three leading dealers of commercial paper in The City of New York selected by the Calculation Agent for commercial paper having the Index Maturity specified on the face

hereof placed for an industrial issuer whose bond rating is "AA," or the equivalent, from a nationally recognized securities rating agency; provided, however, that if any of the dealers selected as aforesaid by the Calculation Agent are not quoting as mentioned in this sentence, the Commercial Paper Rate determined as of such Commercial Paper Rate Interest Determination Date shall be the rate in effect on such Commercial Paper Rate Interest Determination Date.

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

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

where "D" refers to the applicable per annum rate for commercial paper quoted on a bank discount basis and expressed as a decimal and "M" refers to the actual number of days in the interest period for which interest is being calculated.

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

Rate Interest Determination Date, then the Eleventh District Cost of Funds Rate determined as of such Eleventh District Cost of Funds Rate Interest Determination Date shall be the Eleventh District Cost of Funds Rate in effect on such Eleventh District Cost of Funds Rate Interest Determination Date.

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

Determination of Federal Funds Rate. If an Interest Rate Basis for this Subordinated Note is the Federal Funds Rate, as indicated on the face hereof, the Federal Funds Rate shall be determined as of the applicable Interest Determination Date (a "Federal Funds Rate Interest Determination Date"), as the rate on such date for federal funds as published in H.15(519) under the heading "Federal Funds (Effective)" or, if not so published by 3:00 P.M., New York City time, on the related Calculation Date, the rate on such Federal Funds Rate Interest Determination Date, as published in Composite Quotations under the heading "Federal Funds/Effective Rate." If by 3:00 P.M., New York City time, on the related Calculation Date such rate is not published in either H.15(519) or Composite Quotations, then the Federal Funds Rate on such Federal Funds Rate Interest Determination Date shall be calculated by the Calculation Agent and shall be the arithmetic mean of the rates for the last transaction in overnight United States dollar federal funds arranged prior to 9:00 A.M., New York City time on such Federal Funds Rate Interest Determination Date by three leading brokers of federal funds transactions in The City of New York selected by the Calculation Agent; provided, however, that if any of the brokers selected as aforesaid by the Calculation Agent are not quoting as mentioned in this sentence, the Federal Funds Rate determined as of such Federal Funds Rate Interest Determination Date shall be the Federal Funds Rate in effect on such Federal Funds Rate Interest Determination Date.

Determination of LIBOR. If an Interest Rate Basis for this Subordinated Note is LIBOR, as indicated on the face hereof, LIBOR shall be determined by the Calculation Agent as of the

applicable Interest Determination Date (a "LIBOR Interest Determination Date") in accordance with the following provisions:

(a) With respect to any LIBOR Interest Determination Date, LIBOR will be, as specified on the face hereof, either: (i) the rate for deposits in U.S. dollars having the Index Maturity designated on the face hereof, commencing on the second London Business Day immediately following that LIBOR Interest Determination Date, that appears on the Telerate Page 3750 as of 11:00 A.M., London time, on that LIBOR Interest Determination Date ("LIBOR Telerate") or (ii) the arithmetic mean of the offered rates for deposits in U.S. dollars having the Index Maturity designated on the face hereof, commencing on the second London Business Day immediately following that LIBOR Interest Determination Date, that appear on the Reuters Screen LIBO Page as of 11:00 A.M., London time, on that LIBOR Interest Determination Date, if at least two such offered rates appear on the Reuters Screen LIBO Page ("LIBOR Reuters"). "Telerate Page 3750" means the display designated as page "3750" on the Telerate Service (or such other page as may replace the 3750 page on that service or such other service or services as may be nominated by the British Bankers' Association for the purpose of displaying London interbank offered rates for U.S. dollar deposits). "Reuters Screen LIBO Page" means the display designated as page "LIBO" on the Reuters Monitor Money Rates Service (or such other page as may replace the LIBO page on that service for the purpose of displaying London interbank offered rates of major banks). If neither LIBOR Telerate nor LIBOR Reuters is specified on the face hereof, LIBOR will be determined as if LIBOR Telerate had been specified. If no rate appears on the Telerate Page 3750, or if fewer than two offered rates appear on the Reuters Screen LIBO Page, as applicable, LIBOR in respect of that LIBOR Interest Determination Date will be determined as if the parties had specified the rate described in (b) below.

(b) With respect to a LIBOR Interest Determination Date on which no rate appears on Telerate Page 3750, as specified in (a)(i) above, or on which fewer than two offered rates appear on the Reuters Screen LIBO Page, as specified in (a)(ii) above, as applicable, LIBOR will be

determined on the basis of the rates at which deposits in U.S. dollars having the Index Maturity designated on the face hereof, are offered at approximately 11:00 A.M., London time, on that LIBOR Interest Determination Date by four major banks in the London interbank market selected by the Calculation Agent ("Reference Banks") to prime banks in the London interbank market commencing on the second London Business Day immediately following that LIBOR Interest Determination Date and in a principal amount equal to an amount of not less than \$1,000,000 that is representative for a single transaction in such market at such time. The Calculation Agent will request the principal London office of each of the Reference Banks to provide a quotation of its rate. If at least two such quotations are provided, LIBOR in respect of that LIBOR Interest Determination Date will be the arithmetic mean of such quotations. If fewer than two quotations are provided, LIBOR in respect of that LIBOR Interest Determination Date will be the arithmetic mean of the rates quoted at approximately 11:00 A.M., New York City time, on that LIBOR Interest Determination Date by three major banks in The City of New York selected by the Calculation Agent for loans in U.S. dollars to leading European banks having the Index Maturity designated on the face hereof, commencing on the second London Business Day immediately following that LIBOR Interest Determination Date and in a principal amount equal to an amount of not less than \$1,000,000 that is representative for a single transaction in such market at such time; provided, however, that if the banks selected as aforesaid by the Calculation Agent are not quoting as mentioned in this sentence, LIBOR with respect to such LIBOR Interest Determination Date will be the rate of LIBOR in effect on such date.

Determination of Prime Rate. If an Interest Rate Basis for this Subordinated Note is the Prime Rate, as indicated on the face hereof, the Prime Rate shall be determined as of the applicable Interest Determination Date (a "Prime Rate Interest Determination Date") as the rate on such date as such rate is published in H.15(519) under the heading "Bank Prime Loan". If such rate is not published prior to 3:00 P.M., New York City time, on the related Calculation Date, then the Prime Rate shall be the arithmetic mean of the rates of interest publicly announced by each bank that appears on the Reuters Screen

USPRIME1 (as defined below) as such bank's prime rate or base lending rate as in effect for such Prime Rate Interest Determination Date. If fewer than four such rates appear on the Reuters Screen USPRIME1 for such Prime Rate Interest Determination Date, the Prime Rate shall be the arithmetic mean of the prime rates quoted on the basis of the actual number of days in the year divided by a 360-day year as of the close of business on such Prime Rate Interest Determination Date by four major money center banks in The City of New York selected by the Calculation Agent. If fewer than four major money center banks provide such quotations, the Prime Rate will be determined by the Calculation Agent and will be the arithmetic mean of four prime rates, quoted on the basis of the actual number of days in the year divided by a 360-day year, as of the close of business on such Prime Rate Interest Determination Date as furnished in The City of New York by the major money center banks, if any, that have provided quotations and as many substitute banks or trust companies as is necessary in order to obtain four such prime rate quotations, provided such substitute banks or trust companies are organized and doing business under the laws of the United States, or any state thereof, each having total equity capital of at least U.S. \$500 million and being subject to supervision or examination by federal or state authority, selected by the Calculation Agent to provide such rate or rates; provided, however, that if the banks or trust companies selected as aforesaid are not quoting as mentioned in this sentence, the Prime Rate determined as of such Prime Rate Interest Determination Date shall be the Prime Rate in effect on such Prime Rate Interest Determination Date.

"Reuters Screen USPRIME1" means the display designated as page "USPRIME1" on the Reuters Monitor Money Rates Service (or such other page as may replace the USPRIME1 page on that service for the purpose of displaying prime rates or base lending rates of major United States banks).

Determination of Treasury Rate. If an Interest Rate Basis for this Subordinated Note is the Treasury Rate, as specified on the face hereof, the Treasury Rate shall be determined as of the applicable Interest Determination Date (a "Treasury Rate Interest Determination Date") as the rate applicable to the most recent auction of direct obligations of the United States ("Treasury Bills") having the Index Maturity specified on the face hereof,

as such rate is published in H.15(519) under the heading "Treasury Bills -- auction average (investment)" or, if not published by 3:00 P.M., New York City time, on the related Calculation Date, the auction average rate (expressed as a bond equivalent on the basis of a year of 365 or 366 days, as applicable, and applied on a daily basis) as otherwise announced by the United States Department of the Treasury. In the event that the results of the auction of Treasury Bills having the Index Maturity specified on the face hereof are not reported as provided by 3:00 P.M., New York City time, on such Calculation Date, or if no such auction is held in a particular week, then the Treasury Rate shall be calculated by the Calculation Agent and shall be a yield to maturity (expressed as a bond equivalent on the basis of a year of 365 or 366 days, as applicable, and applied on a daily basis) of the arithmetic mean of the secondary market bid rates, as of approximately 3:30 P.M., New York City time, on such Treasury Rate Interest Determination Date, of three leading primary United States government securities dealers selected by the Calculation Agent, for the issue of Treasury Bills with a remaining maturity closest to the Index Maturity specified on the face hereof; provided, however, that if any of the dealers selected as aforesaid by the Calculation Agent are not quoting as mentioned in this sentence, the Treasury Rate determined as of such Treasury Rate Interest Determination Date shall be the Treasury Rate in effect on such Treasury Rate Interest Determination Date.

Any provision contained herein, including the determination of an Interest Rate Basis, the specification of an Interest Rate Basis, calculation of the interest rate applicable to this Subordinated Note, its Interest Payment Dates or any other matter relating hereto may be modified as specified in an Addendum relating hereto if so specified on the face hereof.

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

accordance with the foregoing on or before each Calculation Date. Unless otherwise specified on the face hereof, Chemical Bank will be the Calculation Agent.

At the request of the Holder hereof, the Calculation Agent shall provide to the Holder hereof the interest rate hereon then in effect and, if determined, the interest rate which shall become effective as of the next Interest Reset Date.

If this Subordinated Note is an Original Issue Discount Note and if an Event of Default with respect to this Subordinated Note shall have occurred and be continuing, the Default Amount (as defined hereafter) of this Subordinated Note may be declared due and payable in the manner and with the effect provided herein. The "Default Amount" shall be equal to the adjusted issue price as of the first day of the accrual period as determined under Final Treasury Regulation Section 1.1275-1(b) (or successor regulation) under the United States Internal Revenue Code of 1986, as amended, in which the date of acceleration occurs increased by the daily portion of the original issue discount for each day in such accrual period ending on the date of acceleration, as determined under Final Treasury Regulation Section 1.1272-1(b) (or successor regulation) under the United States Internal Revenue Code of 1986, as amended. Upon payment of (i) the principal, or premium, if any, so declared due and payable and (ii) interest on any overdue principal and overdue interest or premium, if any (in each case to the extent that the payment of such interest shall be legally enforceable), all of the Bank's obligations in respect of the payment of principal of, premium, if any, and interest on, this Subordinated Note shall terminate.

In case any Subordinated Note shall at any time become mutilated, destroyed, lost or stolen, and such Subordinated Note or evidence of the loss, theft or destruction thereof satisfactory to the Bank and the Issuing and Paying Agent and such other documents or proof as may be required by the Bank and the Issuing and Paying Agent shall be delivered to the Issuing and Paying Agent, the Bank shall issue a new Subordinated Note, of like tenor and principal amount, having a serial number not contemporaneously outstanding, in exchange and substitution for the mutilated Subordinated Note or in lieu of the Subordinated Note destroyed, lost or stolen but, in the case of any destroyed,

lost or stolen Subordinated Note, only upon receipt of evidence satisfactory to the Bank and the Issuing and Paying Agent that such Subordinated Note was destroyed, stolen or lost, and, if required, upon receipt of indemnity satisfactory to the Bank and the Issuing and Paying Agent. Upon the issuance of any substituted Subordinated Note, the Bank and the Issuing and Paying Agent may require the payment of a sum sufficient to cover all expenses and reasonable charges connected with the preparation and delivery of a new Subordinated Note. If any Subordinated Note which has matured or has been redeemed or repaid or is about to mature or to be redeemed or repaid shall become mutilated, destroyed, lost or stolen, the Bank may, instead of issuing a substitute Subordinated Note, pay or authorize the payment of the same (without surrender thereof except in the case of a mutilated Subordinated Note) upon compliance by the holder with the provisions of this paragraph.

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

An "Event of Default" with respect to this Subordinated Note will occur if the Bank shall consent to, or a court or other governmental agency shall enter a decree or order for, the appointment of a conservator or receiver or other similar official in any liquidation, insolvency or similar proceeding with respect to the Bank or all or substantially all of its property and, in the case of a decree or order, such decree or order shall have remained in force for a period of 60 consecutive days. If an Event of Default shall occur and be continuing, the holder of this Subordinated Note may declare the principal amount of, and accrued interest and premium, if any, on, this Subordinated Note due and payable immediately by written notice to the Bank. Upon such declaration and notice, such principal

amount, accrued interest and premium, if any, shall become immediately due and payable. Any Event of Default with respect to this Subordinated Note may be waived by the holder hereof. THERE IS NO RIGHT OF ACCELERATION IN THE CASE OF A DEFAULT IN THE PAYMENT OF PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON, THIS SUBORDINATED NOTE OR IN THE PERFORMANCE OF ANY OTHER OBLIGATION OF THE BANK UNDER THIS SUBORDINATED NOTE OR UNDER ANY OTHER SECURITY ISSUED BY THE BANK.

The Issuing and Paying Agency Agreement provides that the Bank will promptly notify, and provide copies of any such notice to, the Issuing and Paying Agent, and the Issuing and Paying Agent will promptly mail by first-class mail, postage prepaid, copies of such notice to the holders of the Subordinated Notes, upon the occurrence of an Event of Default or of the curing or waiver of an Event of Default.

Nothing contained herein shall prevent any consolidation or merger of the Bank with any other corporation or successive consolidations or mergers in which the Bank or its successor or successors shall be a party or parties, or shall prevent any sale, conveyance, transfer or lease of the property of the Bank as an entirety or substantially as an entirety to any other corporation authorized to acquire and operate the same; provided, however (and the Bank hereby covenants and agrees) that any such consolidation, merger, sale or conveyance shall be upon the condition that: (i) immediately after such consolidation, merger, sale or conveyance the corporation (whether the Bank or such other corporation) formed by or surviving any such consolidation or merger, or the corporation to which such sale or conveyance shall have been made, shall not be in default in the performance or observance of any of the terms, covenants and conditions of this Subordinated Note to be observed or performed by the Bank; and (ii) the corporation (if other than the Bank) formed by or surviving any such consolidation or merger, or the corporation to which such sale or conveyance shall have been made, shall be organized under the laws of the United States of America or any state thereof or the District of Columbia and shall expressly assume the due and punctual payment of the principal of, premium, if any, and interest on, this Subordinated Note. In case of any such consolidation, merger, sale, conveyance, transfer or lease, and upon the assumption by the successor corporation of the due and punctual performance of all of the covenants in this

Subordinated Note to be performed or observed by the Bank, such successor corporation shall succeed to and be substituted for the Bank with the same effect as if it had been named in this Subordinated Note as the Bank and thereafter the predecessor corporation shall be relieved of all obligations and covenants in this Subordinated Note and may be liquidated and dissolved.

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

The Issuing and Paying Agent shall maintain at its offices a register (the register maintained in such office or any other office or agency of the Issuing and Paying Agent in The City of New York herein referred to as the "Subordinated Note Register") in which, subject to such reasonable regulations as it may prescribe, the Issuing and Paying Agent shall provide for the registration of the Subordinated Notes and of transfers of the Subordinated Notes.

The transfer of this Subordinated Note is registrable in the Subordinated Note Register, upon surrender of this Subordinated Note for registration of transfer at the office or agency of the Issuing and Paying Agent in the Place of Payment, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Bank and the Issuing and Paying Agent duly executed by, the holder hereof or his attorney duly authorized in writing, and thereupon one or more new Subordinated Notes of like tenor, of authorized denominations and for the same aggregate principal amount, will be issued to the designated transferee or transferees.

No provision of this Subordinated Note shall alter or impair the obligation of the Bank, which is absolute and unconditional, to pay principal of, premium, if any, and interest on, this Subordinated Note in U.S. dollars at the times, places and rate herein prescribed in accordance with its terms.

In the event of the failure by the Bank to make payment of principal of, premium, if any, or interest on this Subordinated

Note (and, in the case of payment of interest, such failure to pay shall have continued for 2 days), the Bank will, upon demand of the holder of this Subordinated Note, pay to the holder of this Subordinated Note the whole amount then due and payable on this Subordinated Note for principal of, premium, if any, and interest, with interest on the overdue principal of, premium, if any, and interest on, this Subordinated Note to the extent provided for herein. If the Bank fails to pay such amount upon such demand, the holder of this Subordinated Note may among other things, institute a judicial proceeding for the collection of such amount.

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

Beneficial interests represented by this Subordinated Note are exchangeable for definitive Subordinated Notes in registered form, of like tenor and of an equal aggregate principal amount, only if (x) The Depository Trust Company, as Depository (the "Depository") notifies the Bank that it is unwilling or unable to continue as Depository for this Subordinated Note or if at any time the Depository ceases to be a clearing agency registered under the Securities Exchange Act of 1934, as amended, and a successor depository is not appointed by the Bank within 60 days, or (y) the Bank in its sole discretion determines not to have such beneficial interests represented by this Subordinated Note. Any Subordinated Note representing such beneficial interests that is exchangeable pursuant to the preceding sentence shall be exchangeable in whole for definitive Subordinated Notes in registered form, of like tenor and of an equal aggregate principal amount, in minimum denominations of \$250,000 and integral multiples of \$1,000 in excess thereof. Such definitive Subordinated Notes shall be registered in the name or names of such person or persons as the Depository shall instruct the Issuing and Paying Agent.

Prior to due presentment of this Subordinated Note for registration of transfer, the Bank, the Issuing and Paying Agent or any agent of the Bank or the Issuing and Paying Agent may treat the holder in whose name this Subordinated Note is

registered as the owner hereof for all purposes, whether or not this Subordinated Note be overdue, and neither the Bank, the Issuing and Paying Agent nor any such agent shall be affected by notice to the contrary except as required by applicable law.

All notices to the Bank under this Subordinated Note shall be in writing and addressed to the Bank, 2980 Fairview Park Drive, Falls Church, Virginia 22042, Attention: Treasurer, or to such other address of the Bank as the Bank may notify the holders of the Subordinated Notes.

This Subordinated Note shall be governed by, and construed in accordance with, the laws of the State of New York, without regard to conflicts of laws principles, and all applicable federal laws and regulations.

ABBREVIATIONS

The following abbreviations, when used in the inscription on the face of the within Subordinated Note, shall be construed as though they were written out in full according to applicable laws or regulations.

TEN COM -- as tenants in common

TEN ENT -- as tenants by the entireties

JT TEN -- as joint tenants with right of survivorship and not as tenants in common

UNIF GIFT MIN ACT -- Custodian

 (Cust) (Minor)
 under Uniform Gifts to Minors Act

 (State)

Additional abbreviations may also be used though not in the above list.

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned hereby sell(s),

assign(s) and transfer(s) unto _____

PLEASE INSERT SOCIAL SECURITY NUMBER OR OTHER IDENTIFYING NUMBER OF ASSIGNEE

_____/_____/_____

(Please print or typewrite name and address,
including postal zip code, of assignee)

the within Subordinated Note and all rights thereunder, and hereby irrevocably
constitutes and appoints _____

to transfer said Subordinated Note on the books of the Issuing and Paying
Agent, with full power of substitution in the premises.

Dated:

NOTICE: The signature to this assignment
must correspond with the name as written
upon the face of the within Subordinated
Note in every particular, without
alteration or enlargement or any change
whatsoever.

Signature Guarantee

OPTION TO ELECT REPAYMENT

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

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

For this Subordinated Note to be repaid, the undersigned must give to the Issuing and Paying Agent at its offices located at 450 West 33rd Street, New York, New York 10001, Attention: Global Trust Securities Group, or at such other place or places of which the Bank shall from time to time notify the holders of the Subordinated Notes, not more than 60 days nor less than 30 days prior notice to the date of repayment, with this "Option to Elect Repayment" form duly completed.

If less than the entire principal amount of this Subordinated Note is to be repaid, specify the portion hereof (which shall be increments of \$1,000) which the holder elects to have repaid and specify the denomination or denominations (which shall be \$250,000 or an integral multiple of \$1,000 in excess thereof) of the Subordinated Notes to be issued to the holder for the portion of this Subordinated Note not being repaid (in the absence of any such specification, one such Subordinated Note will be issued for the portion not being repaid):

\$ _____

Dated: _____

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

Signature Guarantee

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Capital One Financial Corporation,
Issuer

to

Harris Trust and Savings Bank,
Trustee

SENIOR INDENTURE

Dated as of November 1, 1996

Senior Debt Securities

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Reconciliation and tie between
Trust Indenture Act of 1939 (the "Trust Indenture Act")
and Indenture

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Section
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SENIOR INDENTURE, dated as of November 1, 1996 (the "Indenture"), between Capital One Financial Corporation, a corporation duly organized and existing under the laws of the State of Delaware (hereinafter called the "Company"), having its corporate office located at 2980 Fairview Park Drive, Falls Church, Virginia 22042, and Harris Trust and Savings Bank, a banking corporation duly organized and existing under the laws of the State of Illinois (hereinafter called the "Trustee"), having its Corporate Trust Office located at 311 West Monroe Street, Chicago, Illinois 60606.

RECITALS

The Company has duly authorized the execution and delivery of this Indenture to provide for the issuance from time to time of its unsecured senior debentures, notes or other evidences of indebtedness (hereinafter called the "Securities"), unlimited as to principal amount, to bear such rates of interest, to mature at such time or times, to be issued in one or more series and to have such other provisions as shall be fixed as hereinafter provided.

The Company has duly authorized the execution and delivery of this Indenture. All things necessary to make this Indenture a valid agreement of the Company, in accordance with its terms, have been done.

This Indenture is subject to the provisions of the Trust Indenture Act of 1939, as amended, and the rules and regulations of the Securities and Exchange Commission promulgated thereunder that are required to be part of this Indenture and, to the extent applicable, shall be governed by such provisions.

NOW, THEREFORE, THIS INDENTURE WITNESSETH:

For and in consideration of the premises and the purchase of the Securities by the Holders thereof, it is mutually covenanted and agreed, for the equal and proportionate benefit of all Holders of the Securities and any Coupons (as hereinafter defined) as follows:

ARTICLE ONE

DEFINITIONS AND OTHER PROVISIONS OF GENERAL APPLICATION

Section 101. Definitions.

Except as otherwise expressly provided in or pursuant to this Indenture or unless the context otherwise requires, for all purposes of this Indenture:

(1) the terms defined in this Article have the meanings assigned to them in this Article, and include the plural as well as the singular;

(2) all other terms used herein which are defined in the Trust Indenture Act, either directly or by reference therein, have the meanings assigned to them therein;

(3) all accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted accounting principles and, except as otherwise herein expressly provided, the term "generally accepted accounting principles" with respect to any computation required or permitted hereunder shall mean such accounting principles as are generally accepted at the date of such computation; and

(4) the words "herein", "hereof", "hereto" and "hereunder" and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or other subdivision.

Certain terms used principally in certain Articles hereof are defined in those Articles.

"Act", when used with respect to any Holders, has the meaning specified in Section 104.

"Additional Amounts" means any additional amounts which are required hereby or by any Security, under circumstances specified herein or therein, to be paid by the Company in respect of certain taxes imposed on Holders specified therein and which are owing to such Holders.

"Affiliate" of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, "control", when used with respect to any specified Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have the meanings correlative to the foregoing.

"Authenticating Agent" means any Person authorized by the Trustee pursuant to Section 610 to act on behalf of the Trustee to authenticate Securities of one or more series.

"Authorized Newspaper" means a newspaper, in an official language of the place of publication or in the English language, customarily published on each day that is a Business Day in the place of publication, whether or not published on days that are Legal Holidays in the place of publication, and of general circulation in each place in connection with which the term is used or in the financial community of each such place. Where successive publications are required to be made in Authorized Newspapers, the successive publications may be made in the same or in different newspapers in the same city meeting the foregoing requirements and in each case on any day that is a Business Day in the place of publication.

"Bearer Security" means any Security in the form established pursuant to Section 201 which is payable to bearer.

"Board of Directors" means the board of directors of the Company or any committee of that board duly authorized to act generally or in any particular respect for the Company hereunder.

"Board Resolution" means a copy of one or more resolutions, certified by the Secretary or an Assistant Secretary of the Company to have been duly adopted by the Board of Directors or any duly authorized committee thereof and to be in full force and effect on the date of such certification, delivered to the Trustee.

"Business Day", with respect to any Place of Payment or other location, means each Monday, Tuesday, Wednesday, Thursday and Friday that is not a Legal Holiday in such Place of Payment or other location.

"Commission" means the Securities and Exchange Commission, as from time to time constituted, created under the Securities Exchange Act of 1934 or, if at any time after the execution of this Indenture such Commission is not existing and performing the duties now assigned to it under the Trust Indenture Act, then the body performing such duties at such time.

"Common Stock" means all shares now or hereafter authorized of any class of common stock of the Company presently authorized and stock of any other class into which such shares may hereafter have been changed.

"Company" means the Person named as the "Company" in the first paragraph of this instrument until a successor Person shall have become such pursuant to the applicable provisions of this Indenture, and thereafter "Company" shall mean such successor Person, and any other obligor upon the Securities.

"Company Request" and "Company Order" mean, respectively, a written request or order, as the case may be, signed in the name of the Company by the Chairman of the Board of Directors and Chief Executive Officer, a Vice Chairman, the President and Chief Operating Officer, a Senior Vice President, the Treasurer, an Assistant Treasurer, the Secretary or an Assistant Secretary, of the Company, and delivered to the Trustee.

"Consolidated Assets" means all assets owned directly by the Company or indirectly by the Company through any Subsidiary and reflected on the Company's consolidated balance sheet prepared in accordance with generally accepted accounting principles.

"Controlled Subsidiary" means each Significant Subsidiary if at least 80% of the outstanding shares of its Voting Stock is at the time owned by the Company or by one or more Controlled Subsidiaries of the Company or by the Company and one or more Controlled Subsidiaries.

"Conversion Price" means the price per share of Common Stock from time to time in effect at which any Convertible Security may be converted into Common Stock as determined by or pursuant to the terms of this Indenture.

"Convertible Security" or "Convertible Securities" means any Security or Securities, as the case may be, which are by their terms convertible into Common Stock.

"Corporate Trust Office" means the principal office of the Trustee at which at any particular time its corporate trust business shall be administered, which office at the date of original execution of this Indenture is located at the address specified in the first paragraph of this instrument.

"Corporation" includes corporations and, except for purposes of Article Eight, associations, companies and business trusts.

"Coupon" means any interest coupon appertaining to a Bearer Security.

"Currency" or "Money", with respect to any payment, deposit or other transfer in respect of the principal of or any premium or interest on or any Additional Amounts with respect to any Security, means the unit or units of legal tender for the payment of public and private debts (or any composite thereof) in which such payment, deposit or other transfer is required to be made by or pursuant to the terms hereof and, with respect to any other payment, deposit or transfer pursuant to or contemplated by the terms hereof, means Dollars.

"Currency Indexed Note" means any Security with the amount of principal payments determined by reference to an index Currency.

"Date of Conversion" with respect to any Convertible Security or portion thereof to be converted, means the date on which such Convertible Security shall be surrendered for conversion and notice given in accordance with the provisions of Article Sixteen.

"Defaulted Interest" has the meaning specified in Section 307.

"Depository" or "U.S. Depository" means, with respect to any Security issuable or issued in the form of one or more global Securities, the Person designated as Depository or U.S. Depository by the Company in or pursuant to this Indenture, which Person must be, to the extent required by applicable law or regulation, a clearing agency registered under the Securities Exchange Act of 1934, as amended, and, if so provided with respect to any Security, any successor to such Person. If at any time there is more than one such Person, "Depository" or "U.S. Depository" shall mean, with respect to any Securities, the qualifying entity which has been appointed with respect to such Securities.

"Dollars" or "\$" means a dollar or other equivalent unit of legal tender for payment of public or private debts in the United States of America.

"Event of Default" has the meaning specified in Section 501.

"Government Obligations", with respect to any Security, means (i) direct obligations of the government or governments which issued the Currency in which the principal of or any premium or interest on such Security or any Additional Amounts in respect thereof shall be payable, in each case where the payment or payments thereunder are supported by the full faith and credit of such government or governments or (ii) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of such government or governments,

in each case where the payment or payments thereunder are unconditionally guaranteed as a full faith and credit obligation by such government or governments, and which, in the case of (i) or (ii), are not callable or redeemable at the option of the issuer or issuers thereof, and shall also include a depository receipt issued by a bank or trust company as custodian with respect to any such Government Obligation or a specific payment of interest on or principal of or other amount with respect to any such Government Obligation held by such custodian for the account of the holder of a depository receipt, provided that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depository receipt from any amount received by the custodian in respect of the Government Obligation or the specific payment of interest on or principal of or other amount with respect to the Government Obligation evidenced by such depository receipt.

"Holder", in the case of any Registered Security, means the Person in whose name such Security is registered in the Security Register and, in the case of any Bearer Security, means the bearer thereof and, in the case of any Coupon, means the bearer thereof.

"Indenture" means this instrument as it may from time to time be supplemented or amended by one or more indentures supplemental hereto entered into pursuant to the applicable provisions hereof and, with respect to any Security, by the terms and provisions of such Security and any Coupon appertaining thereto established pursuant to Section 301 (as such terms and provisions may be amended pursuant to the applicable provisions hereof).

"Independent Public Accountants" means accountants or a firm of accountants that, with respect to the Company and any other obligor under the Securities or the Coupons, are independent public accountants within the meaning of the Securities Act of 1933, as amended, and the rules and regulations promulgated by the Commission thereunder, who may be the independent public accountants regularly retained by the Company or who may be other independent public accountants. Such accountants or firm shall be entitled to rely upon any Opinion of Counsel as to the interpretation of any legal matters relating to the Indenture or certificates required to be provided hereunder.

"Indexed Security" means a Security the terms of which provide that the principal amount thereof payable at Stated Maturity and/or interest to be paid thereon may be determined by reference to the exchange rate of one or more specified currencies relative to an index or one or more equity or other indices and/or formulae or the price of one or more specified commodities or by such other methods or formulae as may be determined in accordance with this Indenture.

"Interest", with respect to any Original Issue Discount Security which by its terms bears interest only after Maturity, means interest payable after Maturity, and, when used with respect to a Security which provides for payment of Additional Amounts pursuant to Section 1004, includes such Additional Amounts.

"Interest Payment Date", with respect to any Security, means the Stated Maturity of an installment of interest on such Security.

"Legal Holiday", with respect to any Place of Payment or other location, means a Saturday, a Sunday or a day on which banking institutions or trust companies in such Place of Payment or other location are not authorized or obligated to be open.

"Maturity", with respect to any Security, means the date on which the principal of such Security or an installment of principal becomes due and payable as provided in or pursuant to this Indenture, whether at the Stated Maturity or by declaration of acceleration, notice of redemption, notice of option to elect repayment or otherwise, and includes Redemption Date.

"Office or Agency", with respect to any Securities, means an office or agency of the Company maintained or designated in a Place of Payment for such Securities pursuant to Section 1002 or any other office or agency of the Company maintained or designated for such Securities pursuant to Section 1002 or, to the extent designated or required by Section 1002 in lieu of such office or agency, the Corporate Trust Office of the Trustee.

"Officers' Certificate" means a certificate signed by the Chairman of the Board and Chief Executive Officer, a Vice Chairman, the President and Chief Operating Officer, any Senior Vice President, the Treasurer, any Assistant Treasurer, the Secretary or an Assistant Secretary of the Company, that complies with the requirements of Section 314(e) of the Trust Indenture Act and is delivered to the Trustee.

"Opinion of Counsel" means a written opinion of counsel, who may be an employee of or counsel for the Company or other counsel who shall be reasonably acceptable to the Trustee, that complies with the requirements of Section 314(e) of the Trust Indenture Act and is delivered to the Trustee.

"Original Issue Discount Security" means a Security issued pursuant to this Indenture which provides for declaration of an amount less than the principal face amount thereof to be due and payable upon acceleration pursuant to Section 502.

"Outstanding", when used with respect to any Securities, means, as of the date of determination, all such Securities theretofore authenticated and delivered under this Indenture, except:

(i) any such Security theretofore cancelled by the Trustee or the Security Registrar or delivered to the Trustee or the Security Registrar for cancellation;

(ii) any such Security or portions thereof for whose payment at the Maturity thereof money in the necessary amount has been theretofore deposited pursuant hereto with the Trustee or any Paying Agent (other than the Company) in trust or set aside and segregated in trust by the Company (if the Company shall act as its own Paying Agent) for the Holders of such Securities and any Coupons appertaining thereto, provided that, if such Securities are to be redeemed, notice of such redemption has been duly given pursuant to this Indenture or provision therefor satisfactory to the Trustee has been made;

(iii) any such Security with respect to which the Company has effected defeasance pursuant to Section 402 hereof;

(iv) any such Security which has been paid pursuant to Section 306 or in exchange for or in lieu of which other Securities have been authenticated and delivered pursuant to this Indenture, unless there shall have been presented to the Trustee proof satisfactory to it that such Security is held by a bona fide purchaser in whose hands such Security is a valid obligation of the Company; and

(v) Convertible Securities converted into Common Stock in accordance with Article Sixteen hereof;

provided, however, that in determining whether the Holders of the requisite principal amount of Outstanding Securities have given any request, demand, authorization, direction, notice, consent or waiver hereunder or are present at a meeting of Holders of Securities for quorum purposes, (i) the principal amount of an Original Issue Discount Security that may be counted in making such determination and that shall be deemed to be Outstanding for such purposes shall be equal to the amount of the principal thereof that pursuant to the terms of such Original Issue Discount Security would be declared (or shall have been declared to be) due and payable upon a declaration of acceleration thereof pursuant to Section 502 at the time of such determination, (ii) the principal amount of any Indexed Security that may be counted in making such determination and that shall be deemed outstanding for such purpose shall be equal to the principal face amount of such Indexed Security at original issuance, unless otherwise provided in or pursuant to this Indenture, (iii) the principal amount of a Security denominated in one or more foreign currencies or currency units shall be the U.S. dollar equivalent based on the applicable exchange rate or rates at the time of sale (or in the case of an Original Issue Discount Security, the U.S. dollar equivalent on the date of original issuance of such Security of the amount determined in (ii)); and (iv) Securities owned by the Company or any other obligor upon the Securities or any Affiliate of the Company or such other obligor, shall be disregarded and deemed not to be Outstanding, except that, in determining whether the Trustee shall be protected in making any such determination or relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Securities which a Responsible Officer of the Trustee actually knows to be so owned shall be so disregarded. Securities so owned which shall have been pledged in good faith may be regarded as Outstanding if the pledgee establishes to the satisfaction of the Trustee (A) the pledgee's right so to act with respect to such Securities and (B) that the pledgee is not the Company or any other obligor upon the Securities or any Coupons appertaining thereto or any Affiliate of the Company or such other obligor.

"Paying Agent" means any Person authorized by the Company to pay the principal of, or any premium or interest on, or any Additional Amounts with respect to any Security or any Coupon on behalf of the Company.

"Person" means any individual, Corporation, partnership, joint venture, joint-stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

"Place of Payment", with respect to any Security, means the place or places where the principal of, or any premium or interest on, or any Additional Amounts with respect to such Security is payable as provided in or pursuant to this Indenture.

"Predecessor Security" of any particular Security means every previous Security evidencing all or a portion of the same debt as that evidenced by such particular Security; and, for the purposes of this definition, any Security authenticated and delivered under Section 306 in exchange for or in lieu of a lost, destroyed, mutilated or stolen Security or any Security to which a mutilated, destroyed, lost or stolen Coupon appertains shall be deemed to evidence the same debt as the lost, destroyed, mutilated or stolen Security or the Security to which a mutilated, destroyed, lost or stolen Coupon appertains.

"Redemption Date", with respect to any Security or portion thereof to be redeemed, means the date fixed for such redemption by or pursuant to this Indenture.

"Redemption Price", with respect to any Security or portion thereof to be redeemed, means the price at which it is to be redeemed as determined by or pursuant to this Indenture.

"Registered Security" means any Security established pursuant to Section 201 which is registered in the Security Register.

"Regular Record Date" for the interest payable on any Registered Security on any Interest Payment Date therefor means the date, if any, specified in or pursuant to this Indenture as the "Regular Record Date".

"Responsible Officer" means an officer of the Trustee assigned to the Corporate Trust Office, including any Vice President, any trust officer or any other officer performing functions similar to those performed by the persons who at the time shall be such officers, and any other officer of the Trustee to whom a matter is referred because of his knowledge of and familiarity with the particular subject.

"Security" or "Securities" means any Security or Securities, as the case may be, authenticated and delivered under this Indenture; provided, however, that, if at any time there is more than one Person acting as Trustee under this Indenture, "Securities", with respect to any such Person, shall mean Securities authenticated and delivered under this Indenture, exclusive, however, of Securities of any series as to which such Person is not Trustee.

"Security Register" and "Security Registrar" have the respective meanings specified in Section 305.

"Significant Subsidiary" means any Subsidiary of the Company the Consolidated Assets of which constitute 20% or more of the Company's Consolidated Assets.

"Special Record Date" for the payment of any Defaulted Interest on any Registered Security means a date fixed by the Trustee pursuant to Section 307.

"Stated Maturity", with respect to any Security or any installment of principal thereof or interest thereon or any Additional Amounts with respect thereto, means the date established by or pursuant to this Indenture as the fixed date on which the principal of such Security or such installment of principal or interest is or such Additional Amounts are due and payable.

"Subsidiary" means any Corporation of which at the time of determination the Company or one or more Subsidiaries owns or controls directly or indirectly more than 50% of the shares of Voting Stock.

"Trust Indenture Act" means the Trust Indenture Act of 1939, as amended, and any reference herein to the Trust Indenture Act or a particular provision thereof shall mean such Act or provision, as the case may be, as amended or replaced from time to time or as supplemented from time to time by rules or regulations adopted by the Commission under or in furtherance of the purposes of such Act or provision, as the case may be.

"Trustee" means the Person named as the "Trustee" in the first paragraph of this instrument until a successor Trustee shall have become such with respect to one or more series of Securities pursuant to the applicable provisions of this Indenture, and thereafter "Trustee" shall mean each Person who is then a Trustee hereunder; provided, however, that if at any time there is more than one such Person, "Trustee" shall mean each such Person and as used with respect to the Securities of any series shall mean the Trustee with respect to the Securities of such series.

"United States", except as otherwise provided herein or in any Security, means the United States of America (including the states thereof and the District of Columbia), its territories and possessions and other areas subject to its jurisdiction.

"United States Alien", except as otherwise provided in or pursuant to this Indenture, means any Person who, for United States Federal income tax purposes, is a foreign corporation, a non-resident alien individual, a non-resident alien fiduciary of a foreign estate or trust, or a foreign partnership one or more of the members of which is, for United States Federal income tax purposes, a foreign corporation, a non-resident alien individual or a non-resident alien fiduciary of a foreign estate or trust.

"Vice President", when used with respect to the Company or the Trustee, means any vice president, whether or not designated by a number or a word or words added before or after the title "Vice President".

"Voting Stock" means stock of a Corporation of the class or classes having general voting power under ordinary circumstances to elect at least a majority of the board of directors, managers or trustees of such Corporation provided that, for the purposes hereof, stock which carries only the right to vote conditionally on the happening of an event shall not be considered voting stock whether or not such event shall have happened.

Section 102. Compliance Certificates and Opinions.

Upon any application or request by the Company to the Trustee to take any action under any provision of this Indenture, the Company shall furnish to the Trustee an Officers' Certificate stating that all conditions precedent, if any, provided for in this Indenture relating to the proposed action have been complied with and an Opinion of Counsel stating that, in the opinion of such counsel, all such conditions precedent, if any, have been complied with, except that in the case of any such application or request as to which the furnishing of such documents or any of them is specifically required by any provision of this Indenture relating to such particular application or request, no additional certificate or opinion need be furnished.

Section 103. Form of Documents Delivered to Trustee.

In any case where several matters are required to be certified by, or covered by an opinion of, any specified Person, it is not necessary that all such matters be certified by, or covered by the opinion of, only one such Person, or that they be so certified or covered by only one document, but one such Person may certify or give an opinion with respect to some matters and one or more other such Persons as to other matters, and any such Person may certify or give an opinion as to such matters in one or several documents.

Any certificate or opinion of an officer of the Company may be based, insofar as it relates to legal matters, upon a certificate or opinion of, or representations by, counsel, unless such officer knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to the matters upon which his certificate or opinion is based are erroneous. Any such certificate or Opinion of Counsel may be based, insofar as it relates to factual matters, upon a certificate or opinion of, or representations by, an officer or officers of the Company stating that the information with respect to such factual matters is in the possession of the Company unless such counsel knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to such matters are erroneous.

Where any Person is required to make, give or execute two or more applications, requests, consents, certificates, statements, opinions or other instruments under this Indenture or any Security, they may, but need not, be consolidated and form one instrument.

Section 104. Acts of Holders.

(a) Any request, demand, authorization, direction, notice, consent, waiver or other action provided by or pursuant to this Indenture to be given or taken by Holders may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such Holders in person or by an agent duly appointed in writing. If, but only if, Securities of a series are issuable as Bearer Securities, any request, demand, authorization, direction, notice, consent, waiver or other action provided in or pursuant to this Indenture to be given or taken by Holders of Securities of such series may, alternatively, be embodied in and evidenced by the record of Holders of Securities of such series voting in favor thereof, either in person or by proxies duly appointed in writing, at any meeting of Holders of Securities of such series duly

called and held in accordance with the provisions of Article Fifteen, or a combination of such instruments and any such record. Except as herein otherwise expressly provided, such action shall become effective when such instrument or instruments or record or both are received by the Trustee and, where it is hereby expressly required, to the Company. Such instrument or instruments and any such record (and the action embodied therein and evidenced thereby) are herein sometimes referred to as the "Act" of the Holders signing such instrument or instruments or so voting at any such meeting. Proof of execution of any such instrument or of a writing appointing any such agent, or of the holding by any Person of a Security, shall be sufficient for any purpose of this Indenture and (subject to Section 315 of the Trust Indenture Act) conclusive in favor of the Trustee and the Company and any agent of the Trustee or the Company, if made in the manner provided in this Section. The record of any meeting of Holders of Securities shall be proved in the manner provided in Section 1506.

Without limiting the generality of this Section 104, unless otherwise provided in or pursuant to this Indenture, a Holder, including a U.S. Depository that is a Holder of a global Security, may make, give or take, by a proxy, or proxies, duly appointed in writing, any request, demand, authorization, direction, notice, consent, waiver or other action provided in or pursuant to this Indenture to be made, given or taken by Holders, and a U.S. Depository that is a Holder of a global Security may provide its proxy or proxies to the beneficial owners of interests in any such global Security through such U.S. Depository's standing instructions and customary practices.

The Trustee shall fix a record date for the purpose of determining the Persons who are beneficial owners of interest in any permanent global Security held by a U.S. Depository entitled under the procedures of such U.S. Depository to make, give or take, by a proxy or proxies duly appointed in writing, any request, demand, authorization, direction, notice, consent, waiver or other action provided in or pursuant to this Indenture to be made, given or taken by Holders. If such a record date is fixed, the Holders on such record date or their duly appointed proxy or proxies, and only such Persons, shall be entitled to make, give or take such request, demand, authorization, direction, notice, consent, waiver or other action, whether or not such Holders remain Holders after such record date. No such request, demand, authorization, direction, notice, consent, waiver or other action shall be valid or effective if made, given or taken more than 90 days after such record date.

(b) The fact and date of the execution by any Person of any such instrument or writing may be proved in any reasonable manner which the Trustee deems sufficient and in accordance with such reasonable rules as the Trustee may determine; and the Trustee may in any instance require further proof with respect to any of the matters referred to in this Section 104.

(c) The ownership, principal amount and serial numbers of Registered Securities held by any Person, and the date of the commencement and the date of the termination of holding the same, shall be proved by the Security Register.

(d) The ownership, principal amount and serial numbers of Bearer Securities held by any Person, and the date of the commencement and the date of the termination of holding the

same, may be proved by the production of such Bearer Securities or by a certificate executed, as depositary, by any trust company, bank, banker or other depositary reasonably acceptable to the Company, wherever situated, if such certificate shall be deemed by the Company and the Trustee to be satisfactory, showing that at the date therein mentioned such Person had on deposit with such depositary, or exhibited to it, the Bearer Securities therein described; or such facts may be proved by the certificate or affidavit of the Person holding such Bearer Securities, if such certificate or affidavit is deemed by the Trustee to be satisfactory. The Trustee and the Company may assume that such ownership of any Bearer Security continues until (1) another certificate or affidavit bearing a later date issued in respect of the same Bearer Security is produced, or (2) such Bearer Security is produced to the Trustee by some other Person, or (3) such Bearer Security is surrendered in exchange for a Registered Security, or (4) such Bearer Security is no longer Outstanding. The ownership, principal amount and serial numbers of Bearer Securities held by the Person so executing such instrument or writing and the date of the commencement and the date of the termination of holding the same may also be proved in any other manner which the Company and the Trustee deems sufficient.

(e) If the Company shall solicit from the Holders of any Registered Securities any request, demand, authorization, direction, notice, consent, waiver or other Act, the Company may at its option (but is not obligated to), by Board Resolutions, fix in advance a record date for the determination of Holders of Registered Securities entitled to give such request, demand, authorization, direction, notice, consent, waiver or other Act. If such a record date is fixed, such request, demand, authorization, direction, notice, consent, waiver or other Act may be given before or after such record date, but only the Holders of Registered Securities of record at the close of business on such record date shall be deemed to be Holders for the purpose of determining whether Holders of the requisite proportion of Outstanding Securities have authorized or agreed or consented to such request, demand, authorization, direction, notice, consent, waiver or other Act, and for that purpose the Outstanding Securities shall be computed as of such record date; provided that no such authorization, agreement or consent by the Holders of Registered Securities shall be deemed effective unless it shall become effective pursuant to the provisions of this Indenture not later than six months after the record date.

(f) Any request, demand, authorization, direction, notice, consent, waiver or other action by the Holder of any Security shall bind every future Holder of the same Security and the Holder of every Security issued upon the registration of transfer thereof or in exchange therefor or in lieu thereof in respect of anything done or suffered to be done by the Trustee, any Security Registrar, any Paying Agent or the Company in reliance thereon, whether or not notation of such action is made upon such Security.

Section 105. Notices, etc. to Trustee and Company.

Any request, demand, authorization, direction, notice, consent, waiver or Act of Holders or other document provided or permitted by this Indenture to be made upon, given or furnished to, or filed with,

(1) the Trustee by any Holder or the Company shall be sufficient for every purpose hereunder if made, given, furnished or filed in writing to or with the Trustee at its Corporate Trust Office, or

(2) the Company by the Trustee or any Holder shall be sufficient for every purpose hereunder (unless otherwise herein expressly provided) if in writing and mailed, first-class postage prepaid, to the Company addressed to the attention of its Treasurer at the address of its principal office specified in the first paragraph of this instrument (with a copy to its Corporate Secretary at the same address) or at any other address previously furnished in writing to the Trustee by the Company.

Section 106. Notice to Holders of Securities; Waiver.

Except as otherwise expressly provided in or pursuant to this Indenture, where this Indenture provides for notice to Holders of Securities of any event,

(1) such notice shall be sufficiently given to Holders of Registered Securities if in writing and mailed, first-class postage prepaid, to each Holder of a Registered Security affected by such event, at his address as it appears in the Security Register, not later than the latest date, and not earlier than the earliest date, prescribed for the giving of such Notice; and

(2) such notice shall be sufficiently given to Holders of Bearer Securities, if any, if published in an Authorized Newspaper in The City of New York and, if such Securities are then listed on any stock exchange outside the United States, in an Authorized Newspaper in such city as the Company shall advise the Trustee that such stock exchange so requires, on a Business Day at least twice, the first such publication to be not earlier than the earliest date and not later than the latest date prescribed for the giving of such notice.

In any case where notice to Holders of Registered Securities is given by mail, neither the failure to mail such notice, nor any defect in any notice so mailed, to any particular Holder of a Registered Security shall affect the sufficiency of such notice with respect to other Holders of Registered Securities or the sufficiency of any notice to Holders of Bearer Securities given as provided herein. Any notice which is mailed in the manner herein provided shall be conclusively presumed to have been duly given or provided. In the case by reason of the suspension of regular mail service or by reason of any other cause it shall be impracticable to give such notice by mail, then such notification as shall be made with the approval of the Trustee shall constitute a sufficient notification for every purpose hereunder.

In case by reason of the suspension of publication of any Authorized Newspaper or Authorized Newspapers or by reason of any other cause it shall be impracticable to publish any notice to Holders of Bearer Securities as provided above, then such notification to Holders of Bearer Securities as shall be given with the approval of the Trustee shall constitute sufficient notice to such Holders for every purpose hereunder. Neither failure to give notice by publication to Holders of Bearer Securities as provided above, nor any defect in any notice so published,

shall affect the sufficiency of any notice mailed to Holders of Registered Securities as provided above.

Where this Indenture provides for notice in any manner, such notice may be waived in writing by the Person entitled to receive such notice, either before or after the event, and such waiver shall be the equivalent of such notice. Waivers of notice by Holders of Securities shall be filed with the Trustee, but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

Section 107. Language of Notices.

Any request, demand, authorization, direction, notice, consent, election or waiver required or permitted under this Indenture shall be in the English language, except that, if the Company so elects, any published notice may be in an official language of the country of publication.

Section 108. Conflict with Trust Indenture Act.

If any provision hereof modifies; excludes; limits, qualifies or conflicts with any duties under any required provision of the Trust Indenture Act imposed hereon by Section 318(c) thereof, such required provision shall control. If any provisions of this Indenture modifies or excludes any provision of the Trust Indenture Act that may be so modified or excluded, the latter provision shall be deemed to apply to this Indenture as so modified or excluded, as the case may be.

Section 109. Effect of Headings and Table of Contents.

The Article and Section headings herein and the Table of Contents are for convenience only and shall not affect the construction hereof.

Section 110. Successors and Assigns.

All covenants and agreements in this Indenture by the Company shall bind its successors and assigns, whether so expressed or not.

Section 111. Separability Clause.

In case any provision in this Indenture, any Security or any Coupon shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

Section 112. Benefits of Indenture.

Nothing in this Indenture, any Security or any Coupon, express or implied, shall give to any Person, other than the parties hereto, any Security Registrar, any Paying Agent and their successors hereunder and the Holders of Securities or Coupons, any benefit or any legal or equitable right, remedy or claim under this Indenture.

Section 113. Governing Law.

This Indenture, the Securities and any Coupons shall be governed by and construed in accordance with the laws of the State of New York applicable to agreements made or instruments entered into and, in each case, performed in said state.

Section 114. Legal Holidays.

In any case where any Interest Payment Date, Stated Maturity or Maturity of any Security, or the last date on which a Holder has the right to convert his Securities shall be a Legal Holiday at any Place of Payment, then (notwithstanding any other provision of this Indenture, any Security or any Coupon other than a provision in any Security or Coupon that specifically states that such provision shall apply in lieu of this Section 114) or conversion payment of the Securities need not be made at such Place of Payment on such date, but may be made on the next succeeding day that is a Business Day at such Place of Payment with the same force and effect as if made on the Interest Payment Date or at the Stated Maturity or Maturity, or on the last such date for conversion, and no interest shall accrue on the amount payable on such date or at such time for the period from and after such Interest Payment Date or Stated Maturity or Maturity, or last such date for conversion, as the case may be.

ARTICLE TWO

SECURITIES FORMS

Section 201. Forms Generally.

Each Registered Security, Bearer Security, Coupon and temporary global Security issued pursuant to this Indenture shall be in the form established by or pursuant to a Board Resolution or in one or more indentures supplemental hereto, shall have such appropriate insertions, omissions, substitutions and other variations as are required or permitted by or pursuant to this Indenture or any indenture supplemental hereto and may have such letters, numbers or other marks of identification and such legends or endorsements placed thereon as may, consistently herewith, be determined by the officers executing such Security or Coupon as evidenced by their execution of such Security or Coupon.

Unless otherwise provided in or pursuant to this Indenture, the Securities shall be issuable in registered form without Coupons.

Definitive Securities and definitive Coupons shall be printed, lithographed or engraved or produced by any combination of these methods on a steel engraved border or steel engraved borders or may be produced in any other manner, all as determined by the officers of the Company executing such Securities or Coupons, as evidenced by their execution of such Securities or Coupons.

Section 202. Form of Trustee's Certificate of Authentication.

Subject to Section 610, the Trustee's certificate of authentication shall be in substantially the following form:

This is one of the Securities of the series designated herein referred to in the within-mentioned Indenture.

-----, as Trustee

By -----
Authorized Officer

Section 203. Securities in Global Form.

If Securities of a series shall be issuable in global form, any such Security may provide that it or any number of such Securities shall represent the aggregate amount of all Outstanding Securities of such series (or such lesser amount as is permitted by the terms thereof) from time to time endorsed thereon and may also provide that the aggregate amount of Outstanding Securities represented thereby may from time to time be increased or reduced to reflect exchanges. Any endorsement of any Security in global form to reflect the amount, or any increase or decrease in the amount, or changes in the rights of Holders, of Outstanding Securities represented thereby shall be made in such manner and by such Person or Persons as shall be specified therein or in the Company Order to be delivered pursuant to Section 303 or 304 with respect thereto. Subject to the provisions of Section 303 and, if applicable, Section 304, the Trustee shall deliver and redeliver any Security in permanent global form in the manner and upon instructions given by the Person or Persons specified therein or in the applicable Company Order. If a Company Order pursuant to Section 303 or 304 has been, or simultaneously is, delivered, any instructions by the Company with respect to a Security in global form shall be in writing but need not be accompanied by or contained in an Officers' Certificate and need not be accompanied by an Opinion of Counsel.

ARTICLE THREE

THE SECURITIES

Section 301. Amount Unlimited; Issuable in Series.

The aggregate principal amount of Securities which may be authenticated and delivered under this Indenture is unlimited. The Securities may be issued in one or more series.

With respect to any Securities to be authenticated and delivered hereunder, there shall be established in or pursuant to a Board Resolution and set forth in an Officers' Certificate, or established in one or more indentures supplemental hereto,

(1) the title of such Securities and the series in which such Securities shall be included;

(2) any limit upon the aggregate principal amount of the Securities of such title or the Securities of such series which may be authenticated and delivered under this Indenture (except for Securities authenticated and delivered upon registration or transfer of, or in exchange for, or in lieu of, other Securities of such series pursuant to Section 304, 305, 306, 905, 1107 or 1602 or the terms of such Securities);

(3) whether such Securities are to be issuable as Registered Securities, as Bearer Securities or alternatively as Bearer Securities and Registered Securities, and whether the Bearer Securities are to be issuable with Coupons, without Coupons or both, and any restrictions applicable to the offer, sale or delivery of the Bearer Securities and the terms, if any, upon which Bearer Securities may be exchanged for Registered Securities and vice versa;

(4) if any of such Securities are to be issuable in global form, when any of such Securities are to be issuable in global form and (i) whether beneficial owners of interests in any such global Security may exchange such interest for Securities of the same series and of like tenor and of any authorized form and denomination, and the circumstances under which any such exchanges may occur, if other than in the manner specified in Section 305, and (ii) the name of the Depository or the U.S. Depository, as the case may be, with respect to any global Security;

(5) if any of such Securities are to be issuable as Bearer Securities or in global form, the date as of which any such Bearer Security or global Security shall be dated (if other than the date of original issuance of the first of such Securities to be issued);

(6) if any of such Securities are to be issuable as Bearer Securities, whether interest in respect of any portion of a temporary Bearer Security in global form payable in respect of an Interest Payment Date therefor prior to the exchange, if any, of such temporary Bearer Security for definitive Securities shall be paid to any clearing organization with respect to the portion of such temporary Bearer Security held for its account and, in such event, the terms and conditions (including any certification requirements) upon which any such interest payment received by a clearing organization will be credited to the Persons entitled to interest payable on such Interest Payment Date;

(7) the date or dates, or the method or methods, if any, by which such date or dates shall be determined, on which the principal of such Securities is payable;

(8) the rate or rates at which such Securities shall bear interest, if any, or the method or methods, if any, by which such rate or rates are to be determined, the date or dates, if any, from which such interest shall accrue or the method or methods, if any, by which such date or dates are to be determined, the Interest Payment Dates, if any, on which such interest shall be payable and the Regular Record Date, if any, for the interest payable on Registered Securities on any Interest Payment Date, whether and under what

circumstances Additional Amounts on such Securities or any of them shall be payable, and the basis upon which interest shall be calculated;

(9) if in addition to or other than The City of New York, the place or places where the principal of, any premium and interest on or any Additional Amounts with respect to such Securities shall be payable, any of such Securities that are Registered Securities may be surrendered for registration of transfer, any of such Securities may be surrendered for exchange or conversion and notices or demands to or upon the Company in respect of such Securities and this Indenture may be served;

(10) whether any of such Securities are to be redeemable at the option of the Company and, if so, the period or periods within which, the price or prices at which and the other terms and conditions upon which such Securities may be redeemed, in whole or in part, at the option of the Company;

(11) whether the Company is obligated to redeem or purchase any of such Securities pursuant to any sinking fund or at the option of any Holder thereof and, if so, the period or periods within which, the price or prices at which and the other terms and conditions upon which such Securities shall be redeemed or purchased, in whole or in part, pursuant to such obligation, and any provisions for the remarketing of such Securities so redeemed or purchased;

(12) the denominations in which any of such Securities that are Registered Securities shall be issuable if other than denominations of \$1,000 and any integral multiple thereof, and the denominations in which any of such Securities that are Bearer Securities shall be issuable if other than the denomination of \$5,000;

(13) if other than the principal amount thereof, the portion of the principal amount of any of such Securities that shall be payable upon declaration of acceleration of the Maturity thereof pursuant to Section 501 or the method by which such portion is to be determined;

(14) if other than Dollars, the Currency in which payment of the principal of, any premium or interest on or any Additional Amounts with respect to any of such Securities shall be payable;

(15) the Currency in which payment of principal of, any premium or interest on or any Additional Amounts with respect to any Securities shall be payable if other than the currency of the United States, and the time and manner of determining the exchange rate between the Currency in which such Securities are payable and the Currency in which such Securities or any of them are so payable;

(16) whether the amount of payments of principal of, any premium or interest on or any Additional Amounts with respect to such Securities may be determined with reference to an index, formula or other method (which index, formula or method or methods may be based, without limitation, on one or more Currencies, commodities,

equity indices or other indices), and, if so, the terms and conditions upon which and the manner in which such amounts shall be determined and paid or payable;

(17) any deletions from, modifications of or additions to the Events of Default or covenants of the Company with respect to any of such Securities, whether or not such Events of Default or covenants are consistent with the Events of Default or covenants set forth herein;

(18) the applicability, if any, of Section 402 to any of such Securities and any provisions in modification of, in addition to or in lieu of any of the provisions of Section 402;

(19) whether the principal of (and premium, if any) or interest (including Additional Amounts), if any, on the Securities of the series are to be payable, at the election of the Company or any Holder thereof or otherwise, in a currency or currencies, currency unit or units or composite currency or currencies other than that in which such Securities or any of them are denominated or stated to be payable, the period or periods within which, and the other terms and conditions upon which, such election, if any, may be made, and the time and manner of determining the exchange rate between the currency or currencies, currency unit or units or composite currency or currencies in which such Securities or any of them are denominated or stated to be payable and the currency or currencies, currency unit or units or composite currency or currencies in which such Securities or any of them are to be so payable;

(20) if any of such Securities are to be issuable in global form and are to be issuable in definitive form (whether upon original issue or upon exchange of a temporary Security) only upon receipt of certain certificates or other documents or satisfaction of other conditions, then the form and terms of such certificates, documents or conditions;

(21) if there is more than one Trustee, the identity of the Trustee and, if not the Trustee, the identity of each Security Registrar, Paying Agent or Authenticating Agent with respect to such Securities; and

(22) whether Securities of the series are to be Convertible Securities and, if so, the initial Conversion Price applicable thereto, the period or periods within which the conversion privilege may be exercised, the class of Common Stock into which such Convertible Securities may be converted and any additions, deletions, modifications or variations to the provisions of Article Sixteen hereof applicable thereto;

(23) any other terms of such Securities (which terms shall not be inconsistent with the provisions of this Indenture).

All Securities of any one series and all Coupons, if any, appertaining to Bearer Securities of such series shall be substantially identical except as to Currency of payments due thereunder, denomination and the rate or rates of interest, if any, and Maturity, the date from which interest, if any, shall accrue and except as may otherwise be provided by the Company in

or pursuant to the Board Resolution and set forth in the Officers' Certificate or in any indenture or indentures supplemental hereto pertaining to such series of Securities. All Securities of any one series need not be issued at the same time and, unless otherwise so provided by the Company, a series may be reopened for issuances of additional Securities of such series or to establish additional terms of such series of Securities.

If any of the terms of the Securities of any series shall be established by action taken by or pursuant to a Board Resolution, the Board Resolution shall be delivered to the Trustee at or prior to the delivery of the Officers' Certificate setting forth the terms of such series.

Section 302. Currency; Denominations.

Unless otherwise provided in or pursuant to this Indenture, the principal of, any premium and interest on and any Additional Amounts with respect to the Securities shall be payable in Dollars. Unless otherwise provided in or pursuant to this Indenture, Registered Securities denominated in Dollars shall be issuable in registered form without Coupons in denominations of \$1,000 and any integral multiple thereof, and the Bearer Securities denominated in Dollars shall be issuable in the denomination of \$5,000. Securities not denominated in Dollars shall be issuable in such denominations as are established with respect to such Securities in or pursuant to this Indenture.

Section 303. Execution, Authentication, Delivery and Dating.

Securities shall be executed on behalf of the Company by its Chairman of the Board and Chief Executive Officer, its President and Chief Operating Officer, the Chief Financial Officer, the Treasurer and any Assistant Treasurer or one of its Senior Vice Presidents under its corporate seal reproduced thereon and attested by its Corporate Secretary or one of its Assistant Secretaries. Coupons shall be executed on behalf of the Company by the Chief Financial Officer, the Treasurer or any Assistant Treasurer of the Company. The signature of any of these officers on the Securities or any Coupons appertaining thereto may be manual or facsimile.

Securities and any Coupons appertaining thereto bearing the manual or facsimile signatures of individuals who were at any time the proper officers of the Company shall bind the Company, notwithstanding that such individuals or any of them have ceased to hold such offices prior to the authentication and delivery of such Securities or did not hold such offices at the date of such Securities.

At any time and from time to time after the execution and delivery of this Indenture, the Company may deliver Securities, together with any Coupons appertaining thereto, executed by the Company, to the Trustee for authentication, together with the Board Resolution and Officers' Certificate or supplemental indenture with respect to such Securities referred to in Section 301 and a Company Order for the authentication and delivery of such Securities, and the Trustee in accordance with the Company Order and subject to the provisions hereof shall authenticate and deliver such Securities. In authenticating such Securities, and accepting the

additional responsibilities under this Indenture in relation to such Securities and any Coupons appertaining thereto, the Trustee shall be entitled to receive, and (subject to Article Six hereof) shall be fully protected in relying upon an Opinion of Counsel substantially to the effect that:

(a) the form or forms and terms of such Securities and Coupons, if any, have been established in conformity with the provisions of this Indenture;

(b) that such Securities, and Coupons, when completed by appropriate insertion and executed and delivered by the Company to the Trustee for authentication pursuant to this Indenture, and authenticated and delivered by the Trustee and issued by the Company in the manner and subject to any conditions specified in such Opinion of Counsel, will constitute legally valid and binding obligations of the Company, enforceable against the Company in accordance with their terms, subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent transfer or other similar laws affecting the enforcement of creditors' rights generally, and subject to general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law) and except further as enforcement thereof may be limited by (A) requirements that a claim with respect to any securities denominated other than in Dollars (or a foreign currency or foreign currency unit judgment in respect of such claim) be converted into Dollars at a rate of exchange prevailing on a date determined pursuant to applicable law or (B) governmental authority to limit, delay or prohibit the making of payments in foreign currency or currency units or payments outside the United States; and will entitle the Holders thereof to the benefits of this Indenture; such Opinion of Counsel need express no opinion as to the availability of equitable remedies;

(c) all legal requirements in respect of the execution and delivery by the Company of such Securities and Coupons, if any, have been complied with; and

(d) as to such other matters as the Trustee may reasonably request.

If all the Securities of any series are not to be issued at one time, it shall not be necessary to deliver an Opinion of Counsel and an Officers' Certificate at the time of issuance of each Security, but such opinion and certificate, with appropriate modifications, shall be delivered at or before the time of issuance of the first Security of such series. After any such first delivery, any separate request by the Company that the Trustee authenticate Securities of such series for original issue will be deemed to be a certification by the Company that all conditions precedent provided for in this Indenture relating to authentication and delivery of such Securities continue to have been complied with.

The Trustee shall not be required to authenticate or to cause an Authenticating Agent to authenticate any Securities if the issue of such Securities pursuant to this Indenture will affect the Trustee's own rights, duties or immunities under the Securities and this Indenture or otherwise in a manner which is not reasonably acceptable to the Trustee or if the Trustee, being advised by counsel, determines that such action may not lawfully be taken.

Each Registered Security shall be dated the date of its authentication. Each Bearer Security and any temporary Bearer Security in global form shall be dated as of the date specified in or pursuant to this Indenture.

No Security or Coupon appertaining thereto shall be entitled to any benefit under this Indenture or be valid or obligatory for any purpose, unless there appears on such Security a certificate of authentication substantially in the form provided for in Section 202 or 610 executed by or on behalf of the Trustee by the manual signature of one of its authorized officers or by an Authenticating Agent. Such certificate upon any Security shall be conclusive evidence, and the only evidence, that such Security has been duly authenticated and delivered hereunder. Except as permitted by Section 306 or 307, the Trustee shall not authenticate and deliver any Bearer Security unless all Coupons appertaining thereto then matured have been detached and cancelled.

Section 304. Temporary Securities.

Pending the preparation of definitive Securities, the Company may execute and deliver to the Trustee and, upon Company Order, the Trustee shall authenticate and deliver, in the manner provided in Section 303, temporary Securities in lieu thereof which are printed, lithographed, typewritten, mimeographed or otherwise produced, in any authorized denomination, substantially of the tenor of the definitive Securities in lieu of which they are issued, in registered form or, if authorized in or pursuant to this Indenture, in bearer form with one or more Coupons or without Coupons and with such appropriate insertions, omissions, substitutions and other variations as the officers of the Company executing such Securities may determine, as conclusively evidenced by their execution of such Securities. Such temporary Securities may be in global form.

Except in the case of temporary Securities in global form, which shall be exchanged in accordance with the provisions thereof, if temporary Securities are issued, the Company shall cause definitive Securities to be prepared without unreasonable delay. After the preparation of definitive Securities of the same series and containing terms and provisions that are identical to those of any temporary Securities, such temporary Securities shall be exchangeable for such definitive Securities upon surrender of such temporary Securities at an Office or Agency for such Securities, without charge to any Holder thereof. Upon surrender for cancellation of any one or more temporary Securities (accompanied by any unmatured Coupons appertaining thereto), the Company shall execute and the Trustee shall authenticate and deliver in exchange therefor a like principal amount of definitive Securities of authorized denominations of the same series and containing identical terms and provisions; provided, however, that no definitive Bearer Security, except as provided in or pursuant to this Indenture, shall be delivered in exchange for a temporary Registered Security; and provided, further, that a definitive Bearer Security shall be delivered in exchange for a temporary Bearer Security only in compliance with the conditions set forth in or pursuant to this Indenture. Unless otherwise provided in or pursuant to this Indenture with respect to a temporary global Security, until so exchanged the temporary Securities of any series shall in all respects be entitled to the same benefits under this Indenture as definitive Securities of such series.

Section 305. Registration, Transfer and Exchange.

With respect to the Registered Securities of each series, if any, the Company shall cause to be kept a register (each such register being herein sometimes referred to as the "Security Register") at an Office or Agency for such series in which, subject to such reasonable regulations as it may prescribe, the Company shall provide for the registration of the Registered Securities of such series and of transfers of the Registered Securities of such series. In the event that the Trustee shall not be the Security Registrar, it shall have the right to examine the Security Register at all reasonable times. The Trustee is hereby initially appointed as Security Registrar for each series of Securities. In the event that the Trustee shall cease to be Security Registrar with respect to a series of Securities, it shall have the right to examine the Security Register for such series at all reasonable times.

Upon surrender for registration of transfer of any Registered Security of any series at any Office or Agency for such series, the Company shall execute, and the Trustee shall authenticate and deliver, in the name of the designated transferee or transferees, one or more new Registered Securities of the same series denominated as authorized in or pursuant to this Indenture, of a like aggregate principal amount bearing a number not contemporaneously outstanding and containing identical terms and provisions.

At the option of the Holder, Registered Securities of any series may be exchanged for other Registered Securities of the same series containing identical terms and provisions, in any authorized denominations, and of a like aggregate principal amount, upon surrender of the Securities to be exchanged at any Office or Agency for such series. Whenever any Registered Securities are so surrendered for exchange, the Company shall execute, and the Trustee shall authenticate and deliver, the Registered Securities which the Holder making the exchange is entitled to receive.

If provided in or pursuant to this Indenture, with respect to Securities of any series, at the option of the Holder, Bearer Securities of such series may be exchanged for Registered Securities of such series containing identical terms, denominated as authorized in or pursuant to this Indenture and in the same aggregate principal amount, upon surrender of the Bearer Securities to be exchanged at any Office or Agency for such series, with all unmatured Coupons and all matured Coupons in default thereto appertaining. If the Holder of a Bearer Security is unable to produce any such unmatured Coupon or Coupons or matured Coupon or Coupons in default, such exchange may be effected if the Bearer Securities are accompanied by payment in funds acceptable to the Company and the Trustee in an amount equal to the face amount of such missing Coupon or Coupons, or the surrender of such missing Coupon or Coupons may be waived by the Company and the Trustee if there is furnished to them such security or indemnity as they may require to save each of them and any Paying Agent harmless. If thereafter the Holder of such Bearer Security shall surrender to any Paying Agent any such missing Coupon in respect of which such a payment shall have been made, such Holder shall be entitled to receive the amount of such payment; provided, however, that, except as otherwise provided in Section 1002, interest represented by Coupons shall be payable only upon presentation and surrender of those Coupons at an Office or Agency for such series located

outside the United States. Notwithstanding the foregoing, in case a Bearer Security of any series is surrendered at any such Office or Agency for such series in exchange for a Registered Security of such series and like tenor after the close of business at such Office or Agency on (i) any Regular Record Date and before the opening of business at such Office or Agency on the relevant Interest Payment Date, or (ii) any Special Record Date and before the opening of business at such Office or Agency on the related date for payment of Defaulted Interest, such Bearer Security shall be surrendered without the Coupon relating to such Interest Payment Date or proposed date of payment, as the case may be (or, if such Coupon is so surrendered with such Bearer Security, such Coupon shall be returned to the Person so surrendering the Bearer Security), and interest or Defaulted Interest, as the case may be, shall not be payable on such Interest Payment Date or proposed date for payment, as the case may be, in respect of the Registered Security issued in exchange for such Bearer Security, but shall be payable only to the Holder of such Coupon when due in accordance with the provisions of this Indenture.

If expressly provided with respect to Securities of any series, at the option of the Holder, Registered Securities of such series may be exchanged for Bearer Securities upon such terms and conditions as may be provided with respect to such series.

Whenever any Securities are surrendered for exchange as contemplated by the immediately preceding two paragraphs, the Company shall execute, and the Trustee shall authenticate and deliver, the Securities which the Holder making the exchange is entitled to receive.

Notwithstanding the foregoing, except as otherwise provided in or pursuant to this Indenture, any global Security shall be exchangeable for definitive Securities only if (i) the Depository notifies the Company that it is at any time unwilling, unable or ineligible to continue as Depository and a successor depository is not appointed by the Company within 60 days of the date the Company is so informed in writing, (ii) the Company executes and delivers to the Trustee a Company Order to the effect that such global Security shall be so exchangeable, or (iii) an Event of Default has occurred and is continuing with respect to the Securities. If the beneficial owners of interests in a global Security are entitled to exchange such interests for definitive Securities, then without unnecessary delay but in any event not later than the earliest date on which such interests may be so exchanged, the Company shall deliver to the Trustee definitive Securities in such form and denominations, as directed by the Depository, as are required by or pursuant to this Indenture and of the same series, containing identical terms and in aggregate principal amount equal to the principal amount of, such global Security, executed by the Company. On or after the earliest date on which such interests may be so exchanged, such global Security shall be surrendered from time to time by the U.S. Depository or such other Depository as shall be specified in the Company Order with respect thereto, and in accordance with instructions given to the Trustee and the U.S. Depository or such other Depository, as the case may be (which instructions shall be in writing but need not be contained in or accompanied by an Officers' Certificate or be accompanied by an Opinion of Counsel), as shall be specified in the Company Order with respect thereto to the Trustee, as the Company's agent for such purpose, to be exchanged, in whole or in part, for definitive Securities as described above without charge. The Trustee shall authenticate and make available for delivery, in exchange for

each portion of such surrendered global Security, a like aggregate principal amount of definitive Securities of the same series of authorized denominations and of like tenor as the portion of such global Security to be exchanged, which (unless such Securities are not issuable both as Bearer Securities and as Registered Securities, in which case the definitive Securities exchanged for the global Security shall be issuable only in the form in which the Securities are issuable, as provided in or pursuant to this Indenture) shall be in the form of Bearer Securities or Registered Securities, or any combination thereof, as shall be specified by the beneficial owner thereof; provided, however, that no such exchanges may occur during a period beginning at the opening of business 15 days before any selection of Securities of the same series and continuing identical terms to be redeemed and ending on the relevant Redemption Date; and provided, further, that (unless otherwise provided in or pursuant to this Indenture) no Bearer Security delivered in exchange for a portion of a global Security shall be mailed or otherwise delivered to any location in the United States. Promptly following any such exchange in part, such global Security shall be returned by the Trustee to such Depository or the U.S. Depository, as the case may be, or such other Depository or U.S. Depository referred to above in accordance with the instructions of the Company referred to above. If a Registered Security is issued in exchange for any portion of a global Security after the close of business at the Office or Agency for such Security where such exchange occurs on or after (i) any Regular Record Date for such Security and before the opening of business at such Office or Agency on the next Interest Payment Date, or (ii) any Special Record Date for such Security and before the opening of business at such Office or Agency on the related proposed date for payment of interest or Defaulted Interest, as the case may be, interest shall not be payable on such Interest Payment Date or proposed date for payment, as the case may be, in respect of such Registered Security, but shall be payable on such Interest Payment Date or proposed date for payment, as the case may be, only to the Person to whom interest in respect of such portion of such global Security shall be payable in accordance with the provisions of this Indenture.

All Securities issued upon any registration of transfer or exchange of Securities shall be the valid obligations of the Company evidencing the same debt and entitling the Holders thereof to the same benefits under this Indenture as the Securities surrendered upon such registration of transfer or exchange.

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

No service charge shall be made for any registration of transfer or exchange, redemption or conversion of Securities, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any registration of transfer or exchange of Securities, other than exchanges pursuant to Section 304, 905 or 1107 not involving any transfer.

Except as otherwise provided in or pursuant to this Indenture, the Company shall not be required (i) to issue, register the transfer of or exchange any Securities during a period beginning at the opening of business 15 days before the day of the selection for redemption of Securities of like tenor and the same series under Section 1103 and ending at the close of business (A) if Securities of the series are issuable only as Registered Securities, on the day of the mailing of the relevant notice of redemption, and (B) if Securities of the series are issuable as Bearer Securities, on the day of the first publication of the relevant notice of redemption or, if Securities of the series are also issuable as Registered Securities and there is no publication, the mailing of the relevant notice of redemption, or (ii) to register the transfer of or exchange any Registered Security so selected for redemption in whole or in part, except in the case of any Security to be redeemed in part, the portion thereof not to be redeemed, or (iii) to exchange any Bearer Security so selected for redemption except, to the extent provided with respect to such Bearer Security, that such Bearer Security may be exchanged for a Registered Security of like tenor and the same series, provided that such Registered Security shall be immediately surrendered for redemption with written instruction for payment consistent with the provisions of this Indenture or (iv) to issue, register the transfer of or exchange any Security which, in accordance with its terms, has been surrendered for repayment at the option of the Holder, except the portion, if any, of such Security not to be so repaid.

Section 306. Mutilated, Destroyed, Lost and Stolen Securities.

If any mutilated Security or a Security with a mutilated Coupon appertaining to it is surrendered to the Trustee, subject to the provisions of this Section 306, the Company shall execute and the Trustee shall authenticate and deliver in exchange therefor a new Security of the same series containing identical terms and of like principal amount and bearing a number not contemporaneously outstanding, with Coupons appertaining thereto corresponding to the Coupons, if any, appertaining to the surrendered Security.

If there be delivered to the Company and to the Trustee (i) evidence to their satisfaction of the destruction, loss or theft of any Security or Coupon, and (ii) such security or indemnity as may be required by them to save each of them and any agent of either of them harmless, then, in the absence of notice to the Company or the Trustee that such Security or Coupon has been acquired by a bona fide purchaser, the Company shall execute and, upon the Company's request the Trustee shall authenticate and deliver, in exchange for or in lieu of any such mutilated, destroyed, lost or stolen Security or in exchange for the Security to which a destroyed, lost or stolen Coupon appertains with all appurtenant Coupons not destroyed, lost or stolen, a new Security of the same series containing identical terms and of like principal amount and bearing a number not contemporaneously outstanding, with Coupons corresponding to the Coupons, if any, appertaining to such destroyed, lost or stolen Security or to the Security to which such destroyed, lost or stolen Coupon appertains.

Notwithstanding the foregoing provisions of this Section 306, in case any mutilated, destroyed, lost or stolen Security or Coupon has become or is about to become due and payable, the Company in its discretion may, instead of issuing a new Security, pay such Security or Coupon; provided, however, that payment of principal of, any premium or interest on

or any Additional Amounts with respect to any Bearer Securities shall, except as otherwise provided in Section 1002, be payable only at an Office or Agency for such Securities located outside the United States and, unless otherwise provided in or pursuant to this Indenture, any interest on Bearer Securities and any Additional Amounts with respect to such interest shall be payable only upon presentation and surrender of the Coupons appertaining thereto.

Upon the issuance of any new Security under this Section 306, the Company may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Trustee) connected therewith.

Every new Security, with any Coupons appertaining thereto issued pursuant to this Section in lieu of any destroyed, lost or stolen Security, or in exchange for a Security to which a destroyed, lost or stolen Coupon appertains shall constitute a separate obligation of the Company, whether or not the destroyed, lost or stolen Security and Coupons appertaining thereto or the destroyed, lost or stolen Coupon shall be at any time enforceable by anyone, and shall be entitled to all the benefits of this Indenture equally and proportionately with any and all other Securities of such series and any Coupons, if any, duly issued hereunder.

The provisions of this Section are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement or payment of mutilated, destroyed, lost or stolen Securities or Coupons.

Section 307. Payment of Interest and Certain Additional Amounts; Rights to Interest and Certain Additional Amounts Preserved.

Unless otherwise provided in or pursuant to this Indenture, any interest on and any Additional Amounts with respect to any Registered Security which shall be payable, and are punctually paid or duly provided for, on any Interest Payment Date shall be paid to the Person in whose name such Security (or one or more Predecessor Securities) is registered as of the close of business on the Regular Record Date for such interest. Unless otherwise provided in or pursuant to this Indenture, in case a Bearer Security is surrendered in exchange for a Registered Security after the close of business at an Office or Agency for such Security on any Regular Record Date therefor and before the opening of business at such Office or Agency on the next succeeding Interest Payment Date therefor, such Bearer Security shall be surrendered without the Coupon relating to such Interest Payment Date and interest shall not be payable on such Interest Payment Date in respect of the Registered Security issued in exchange for such Bearer Security, but shall be payable only to the Holder of such Coupon when due in accordance with the provisions of this Indenture.

Unless otherwise provided in or pursuant to this Indenture, any interest on and any Additional Amounts with respect to any Registered Security which shall be payable, but shall not be punctually paid or duly provided for, on any Interest Payment Date for such Registered Security (herein called "Defaulted Interest") shall forthwith cease to be payable to the Holder thereof on the relevant Regular Record Date by virtue of having been such Holder; and

such Defaulted Interest may be paid by the Company, at its election in each case, as provided in Clause (1) or (2) below:

(1) The Company may elect to make payment of any Defaulted Interest to the Person in whose name such Registered Security (or a Predecessor Security thereof) shall be registered at the close of business on a Special Record Date for the payment of such Defaulted Interest, which shall be fixed in the following manner. The Company shall notify the Trustee in writing of the amount of Defaulted Interest proposed to be paid on such Registered Security and the date of the proposed payment, and at the same time the Company shall deposit with the Trustee an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest or shall make arrangements satisfactory to the Trustee for such deposit on or prior to the date of the proposed payment, such money when so deposited to be held in trust for the benefit of the Person entitled to such Defaulted Interest as in this Clause provided. Thereupon, the Trustee shall fix a Special Record Date for the payment of such Defaulted Interest which shall be not more than 15 days and not less than 10 days prior to the date of the proposed payment and not less than 10 days after the receipt by the Trustee of the notice of the proposed payment. The Trustee shall promptly notify the Company of such Special Record Date and, in the name and at the expense of the Company shall cause notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be mailed, first-class postage prepaid, to the Holder of such Registered Security (or a Predecessor Security thereof) at his address as it appears in the Security Register not less than 10 days prior to such Special Record Date. The Trustee may, in its discretion, in the name and at the expense of the Company cause a similar notice to be published at least once in an Authorized Newspaper of general circulation in the Borough of Manhattan, The City of New York, but such publication shall not be a condition precedent to the establishment of such Special Record Date. Notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor having been mailed as aforesaid, such Defaulted Interest shall be paid to the Person in whose name such Registered Security (or a Predecessor Security thereof) shall be registered at the close of business on such Special Record Date and shall no longer be payable pursuant to the following Clause (2). In case a Bearer Security is surrendered at the Office or Agency for such Security in exchange for a Registered Security after the close of business at such Office or Agency on any Special Record Date and before the opening of business at such Office or Agency on the related proposed date for payment of Defaulted Interest, such Bearer Security shall be surrendered without the Coupon relating to such proposed date of payment and Defaulted Interest shall not be payable on such proposed date of payment in respect of the Registered Security issued in exchange for such Bearer Security, but shall be payable only to the Holder of such Coupon when due in accordance with the provisions of this Indenture.

(2) The Company may make payment of any Defaulted Interest in any other lawful manner not inconsistent with the requirements of any securities exchange on which such Security may be listed, and upon such notice as may be required by such

exchange, if, after notice given by the Company to the Trustee of the proposed payment pursuant to this Clause, such payment shall be deemed practicable by the Trustee.

At the option of the Company, interest on Registered Securities that bear interest may be paid by mailing a check to the address of the Person entitled thereto as such address shall appear in the Security Register.

Subject to the foregoing provisions of this Section 307 and Section 305, each Security delivered under this Indenture upon registration of transfer of or in exchange for or in lieu of any other Security shall carry the rights to interest accrued and unpaid, and to accrue, which were carried by such other Security.

Section 308. Persons Deemed Owners.

Prior to due presentment of a Registered Security for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name such Registered Security is registered in the Security Register as the owner of such Registered Security for the purpose of receiving payment of principal of, any premium and (subject to Sections 305 and 307) interest on and any Additional Amounts with respect to such Registered Security and for all other purposes whatsoever, whether or not any payment with respect to such Registered Security shall be overdue, and neither the Company, nor the Trustee or any agent of the Company or the Trustee shall be affected by notice to the contrary.

The Company, the Trustee and any agent of the Company or the Trustee may treat the bearer of any Bearer Security or the bearer of any Coupon as the absolute owner of such Security or Coupon for the purpose of receiving payment thereof or on account thereof, for the purpose of conversion and for all other purposes whatsoever, whether or not any payment with respect to such Security or Coupon shall be overdue, and neither the Company, nor the Trustee or any agent of the Company or the Trustee shall be affected by notice to the contrary.

No holder of any beneficial interest in any global Security held on its behalf by a Depository shall have any rights under this Indenture with respect to such global Security, and such Depository may be treated by the Company, the Trustee, and any agent of the Company or the Trustee as the owner of such global Security for all purposes whatsoever. None of the Company, the Trustee, any Paying Agent or the Security Registrar will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests of a global Security or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Section 309. Cancellation.

All Securities and Coupons surrendered for payment, redemption, registration of transfer, exchange or conversion or for credit against any sinking fund payment shall, if surrendered to any Person other than the Trustee, be delivered to the Trustee, and any such Securities and Coupons, as well as Securities and Coupons surrendered directly to the Trustee for any such purpose, shall be cancelled promptly by the Trustee. The Company may at any time

deliver to the Trustee for cancellation any Securities previously authenticated and delivered hereunder which the Company may have acquired in any manner whatsoever, and all Securities so delivered shall be cancelled promptly by the Trustee. No Securities shall be authenticated in lieu of or in exchange for any Securities cancelled as provided in this Section, except as expressly permitted by or pursuant to this Indenture. All cancelled Securities and Coupons held by the Trustee shall be destroyed by the Trustee, unless by a Company Order the Company directs their return to it in a timely manner.

Section 310. Computation of Interest.

Except as otherwise provided in or pursuant to this Indenture, interest on the Securities shall be computed on the basis of a 360-day year of twelve 30-day months.

ARTICLE FOUR

SATISFACTION AND DISCHARGE

Section 401. Satisfaction and Discharge of Indenture.

Upon the direction of the Company by a Company Order, this Indenture shall cease to be of further effect (except as to any surviving rights of registration of transfer or exchange of Securities herein expressly provided for and any right to receive Additional Amounts), and the Trustee, on receipt of a Company Order, at the expense of the Company, shall execute proper instruments acknowledging satisfaction and discharge of this Indenture, when

(1) either

(A) all Securities theretofore authenticated and delivered and all Coupons appertaining thereto (other than (i) Coupons appertaining to Bearer Securities surrendered in exchange for Registered Securities and maturing after such exchange whose surrender is not required or has been waived as provided in Section 305, (ii) Securities and Coupons which have been destroyed, lost or stolen and which have been replaced or paid as provided in Section 306, (iii) Coupons appertaining to Securities called for redemption and maturing after the relevant Redemption Date whose surrender has been waived as provided in Section 1107, and (iv) Securities and Coupons for whose payment money has theretofore been deposited in trust or segregated and held in trust by the Company and thereafter repaid to the Company or discharged from such trust, as provided in Section 1003) have been delivered to the Trustee for cancellation; or

(B) all Securities and, in the case of (i) or (ii) below, any Coupons appertaining thereto not theretofore delivered to the Trustee for cancellation

(i) have become due and payable, or

(ii) will become due and payable at their Stated Maturity within one year, or

(iii) if redeemable at the option of the Company, are to be called for redemption within one year under arrangements satisfactory to the Trustee for the giving of notice of redemption by the Trustee in the name, and at the expense, of the Company,

and the Company, in the case of (i), (ii) or (iii) above, has deposited or caused to be deposited with the Trustee as trust funds in trust for such purpose, money and/or Government Obligations which through the payment of interest and principal in respect thereof in accordance with their terms, without consideration of any reinstatement thereof, will provide not later than the opening of business on the due dates of any payment of principal and any premium, interest and Additional Amounts with respect thereto, or a combination thereof, money in an amount sufficient to pay and discharge the entire indebtedness on such Securities and Coupons not theretofore delivered to the Trustee for cancellation, including the principal of, any premium and interest on, and any Additional Amounts with respect to such Securities and any Coupons appertaining thereto, to the date of such deposit (in the case of Securities which have become due and payable) or to the Maturity thereof, as the case may be;

(2) the Company has paid or caused to be paid all other sums payable hereunder by the Company; and

(3) the Company has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent herein provided for relating to the satisfaction and discharge of this Indenture have been complied with.

In the event there are Securities of two or more series hereunder, the Trustee shall be required to execute an instrument acknowledging satisfaction and discharge of this Indenture only if requested to do so with respect to Securities of all series as to which it is Trustee and if the other conditions thereto are met. In the event there are two or more Trustees hereunder, then the effectiveness of any such instrument shall be conditioned upon receipt of each such instrument from all Trustees hereunder.

Notwithstanding the satisfaction and discharge of this Indenture, the obligations of the Company to the Trustee under Section 605, the obligations of the Trustee to any Authenticating Agent under Section 610 and, if money and/or Government Obligations shall have been deposited with the Trustee pursuant to subclause (B) of Clause (1) of this Section, the obligations of the Trustee under Section 403 and the last paragraph of Section 1003 shall survive.

In the event that, subsequent to the date a discharge is effected pursuant to this Section 401, Additional Amounts in excess of those established as of the date such discharge is effected become payable in respect of any Securities, in order to preserve the benefits of the discharge established hereunder, the Company shall deposit or cause to be deposited in

accordance with provisions of this Section 401, within ten business days prior to the earlier to occur of (i) one year after the existence of such excess Additional Amounts is established and (ii) the date the first payment in respect of any portion of such excess Additional Amounts becomes due, such additional funds as are necessary to satisfy the provisions of this Section 401 as if a discharge were being effected as of the date of such subsequent deposit. For purposes of this paragraph, the existence of excess Additional Amounts shall be deemed to have been established as of the date the governmental authority imposing the tax, assessment or other governmental charge resulting in the Additional Amounts first publishes the legislation, regulation or other enactment adopting such tax, assessment or other governmental charge. Failure to comply with the requirements of this paragraph shall result in the termination of the benefits of the discharge established by this Section 401.

Section 402. Satisfaction, Discharge and Defeasance of Securities of any Series.

If provision is made in or pursuant to this Indenture for defeasance of Securities of any series and any Coupons appertaining thereto pursuant to this Section 402, the Company may at any time elect to have this Section 402 be applied to the outstanding Securities and the Company shall be deemed to have paid and discharged the entire indebtedness on all the Outstanding Securities of such series and the Trustee, at the expense of the Company, shall execute proper instruments acknowledging satisfaction and discharge of such indebtedness, when

(1) no Event of Default has occurred and is continuing, or would occur upon the giving of notice or the lapse of time at the time such satisfaction and discharge is being effected and either

(A) with respect to all Outstanding Securities of such series and any Coupons appertaining thereto, the Company has irrevocably deposited or caused to be deposited with the Trustee, as trust funds and/or obligations in trust for such purpose, money and/or Government Obligations which through the payment of interest and principal in respect thereof in accordance with their terms, without consideration of any reinvestment thereof, will provide not later than the opening of business on the due dates of any payment of principal and any premium, interest and Additional Amounts with respect thereto, or a combination thereof, money in an amount sufficient to pay and discharge the entire indebtedness on all Outstanding Securities of such series and any Coupons appertaining thereto not theretofore delivered to the Trustee for cancellation, including the principal of, any premium and interest on, and any Additional Amounts with respect to such Securities and any Coupons appertaining thereto to the date of such deposit (in the case of Securities which have become due and payable) or to the Maturity thereof, as the case may be, as contemplated by the penultimate paragraph of this Section 402; or

(B) the Company has properly fulfilled such other means of satisfaction and discharge as is provided in or pursuant to this Indenture for the Securities of such series; and

(2) the Company has paid or caused to be paid all other sums payable hereunder with respect to the Outstanding Securities of such series and any Coupons appertaining thereto; and

(3) the Company has delivered to the Trustee a certificate signed by Independent Public Accountants certifying as to the sufficiency of the amounts deposited pursuant to subsections (A)(i) or (ii) of this Section for payment of the principal of, any premium and interest on and any Additional Amounts with respect to such Securities and any Coupons appertaining thereto on the dates such payments are due, an Officers' Certificate and an Opinion of Counsel, each such Certificate and Opinion stating that no Event of Default or event which with notice or lapse of time or both would become an Event of Default with respect to such Securities shall have occurred and all conditions precedent herein provided for relating to the satisfaction and discharge of the entire indebtedness on all Outstanding Securities of any such series and any Coupons appertaining thereto shall have been complied with; and

(4) the Company has delivered to the Trustee

(A) an opinion of independent counsel that the Holders of the Securities of such series and any Coupons appertaining thereto shall have no federal income tax consequences as a result of such deposit and termination; and

(B) if the Securities of such series are then listed on the New York Stock Exchange, an opinion of independent counsel that the Securities of such series shall not be delisted as a result of the exercise of this option.

Any deposits with the Trustee referred to in subsection (1)(A) of this Section shall be irrevocable and shall be made under the terms of an escrow trust agreement in form and substance satisfactory to the Trustee. If any Outstanding Securities of such series are to be redeemed prior to their Stated Maturity, whether pursuant to any optional redemption provisions or in accordance with any mandatory sinking fund requirement or otherwise, the Company shall make such arrangements as are satisfactory to the Trustee for the giving of notice of redemption by the Trustee in the name, and at the expense, of the Company.

Upon the satisfaction of the conditions set forth in this Section 402 with respect to all the Outstanding Securities of any series and any Coupons appertaining thereto, the terms and conditions of such series (including the terms and conditions with respect thereto set forth in this Indenture, other than the provisions of Sections 305, 306, and 1002 and other than the right of Holders of Securities of such series and any Coupons appertaining thereto to receive, from the trust fund described in this Section, payment of the principal of, any premium or the interest on, or any Additional Amounts with respect to such Securities and any Coupons appertaining thereto when such payments shall be due) and the rights, powers, duties and immunities of the Trustee hereunder with respect to the Securities of such series shall no longer be binding upon, or applicable to, the Company; provided that the Company shall not be discharged from any payment obligations in respect of Securities of such series or any Coupons appertaining thereto

which are deemed not to be Outstanding under clause (iii) of the definition of Outstanding if such obligations continue to be valid obligations of the Company under applicable law.

In the event that, subsequent to the date a defeasance is effected pursuant to this Section 402 with respect to Securities of any series, Additional Amounts in excess of those established as of the date such defeasance is effected become payable in respect of such Securities, in order to preserve the benefits of the defeasance established hereunder with respect to such series, the Company shall deposit or cause to be deposited in accordance with the provisions of this Section 402, within ten business days prior to the earlier to occur of (i) one year after the existence of such excess Additional Amounts is established and (ii) the date the first payment in respect of any portion of such excess Additional Amounts becomes due, such additional funds as are necessary to satisfy the provisions of this Section 402 as if a defeasance were being effected as of the date of such subsequent deposit. For purposes of this paragraph, the existence of excess Additional Amounts shall be deemed to have been established as of the date the governmental authority imposing the tax, assessment or other governmental charge resulting in the Additional Amounts first publishes the legislation, regulation or other enactment adopting such tax, assessment or other governmental charge. Failure to comply with the requirements of this paragraph shall result in the termination of the benefits of the defeasance established by this Section 402 with respect to the Securities of such series.

Section 403. Application of Trust Money.

Subject to the provisions of the last paragraph of Section 1003, all money and Government Obligations deposited with the Trustee pursuant to Section 401 or 402 shall be held in trust and applied by it, in accordance with the provisions of the Securities, the Coupons and this Indenture, to the payment, either directly or through any Paying Agent (including the Company acting as its own Paying Agent) as the Trustee may determine, to the Persons entitled thereto, of the principal, premium, interest and Additional Amounts for whose payment such money has or Government Obligations have been deposited with or received by the Trustee; but such money and Government Obligations need not be segregated from other funds except to the extent required by law.

ARTICLE FIVE

REMEDIES

Section 501. Events of Default.

"Event of Default", wherever used herein with respect to Securities of any series, means any one of the following events (whatever the reason for such Event of Default and whether it shall be voluntary or be effected by operation of law pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

- (1) default in the payment of any interest on or any Additional Amounts payable in respect of any Security of such series when such interest becomes or such Additional

Amounts become due and payable, and continuance of such default for a period of 30 days; or

(2) default in the payment of the principal of and any premium on any Security of such series when it becomes due and payable at its Maturity; or

(3) default in the deposit of any sinking fund payment, when and as due by the terms of a Security of such series; or

(4) default in the performance, or breach, of any covenant or warranty of the Company in this Indenture or the Securities (other than a covenant or warranty a default in the performance or the breach of which is elsewhere in this Section specifically dealt with or which has been expressly included in this Indenture solely for the benefit of a series of Securities other than such series), and continuance of such default or breach for a period of 60 days after there has been given, by registered or certified mail, to the Company by the Trustee or to the Company and the Trustee by the Holders of at least 25% in principal amount of the Outstanding Securities of such series a written notice specifying such default or breach and requiring it to be remedied and stating that such notice is a "Notice of Default" hereunder; or

(5) if any event of default as defined in any mortgage, indenture or instrument under which there may be issued, or by which there may be secured or evidenced, any indebtedness of the Company or any Significant Subsidiary for money borrowed, whether such indebtedness now exists or shall hereafter be created, shall happen and shall result in such indebtedness in principal amount in excess of \$10,000,000 becoming or being declared due and payable prior to the date on which it would otherwise become due and payable, and such acceleration shall not be rescinded or annulled within a period of 30 days after there shall have been given, by registered or certified mail, to the Company by the Trustee or to the Company and the Trustee by the Holders of at least 25% in principal amount of the Outstanding Securities of such series, a written notice specifying such event of default and requiring the Company to cause such acceleration to be rescinded or annulled and stating that such notice is a "Notice of Default" hereunder; or

(6) the entry by a court having competent jurisdiction of:

(a) a decree or order for relief in respect of the Company or any Significant Subsidiary in an involuntary proceeding under any applicable bankruptcy, insolvency, reorganization or other similar law and such decree or order shall remain unstayed and in effect for a period of 60 consecutive days; or

(b) a decree or order adjudging the Company or any Significant Subsidiary to be insolvent, or approving a petition seeking reorganization, arrangement, adjustment or composition of the Company or any Significant Subsidiary and such decree or order shall remain unstayed and in effect for a period of 60 consecutive days; or

(c) a final and non-appealable order appointing a custodian, receiver, liquidator, assignee, trustee or other similar official of the Company or any Significant Subsidiary or of any substantial part of the property of the Company or any Significant Subsidiary, as the case may be, or ordering the winding up or liquidation of the affairs of the Company or any Significant Subsidiary; or

(7) the commencement by the Company or any Significant Subsidiary of a voluntary proceeding under any applicable bankruptcy, insolvency, reorganization or other similar law or of a voluntary proceeding seeking to be adjudicated insolvent or the consent by the Company or any Significant Subsidiary to the entry of a decree or order for relief in an involuntary proceeding under any applicable bankruptcy, insolvency, reorganization or other similar law or to the commencement of any insolvency proceedings against it, or the filing by the Company or any Significant Subsidiary of a petition or answer or consent seeking reorganization or relief under any applicable law, or the consent by the Company or any Significant Subsidiary to the filing of such petition or to the appointment of or taking possession by a custodian, receiver, liquidator, assignee, trustee or similar official of the Company or any Significant Subsidiary or any substantial part of the property of the Company or any Significant Subsidiary or the making by the Company or any Significant Subsidiary of an assignment for the benefit of creditors, or the taking of corporate action by the Company or any Significant Subsidiary in furtherance of any such action; or

(8) any other Event of Default provided in or pursuant to this Indenture with respect to Securities of such series.

If a default occurs hereunder with respect to Securities of any series, the Trustee shall give the Holders of Securities of such series notice of such default as and to the extent provided by the Trust Indenture Act; provided, however, that in the case of any default of the character specified in Section 501(4) with respect to Securities of such series, no such notice to Holders shall be given until at least 30 days after the occurrence thereof. For the purpose of this Section, the term "default" means any event which is, or after notice or lapse of time or both would become, an Event of Default with respect to Securities of such series.

Section 502. Acceleration of Maturity; Rescission and Annulment.

If an Event of Default with respect to Securities of any series at the time Outstanding occurs and is continuing, then the Trustee or the Holders of not less than 25% in principal amount of the Outstanding Securities of such series may declare the principal of all the Securities of such series, or such lesser amount as may be provided for in the Securities of such series, to be due and payable immediately, by a notice in writing to the Company (and to the Trustee if given by the Holders), and upon any such declaration such principal or such lesser amount shall become immediately due and payable.

At any time after such a declaration of acceleration with respect to Securities of any series has been made and before a judgment or decree for payment of the money due has been obtained by the Trustee as hereinafter in this Article provided, the Holders of not less than a

majority in principal amount of the Outstanding Securities of such series, by written notice to the Company and the Trustee, may rescind and annul such declaration and its consequences if:

(1) the Company has paid or deposited with the Trustee a sum of money sufficient to pay

(A) all overdue installments of any interest on and any Additional Amounts with respect to all Securities of such series and any Coupon appertaining thereto,

(B) the principal of and any premium on any Securities of such series which have become due otherwise than by such declaration of acceleration and interest thereon at the rate or rates borne by or provided for in such Securities,

(C) to the extent that payment of such interest is lawful, interest upon overdue installments of any interest and Additional Amounts at the rate or rates borne by or provided for in such Securities, and

(D) all sums paid or advanced by the Trustee hereunder and the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel; and

(2) all Events of Default with respect to Securities of such series, other than the non-payment of the principal of, any premium and interest on, and any Additional Amounts with respect to Securities of such series which shall have become due solely by such declaration of acceleration, shall have been cured or waived as provided in Section 513.

No such rescission shall affect any subsequent default or impair any right consequent thereon.

Section 503. Collection of Indebtedness and Suits for Enforcement by Trustee.

The Company covenants that if

(1) default is made in the payment of any installment of interest on or any Additional Amounts with respect to any Security or any Coupon appertaining thereto when such interest or Additional Amounts shall have become due and payable and such default continues for a period of 30 days, or

(2) default is made in the payment of the principal of or any premium on any Security at its Maturity,

the Company shall, upon demand of the Trustee, pay to the Trustee, for the benefit of the Holders of such Securities and any Coupons appertaining thereto, the whole amount of money then due and payable with respect to such Securities and any Coupons appertaining thereto, with interest upon the overdue principal, any premium and, to the extent that payment of such interest shall be

legally enforceable, upon any overdue installments of interest and Additional Amounts at the rate or rates borne by or provided for in such Securities, and, in addition thereto, such further amount of money as shall be sufficient to cover the costs and expenses of collection, including the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel.

If the Company fails to pay the money it is required to pay the Trustee pursuant to the preceding paragraph forthwith upon the demand of the Trustee, the Trustee, in its own name and as trustee of an express trust, may institute a judicial proceeding for the collection of the money so due and unpaid, and may prosecute such proceeding to judgment or final decree, and may enforce the same against the Company or any other obligor upon such Securities and any Coupons appertaining thereto and collect the moneys adjudged or decreed to be payable in the manner provided by law out of the property of the Company or any other obligor upon such Securities and any Coupons appertaining thereto, wherever situated.

If an Event of Default with respect to Securities of any series occurs and is continuing, the Trustee may in its discretion proceed to protect and enforce its rights and the rights of the Holders of Securities of such series and any Coupons appertaining thereto by such appropriate judicial proceedings as the Trustee shall deem most effectual to protect and enforce any such rights, whether for the specific enforcement of any covenant or agreement in this Indenture or such Securities or in aid of the exercise of any power granted herein or therein, or to enforce any other proper remedy.

Section 504. Trustee May File Proofs of Claim.

In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceeding relative to the Company or any other obligor upon the Securities or the property of the Company or such other obligor or their creditors, the Trustee (irrespective of whether the principal of the Securities shall then be due and payable as therein expressed or by declaration or otherwise and irrespective of whether the Trustee shall have made any demand on the Company for the payment of any overdue principal, premium, interest or Additional Amounts) shall be entitled and empowered, by intervention in such proceeding or otherwise,

(i) to file and prove a claim for the whole amount, or such lesser amount as may be provided for in the Securities of such series, of the principal and any premium, interest and Additional Amounts owing and unpaid in respect of the Securities and any Coupons appertaining thereto and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents or counsel) and of the Holders of Securities or any Coupons allowed in such judicial proceeding, and

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

and any custodian, receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such judicial proceeding is hereby authorized by each Holder of Securities or any Coupons to make such payments to the Trustee and, in the event that the Trustee shall consent to the making of such payments directly to the Holders of Securities or any Coupons, to pay to the Trustee any amount due to it for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel and any other amounts due the Trustee under Section 605.

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

Section 505. Trustee May Enforce Claims without Possession of Securities or Coupons.

All rights of action and claims under this Indenture or any of the Securities or Coupons may be prosecuted and enforced by the Trustee without the possession of any of the Securities or Coupons or the production thereof in any proceeding relating thereto, and any such proceeding instituted by the Trustee shall be brought in its own name as trustee of an express trust, and any recovery or judgment, after provision for the payment of the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, shall be for the ratable benefit of each and every Holder of a Security or Coupon in respect of which such judgment has been recovered.

Section 506. Application of Money Collected.

Any money collected by the Trustee pursuant to this Article shall be applied in the following order, at the date or dates fixed by the Trustee and, in case of the distribution of such money on account of principal, or any premium, interest or Additional Amounts, upon presentation of the Securities or Coupons, or both, as the case may be, and the notation thereon of the payment if only partially paid and upon surrender thereof if fully paid:

FIRST: To the payment of all amounts due the Trustee and any predecessor Trustee under Section 605;

SECOND: To the payment of the amounts then due and unpaid upon the Securities and any Coupons for principal and any premium, interest and Additional Amounts in respect of which or for the benefit of which such money has been collected, ratably, without preference or priority of any kind, according to the aggregate amounts due and payable on such Securities and Coupons for principal and any premium, interest and Additional Amounts, respectively;

THIRD: The balance, if any, to the Person or Persons entitled thereto.

Section 507. Limitations on Suits.

No Holder of any Security of any series or any Coupons appertaining thereto shall have any right to institute any proceeding, judicial or otherwise, with respect to this Indenture, or for the appointment of a receiver or trustee, or for any other remedy hereunder, unless

(1) such Holder has previously given written notice to the Trustee of a continuing Event of Default with respect to the Securities of such series;

(2) the Holders of not less than 25% in principal amount of the Outstanding Securities of such series shall have made written request to the Trustee to institute proceedings in respect of such Event of Default in its own name as Trustee hereunder;

(3) such Holder or Holders have offered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request;

(4) the Trustee for 60 days after its receipt of such notice, request and offer of indemnity has failed to institute any such proceeding; and

(5) no direction inconsistent with such written request has been given to the Trustee during such 60-day period by the Holders of a majority in principal amount of the Outstanding Securities of such series;

it being understood and intended that no one or more of such Holders shall have any right in any manner whatever by virtue of, or by availing of, any provision of this Indenture or any Security to affect, disturb or prejudice the rights of any other such Holders or Holders of Securities of any other series, or to obtain or to seek to obtain priority or preference over any other Holders or to enforce any right under this Indenture, except in the manner herein provided and for the equal and ratable benefit of all such Holders.

Section 508. Unconditional Right of Holders to Receive Principal and any Premium, Interest and Additional Amounts and to Convert any Convertible Security.

Notwithstanding any other provision in this Indenture, the Holder of any Security or Coupon shall have the right, which is absolute and unconditional, to receive payment of the principal of, any premium and (subject to Sections 305 and 307) interest on, and any Additional Amounts with respect to such Security or payment of such Coupon, as the case may be, on the respective Stated Maturity or Maturities therefor specified in such Security or Coupon (or, in the case of redemption, on the Redemption Date or, in the case of repayment at the option of such Holder if provided in or pursuant to this Indenture, on the date such repayment is due) and to institute suit for the enforcement of any such payment, and shall have the right to convert any such Security which is a Convertible Security in accordance with the terms hereof and thereof and to institute suit for enforcement of such right; and such rights shall not be impaired without the consent of such Holder.

Section 509. Restoration of Rights and Remedies.

If the Trustee or any Holder of a Security or a Coupon has instituted any proceeding to enforce any right or remedy under this Indenture and such proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the Trustee or to such Holder, then and in every such case the Company, the Trustee and each such Holder shall, subject to any determination in such proceeding, be restored severally and respectively to their former positions hereunder, and thereafter all rights and remedies of the Trustee and each such Holder shall continue as though no such proceeding had been instituted.

Section 510. Rights and Remedies.

Except as otherwise provided with respect to the replacement or payment of mutilated, destroyed, lost or stolen Securities or Coupons in the last paragraph of Section 306, no right or remedy herein conferred upon or reserved to the Trustee or to each and every Holder of a Security or a Coupon is intended to be exclusive of any other right or remedy, and every right and remedy, to the extent permitted by law, shall be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

Section 511. Delay or Omission Not Waiver.

No delay or omission of the Trustee or of any Holder of any Security or Coupon to exercise any right or remedy accruing upon any Event of Default shall impair any such right or remedy or constitute a waiver of any such Event of Default or an acquiescence therein. Every right and remedy given by this Article or by law to the Trustee or to any Holder of a Security or a Coupon may be exercised from time to time, and as often as may be deemed expedient, by the Trustee or by such Holder, as the case may be.

Section 512. Control by Holders of Securities.

The Holders of a majority in principal amount of the Outstanding Securities of any series shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred on the Trustee, with respect to the Securities of such series and any Coupons appertaining thereto, provided that

(1) such direction shall not be in conflict with any rule of law or with this Indenture or with the Securities of any series,

(2) the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction,

(3) such direction is not unduly prejudicial to the rights of the other Holders of Securities of such series not joining in such action (subject to the provisions of Section

601), it being understood that the Trustee shall have no duty or ascertain whether or not such actions or forbearances are unduly prejudicial to such Holders; and

(4) the Trustee shall have the right to decline to follow any such direction if the Trustee in good faith shall determine that the action or proceedings so directed might involve the Trustee in personal liability.

Section 513. Waiver of Past Defaults.

The Holders of not less than a majority in principal amount of the Outstanding Securities of any series on behalf of the Holders of all the Securities of such series and any Coupons appertaining thereto may waive any past default hereunder with respect to such series and its consequences, except a default

(1) in the payment of the principal of, any premium or interest on, or any Additional Amounts with respect to any Security of such series or any Coupons appertaining thereto, or

(2) in respect of a covenant or provision hereof which under Article Nine cannot be modified or amended without the consent of the Holder of each Outstanding Security of such series affected.

Upon any such waiver, such default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured, for every purpose of this Indenture; but no such waiver shall extend to any subsequent or other default or impair any right consequent thereon.

Section 514. Waiver of Stay or Extension Laws.

The Company covenants that (to the extent that it may lawfully do so) it will not at any time insist upon, or plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay or extension law wherever enacted, now or at any time hereafter in force, which may affect the covenants or the performance of this Indenture; and the Company expressly waives (to the extent that it may lawfully do so) all benefit or advantage of any such law and covenant that it will not hinder, delay or impede the execution of any power herein granted to the Trustee, but will suffer and permit the execution of every such power as though no such law had been enacted.

ARTICLE SIX

THE TRUSTEE

Section 601. Certain Rights of Trustee.

Subject to Sections 315(a) through 315(d) of the Trust

Indenture Act:

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

(b) any request or direction of the Company mentioned herein shall be sufficiently evidenced by a Company Request or a Company Order (in each case, other than delivery of any Security, together with any Coupons appertaining thereto, to the Trustee for authentication and delivery pursuant to Section 303 which shall be sufficiently evidenced as provided therein) and any resolution of the Board of Directors may be sufficiently evidenced by a Board Resolution;

(c) whenever in the administration of this Indenture the Trustee shall deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, the Trustee (unless other evidence shall be herein specifically prescribed) may, in the absence of bad faith on its part, rely upon an Officers' Certificate;

(d) before the Trustee acts or refrains from acting, the Trustee may consult with counsel and the advice of such counsel or any Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon;

(e) the Trustee shall be under no obligation to exercise any of the rights or powers vested in it by or pursuant to this Indenture at the request or direction of any of the Holders of Securities of any series or any Coupons appertaining thereto pursuant to this Indenture, unless such Holders shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction;

(f) the Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, coupon or other paper or document, but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Trustee shall determine to make such further inquiry or investigation, it shall be entitled to examine, during business hours and upon reasonable notice, the books, records and premises of the Company, personally or by agent or attorney;

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

(h) the Trustee shall not be required to give any bond or surety in respect of the performance of its powers and duties hereunder;

(i) the permissive rights of the Trustee to do things enumerated in this Indenture shall not be construed as a duty and the Trustee shall not be answerable for other than its negligence or willful misconduct; and

(j) except for (i) a default under Sections 501(1) or (2) hereof, or (ii) any other event of which the Trustee has "actual knowledge" and which event, with the giving of notice or the passage of time or both, would constitute an Event of Default under this Indenture, the Trustee shall not be deemed to have notice of any default or Event of Default unless specifically notified in writing of such event by the Company or the Holders of not less than 25% in aggregate principal amount of the Securities then outstanding; as used herein, the term "actual knowledge" means the actual fact or statement of knowing, without any duty to make any investigation with regard thereto.

Section 602. Not Responsible for Recitals or Issuance of Securities.

The recitals contained herein and in the Securities, except the Trustee's certificate of authentication, and in any Coupons shall be taken as the statements of the Company and neither the Trustee nor any Authenticating Agent assumes any responsibility for their correctness. The Trustee makes no representations as to the validity or sufficiency of this Indenture or of the Securities or the Coupons, except that the Trustee represents that it is duly authorized to execute and deliver this Indenture, authenticate the Securities and perform its obligations hereunder and that the statements made by it in a Statement of Eligibility and Qualification on Form T-1 supplied to the Company are true and accurate, subject to the qualifications set forth therein. Neither the Trustee nor any Authenticating Agent shall be accountable for the use or application by the Company of the Securities or the proceeds thereof.

Section 603. May Hold Securities.

The Trustee, any Authenticating Agent, any Paying Agent, any Security Registrar or any other Person that may be an agent of the Trustee or the Company, in its individual or any other capacity, may become the owner or pledgee of Securities or Coupons and, subject to Sections 310(b) and 311 of the Trust Indenture Act, may otherwise deal with the Company with the same rights it would have if it were not Trustee, Authenticating Agent, Paying Agent, Security Registrar or such other Person.

Section 604. Money Held in Trust.

Except as provided in Section 403 and Section 1003, money held by the Trustee in trust hereunder need not be segregated from other funds except to the extent required by law and shall be held uninvested. The Trustee shall be under no liability for interest on any money received by it hereunder except as otherwise agreed with the Company.

Section 605. Compensation and Reimbursement.

The Company agrees:

(1) to pay to the Trustee from time to time, and the Trustee shall be entitled to, reasonable compensation for all services rendered by the Trustee hereunder (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust);

(2) except as otherwise expressly provided herein, to reimburse the Trustee upon its request for all reasonable expenses, disbursements and advances incurred or made by the Trustee in accordance with any provision of this Indenture, including costs and expenses incurred in collection (including the reasonable compensation and the expenses and disbursements of its agents and counsel), except any such expense, disbursement or advance as may be attributable to the Trustee's negligence or willful misconduct; and

(3) to indemnify the Trustee and its agents for, and to hold them harmless against, any loss, liability or expense incurred without negligence or bad faith on their part, arising out of or in connection with the acceptance or administration of the trust or trusts hereunder, including the costs and expenses of defending themselves against, or investigating, any claim or liability in connection with the exercise or performance of any of their powers or duties hereunder.

As security for the performance of the obligations of the Company under this Section 605, the Trustee shall have a lien prior to the Securities of any series upon all property and funds held or collected by the Trustee as such, except funds held in trust for the payment of principal of, and premium or interest on or any Additional Amounts with respect to Securities or any Coupons appertaining thereto. When the Trustee incurs expenses or renders services in connection with an Event of Default specified in Article Five hereof, the expenses (including reasonable fees and expenses of its counsel) and the compensation for the services in connection therewith are intended to constitute expenses of administration under any applicable bankruptcy law.

Section 606. Corporate Trustee Required; Eligibility.

There shall at all times be a Trustee hereunder that is a Corporation permitted by the Trust Indenture Act to act as trustee under an indenture qualified under the Trust Indenture Act and that has a combined capital and surplus (computed in accordance with Section 310(a)(2) of the Trust Indenture Act) of at least \$50,000,000. If at any time the Trustee shall cease to be

eligible in accordance with the provisions of this Section 606, it shall resign immediately in the manner and with the effect hereinafter specified in this Article.

Section 607. Resignation and Removal; Appointment of Successor.

(a) No resignation or removal of the Trustee and no appointment of a successor Trustee pursuant to this Article shall become effective until the acceptance of appointment by the successor Trustee pursuant to Section 608.

(b) The Trustee may resign at any time with respect to the Securities of one or more series by giving written notice thereof to the Company. If the instrument of acceptance by a successor Trustee required by Section 608 shall not have been delivered to the Trustee within 30 days after the giving of such notice of resignation, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee with respect to such series.

(c) The Trustee may be removed at any time with respect to the Securities of any series by Act of the Holders of a majority in principal amount of the Outstanding Securities of such series, delivered to the Trustee and the Company.

(d) If at any time:

(1) the Trustee shall fail to comply with the obligations imposed upon it under Section 310(b) of the Trust Indenture Act with respect to Securities of any series after written request therefor by the Company or any Holder of a Security of such series who has been a bona fide Holder of a Security of such series for at least six months, or

(2) the Trustee shall cease to be eligible under Section 606 and shall fail to resign after written request therefor by the Company or any such Holder, or

(3) the Trustee shall become incapable of acting or shall be adjudged a bankrupt or insolvent or a receiver of the Trustee or of its property shall be appointed or any public officer shall take charge or control of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation,

then, in any such case, (i) the Company, by or pursuant to a Board Resolution, may remove the Trustee with respect to all Securities of the Securities of such series, or (ii) subject to Section 315(e) of the Trust Indenture Act, any Holder of a Security who has been a bona fide Holder of a Security of such series for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the removal of the Trustee with respect to all Securities of such series and the appointment of a successor Trustee or Trustees.

(e) If the Trustee shall resign, be removed or become incapable of acting, or if a vacancy shall occur in the office of Trustee for any cause, with respect to the Securities of

one or more series, the Company, by or pursuant to a Board Resolution, shall promptly appoint a successor Trustee or Trustees with respect to the Securities of that or those series (it being understood that any such successor Trustee may be appointed with respect to the Securities of one or more or all of such series and that at any time there shall be only one Trustee with respect to the Securities of any particular series) and shall comply with the applicable requirements of Section 608. If, within one year after such resignation, removal or incapability, or the occurrence of such vacancy, a successor Trustee with respect to the Securities of any series shall be appointed by Act of the Holders of a majority in principal amount of the Outstanding Securities of such series delivered to the Company and the retiring Trustee, the successor Trustee so appointed shall, forthwith upon its acceptance of such appointment in accordance with the applicable requirements of Section 608, become the successor Trustee with respect to the Securities of such series and to that extent supersede the successor Trustee appointed by the Company. If no successor Trustee with respect to the Securities of any series shall have been so appointed by the Company or the Holders of Securities and accepted appointment in the manner required by Section 608, any Holder of a Security who has been a bona fide Holder of a Security of such series for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the appointment of a successor Trustee with respect to the Securities of such series.

(f) The Company shall give notice of each resignation and each removal of the Trustee with respect to the Securities of any series and each appointment of a successor Trustee with respect to the Securities of any series by mailing written notice of such event by first-class mail, postage prepaid, to the Holders of Registered Securities, if any, of such series as their names and addresses appear in the Security Register and, if Securities of such series are issued as Bearer Securities, by publishing notice of such event once in an Authorized Newspaper in each Place of Payment located outside the United States. Each notice shall include the name of the successor Trustee with respect to the Securities of such series and the address of its Corporate Trust Office.

Section 608. Acceptance of Appointment by Successor.

(a) Upon the appointment hereunder of any successor Trustee with respect to all Securities, such successor Trustee so appointed shall execute, acknowledge and deliver to the Company and the retiring Trustee an instrument accepting such appointment, and thereupon the resignation or removal of the retiring Trustee shall become effective and such successor Trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts and duties hereunder of the retiring Trustee; but, on the request of the Company or such successor Trustee, such retiring Trustee, upon payment of its charges, shall execute and deliver an instrument transferring to such successor Trustee all the rights, powers and trusts of the retiring Trustee and, subject to Section 1003, shall duly assign, transfer and deliver to such successor Trustee all property and money held by such retiring Trustee hereunder, subject nevertheless to its claim, if any, provided for in Section 605.

(b) Upon the appointment hereunder of any successor Trustee with respect to the Securities of one or more (but not all) series, the Company, the retiring Trustee and such successor Trustee shall execute and deliver an indenture supplemental hereto wherein each successor Trustee shall accept such appointment and which (1) shall contain such provisions as shall be necessary or desirable to transfer and confirm to, and to vest in, such successor Trustee all the rights, powers, trusts and duties of the retiring Trustee with respect to the Securities of that or those series to which the appointment of such successor Trustee relates, (2) if the retiring Trustee is not retiring with respect to all Securities, shall contain such provisions as shall be deemed necessary or desirable to confirm that all the rights, powers, trusts and duties of the retiring Trustee with respect to the Securities of that or those series as to which the retiring Trustee is not retiring shall continue to be vested in the retiring Trustee, and (3) shall add to or change any of the provisions of this Indenture as shall be necessary to provide for or facilitate the administration of the trusts hereunder by more than one Trustee, it being understood that nothing herein or in such supplemental indenture shall constitute such Trustees co-trustees of the same trust, that each such Trustee shall be trustee of a trust or trusts hereunder separate and apart from any trust or trusts hereunder administered by any other such Trustee and that no Trustee shall be responsible for any notice given to, or received by, or any act or failure to act on the part of any other Trustee hereunder, and, upon the execution and delivery of such supplemental indenture, the resignation or removal of the retiring Trustee shall become effective to the extent provided therein, such retiring Trustee shall have no further responsibility for the exercise of rights and powers or for the performance of the duties and obligations vested in the Trustee under this Indenture with respect to the Securities of that or those series to which the appointment of such successor Trustee relates other than as hereinafter expressly set forth, and such successor Trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts and duties of the retiring Trustee with respect to the Securities of that or those series to which the appointment of such successor Trustee relates; but, on request of the Company or such successor Trustee, such retiring Trustee, upon payment of its charges with respect to the Securities of that or those series to which the appointment of such successor relates and subject to Section 1003 shall duly assign, transfer and deliver to such successor Trustee, to the extent contemplated by such supplemental indenture, the property and money held by such retiring Trustee hereunder with respect to the Securities of that or those series to which the appointment of such successor Trustee relates.

(c) Upon request of any Person appointed hereunder as a successor Trustee, the Company shall execute any and all instruments for more fully and certainly vesting in and confirming to such successor Trustee all such rights, powers and trusts referred to in paragraph (a) or (b) of this Section 608, as the case may be.

(d) No Person shall accept its appointment hereunder as a successor Trustee unless at the time of such acceptance such successor Person shall be qualified and eligible under this Article.

Section 609. Merger, Conversion, Consolidation or Succession to Business.

Any Corporation into which the Trustee may be merged or converted or with which it may be consolidated, or any Corporation resulting from any merger, conversion or consolidation to which the Trustee shall be a party, or any Corporation succeeding to all or substantially all of the corporate trust business of the Trustee, shall be the successor of the Trustee hereunder, without the execution or filing of any paper or any further act on the part of any of the parties hereto. In case any Securities shall have been authenticated but not delivered by the Trustee then in office, any successor by merger, conversion or consolidation to such authenticating Trustee may adopt such authentication and deliver the Securities so authenticated with the same effect as if such successor Trustee had itself authenticated such Securities.

Section 610. Appointment of Authenticating Agent.

The Trustee may appoint one or more Authenticating Agents acceptable to the Company with respect to one or more series of Securities which shall be authorized to act on behalf of the Trustee to authenticate Securities of that or those series issued upon original issue, exchange, registration of transfer or partial redemption or conversion thereof or pursuant to Section 306, and Securities so authenticated shall be entitled to the benefits of this Indenture and shall be valid and obligatory for all purposes as if authenticated by the Trustee hereunder. Wherever reference is made in this Indenture to the authentication and delivery of Securities by the Trustee or the Trustee's certificate of authentication, such reference shall be deemed to include authentication and delivery on behalf of the Trustee by an Authenticating Agent and a certificate of authentication executed on behalf of the Trustee by an Authenticating Agent.

Each Authenticating Agent shall be acceptable to the Company and, except as provided in or pursuant to this Indenture, shall at all times be a corporation that would be permitted by the Trust Indenture Act to act as trustee under an indenture qualified under the Trust Indenture Act, is authorized under applicable law and by its charter to act as an Authenticating Agent and has a combined capital and surplus (computed in accordance with Section 310(a)(2) of the Trust Indenture Act) of at least \$50,000,000. If at any time an Authenticating Agent shall cease to be eligible in accordance with the provisions of this Section 610, it shall resign immediately in the manner and with the effect specified in this Section 610.

Any Corporation into which an Authenticating Agent may be merged or converted or with which it may be consolidated, or any Corporation resulting from any merger, conversion or consolidation to which such Authenticating Agent shall be a party, or any Corporation succeeding to the corporate agency or corporate trust business of an Authenticating Agent, shall be the successor of such Authenticating Agent hereunder, provided such Corporation shall be otherwise eligible under this Section 610, without the execution or filing of any paper or any further act on the part of the Trustee or the Authenticating Agent.

An Authenticating Agent may resign at any time by giving written notice thereof to the Trustee and the Company. The Trustee may at any time terminate the agency of an Authenticating Agent by giving written notice thereof to such Authenticating Agent and the Company. Upon receiving such a notice of resignation or upon such a termination, or in case at

any time such Authenticating Agent shall cease to be eligible in accordance with the provisions of this Section, the Trustee may appoint a successor Authenticating Agent which shall be acceptable to the Company and shall (I) mail written notice of such appointment by first-class mail, postage prepaid, to all Holders of Registered Securities, if any, of the series with respect to which such Authenticating Agent shall serve, as their names and addresses appear in the Security Register, and (ii) if Securities of the series are issued as Bearer Securities, publish notice of such appointment at least once in an Authorized Newspaper in the place where such successor Authenticating Agent has its principal office if such office is located outside the United States. Any successor Authenticating Agent, upon acceptance of its appointment hereunder, shall become vested with all the rights, powers and duties of its predecessor hereunder, with like effect as if originally named as an Authenticating Agent. No successor Authenticating Agent shall be appointed unless eligible under the provisions of this Section 610.

The Trustee agrees to pay each Authenticating Agent from time to time reasonable compensation for its services under this Section 610 and the Trustee shall be entitled to be reimbursed for such payments, subject to the provisions of Section 605.

The provisions of Sections 308, 602 and 603 shall be applicable to each Authenticating Agent.

If an Authenticating Agent is appointed with respect to one or more series of Securities pursuant to this Section 610, the Securities of such series may have endorsed thereon, in addition to or in lieu of the Trustee's certificate of authentication, an alternate certificate of authentication in the following form:

This is one of the Securities of the series designated herein referred to in the within-mentioned Indenture.

_____, As Trustee

By _____
As Authenticating Agent

By _____
Authorized Signatory

If all of the Securities of any series may not be originally issued at one time, and if the Trustee does not have an office capable of authenticating Securities upon original issuance located in a Place of Payment where the Company wishes to have Securities of such series authenticated upon original issuance, the Trustee, if so requested in writing (which writing need not be accompanied by or contained in an Officers' Certificate by the Company), shall appoint in accordance with this Section 610 an Authenticating Agent having an office in a Place of Payment designated by the Company with respect to such series of Securities.

ARTICLE SEVEN

HOLDER'S LISTS AND REPORTS BY TRUSTEE AND COMPANY

Section 701. Company to Furnish Trustee Names and Addresses of Holders.

In accordance with Section 312(a) of the Trust Indenture Act, the Company shall furnish or cause to be furnished to the Trustee

(a) semi-annually with respect to Securities of each series on June 30 and December 31 of each year or upon such other dates as are set forth in or pursuant to the Board Resolution or indenture supplemental hereto authorizing such series, a list, in each case in such form as the Trustee may reasonably require, of the names and addresses of Holders as of the applicable date, and

(b) at such other times as the Trustee may request in writing, within 30 days after the receipt by the Company of any such request, a list of similar form and content as of a date not more than 15 days prior to the time such list is furnished,

provided, however, that so long as the Trustee is the Security Registrar no such list shall be required to be furnished.

Section 702. Preservation of Information; Communications to Holders.

The Trustee shall comply with the obligations imposed upon it pursuant to Section 312 of the Trust Indenture Act. Every Holder of Securities or Coupons, by receiving and holding the same, agrees with the Company and the Trustee that neither the Company, the Trustee, any Paying Agent or any Security Registrar shall be held accountable by reason of the disclosure of any such information as to the names and addresses of the Holders of Securities in accordance with Section 312 of the Trust Indenture Act, regardless of the source from which such information was derived, and that the Trustee shall not be held accountable by reason of mailing any material pursuant to a request made under Section 312(b) of the Trust Indenture Act.

Section 703. Reports by Trustee.

(a) Within 60 days after September 15 of each year commencing with the first September 15 following the first issuance of Securities pursuant to Section 301, if required by Section 313(a) of the Trust Indenture Act, the Trustee shall transmit, pursuant to Section 313(c) of the Trust Indenture Act, a brief report dated as of such September 15 with respect to any of the events specified in said Section 313(a) which may have occurred since the later of the immediately preceding September 15 and the date of this Indenture.

(b) The Trustee shall transmit the reports required by Section 313(b) of the Trust Indenture Act at the times specified therein.

(c) Reports pursuant to this Section shall be transmitted in the manner and to the Persons required by Sections 313(c) and 313(d) of the Trust Indenture Act.

Section 704. Reports by Company.

The Company, pursuant to Section 314(a) of the Trust Indenture Act, shall:

(1) file with the Trustee, within 15 days after the Company is required to file the same with the Commission, copies of the annual reports and of the information, documents and other reports (or copies of such portions of any of the foregoing as the Commission may from time to time by rules and regulations prescribe) which the Company may be required to file with the Commission pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934; or, if the Company is not required to file information, documents or reports pursuant to either of said Sections, then it shall file with the Trustee and the Commission, in accordance with rules and regulations prescribed from time to time by the Commission, such of the supplementary and periodic information, documents and reports which may be required pursuant to Section 13 of the Securities Exchange Act of 1934 in respect of a security listed and registered on a national securities exchange as may be prescribed from time to time in such rules and regulations;

(2) file with the Trustee and the Commission, in accordance with rules and regulations prescribed from time to time by the Commission, such additional information, documents and reports with respect to compliance by the Company, as the case may be, with the conditions and covenants of this Indenture as may be required from time to time by such rules and regulations; and

(3) transmit within 30 days after the filing thereof with the Trustee, in the manner and to the extent provided in Section 313(c) of the Trust Indenture Act, such summaries of any information, documents and reports required to be filed by the Company pursuant to paragraphs (1) and (2) of this Section 704 as may be required by rules and regulations prescribed from time to time by the Commission.

ARTICLE EIGHT

CONSOLIDATION, MERGER AND SALES

Section 801. Company May Consolidate, Etc., Only on Certain Terms.

Nothing contained in this Indenture or in any of the Securities shall prevent any consolidation or merger of the Company with or into any other Person or Persons (whether or not affiliated with the Company), or successive consolidations or mergers in which the Company or its successor or successors shall be a party or parties, or shall prevent any conveyance, transfer or lease of the property of the Company as an entirety or substantially as an entirety, to any other Person (whether or not affiliated with the Company); provided, however, that:

(1) in case the Company shall consolidate with or merge into another Person or convey, transfer or lease its properties and assets substantially as an entirety to any Person, the entity formed by such consolidation or into which the Company is merged or the Person which acquires by conveyance or transfer, or which leases, the properties and assets of the Company substantially as an entirety shall be a Corporation organized and existing under the laws of the United States of America, any state thereof or the District of Columbia and shall expressly assume, by an indenture (or indentures, if at such time there is more than one Trustee) supplemental hereto, executed by the successor Person and delivered to the Trustee, in form satisfactory to the Trustee, the due and punctual payment of the principal of, any premium and interest on and any Additional Amounts with respect to all the Securities and the performance of every other covenant of this Indenture on the part of the Company to be performed or observed;

(2) immediately after giving effect to such transaction, no event which, after notice or lapse of time, would become an Event of Default, shall have occurred and be continuing;

(3) either the Company or the successor Person shall have delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, stating that such consolidation, merger, conveyance, transfer or lease and such supplemental indenture comply with this Article and that all conditions precedent herein provided for relating to such transaction have been complied with.

Section 802. Successor Person Substituted for Company.

Upon any consolidation or merger or any conveyance, transfer or lease of the properties and assets of the Company substantially as an entirety to any Person in accordance with Section 801, the successor Person formed by such consolidation or into which the Company is merged or to which such conveyance, transfer or lease is made shall succeed to, and be substituted for, and may exercise every right and power of, the Company under this Indenture with the same effect as if such successor Person had been named as the Company herein; and thereafter, except in the case of a lease to another Person, the predecessor Person shall be released from all obligations and covenants under this Indenture, the Securities and the Coupons.

ARTICLE NINE

SUPPLEMENTAL INDENTURES

Section 901. Supplemental Indentures without Consent of Holders.

Without the consent of any Holders of Securities or Coupons, the Company (when authorized by or pursuant to a Board Resolution) and the Trustee, at any time and from time to time, may enter into one or more indentures supplemental hereto, in form satisfactory to the Trustee, for any of the following purposes:

(1) to evidence the succession of another Person to the Company, and the assumption by any such successor of the covenants of the Company herein and in the Securities; or

(2) to add to the covenants of the Company for the benefit of the Holders of all or any series of Securities (as shall be specified in such supplemental indenture or indentures) or to surrender any right or power herein conferred upon the Company; or

(3) to add to or change any of the provisions of this Indenture to provide that Bearer Securities may be registrable as to principal, to change or eliminate any restrictions on the payment of principal of, any premium or interest on or any Additional Amounts with respect to Securities, to permit Registered Securities to be exchanged for Bearer Securities, to permit Bearer Securities to be exchanged for Bearer Securities of other authorized denominations or to permit or facilitate the issuance of Securities in uncertificated form, provided any such action shall not adversely affect the interests of the Holders of Securities of any series or any Coupons appertaining thereto in any material respect; or

(4) to establish the form or terms of Securities of any series and any Coupons appertaining thereto as permitted by Sections 201 and 301; or

(5) to evidence and provide for the acceptance of appointment hereunder by a successor Trustee with respect to the Securities of one or more series and to add to or change any of the provisions of this Indenture as shall be necessary to provide for or facilitate the administration of the trusts hereunder by more than one Trustee, pursuant to the requirements of Section 608; or

(6) to cure any ambiguity or to correct or supplement any provision herein which may be defective or inconsistent with any other provision herein, or to make any other provisions with respect to matters or questions arising under this Indenture which shall not adversely affect the interests of the Holders of Securities of any series or any Coupons appertaining thereto in any material respect; or

(7) to add to, delete from or revise the conditions, limitations and restrictions on the authorized amount, terms or purposes of issue, authentication and delivery of Securities, as herein set forth; or

(8) to add any additional Events of Default with respect to all or any series of Securities (as shall be specified in such supplemental indenture); or

(9) to supplement any of the provisions of this Indenture to such extent as shall be necessary to permit or facilitate the defeasance and discharge of any series of Securities pursuant to Article Four; provided that any such action shall not adversely affect the interests of any Holder of a Security of such series and any Coupons appertaining thereto or any other Security or Coupon in any material respect; or

(10) to secure the Securities pursuant to Section 1006 or otherwise;

(11) to amend or supplement any provision contained herein or in any supplemental indenture, provided that no such amendment or supplement shall materially adversely affect the interests of the Holders of any Securities then Outstanding; or

(12) to make provision with respect to the conversion rights of Holders of Convertible Securities pursuant to the requirements of Section 1606.

Section 902. Supplemental Indentures with Consent of Holders.

With the consent of the Holders of not less than 66-2/3% in principal amount of the Outstanding Securities of each series affected by such supplemental indenture, by Act of said Holders delivered to the Company and the Trustee, the Company (when authorized by or pursuant to a Company's Board Resolution), and the Trustee may enter into an Indenture or indentures supplemental hereto for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this indenture or of modifying in any manner the rights of the Holders of Securities of such series under this Indenture; provided, however, that no such supplemental indenture, without the consent of the Holder of each Outstanding Security affected thereby, shall

(1) change the Stated Maturity of the principal of, or any premium or installment of interest on or any Additional Amounts with respect to, any Security, or reduce the principal amount thereof or the rate of interest thereon or any Additional Amounts with respect thereto, or any premium payable upon the redemption thereof or otherwise, or change the obligation of the Company to pay Additional Amounts pursuant to Section 1004 (except as contemplated by Section 801(1) and permitted by Section 901(1)), or reduce the amount of the principal of an Original Issue Discount Security that would be due and payable upon a declaration of acceleration of the Maturity thereof pursuant to Section 502 or the amount thereof provable in bankruptcy pursuant to Section 504, or adversely affect the right of repayment at the option of any Holder as contemplated by Article Thirteen, or change the Place of Payment, Currency in which the principal of, any premium or interest on, or any Additional Amounts with respect to any Security is payable, or impair the right to institute suit for the enforcement of any such payment on or after the Stated Maturity thereof (or, in the case of redemption, on or after the Redemption Date or, in the case of repayment at the option of the Holder, on or after the date for repayment), or

(2) reduce the percentage in principal amount of the Outstanding Securities of any series, the consent of whose Holders is required for any such supplemental indenture, or the consent of whose Holders is required for any waiver (of compliance with certain provisions of this Indenture or certain defaults hereunder and their consequences) provided for in this Indenture, or reduce the requirements of Section 1504 for quorum or voting,

(3) modify any of the provisions of this Section 902, or Section 513 or Section 1008, except to increase any such percentage or to provide that certain other provisions of this Indenture cannot be modified or waived without the consent of the Holder of each Outstanding Security affected thereby, or

(4) adversely affect the right to convert any Convertible Security.

A supplemental indenture which changes or eliminates any covenant or other provision of this Indenture which shall have been included expressly and solely for the benefit of one or more particular series of Securities, or which modifies the rights of the Holders of Securities of such series with respect to such covenant or other provision, shall be deemed not to affect the rights under this Indenture of the Holders of Securities of any other series.

It shall not be necessary for any Act of Holders of Securities under this Section 902 to approve the particular form of any proposed supplemental indenture, but it shall be sufficient if such Act shall approve the substance thereof.

Section 903. Execution of Supplemental Indentures.

As a condition to executing, or accepting the additional trusts created by, any supplemental indenture permitted by this Article or the modifications thereby of the trust created by this Indenture, the Trustee shall be entitled to receive, and (subject to Article Six hereof) shall be fully protected in relying upon, an Opinion of Counsel stating that the execution of such supplemental indenture is authorized or permitted by this Indenture. The Trustee may, but shall not be obligated to, enter into any such supplemental indenture which affects the Trustee's own rights, duties or immunities under this Indenture or otherwise.

Section 904. Effect of Supplemental Indentures.

Upon the execution of any supplemental indenture under this Article, this Indenture shall be modified in accordance therewith, and such supplemental indenture shall form a part of this Indenture for all purposes; and every Holder of a Security theretofore or thereafter authenticated and delivered hereunder and of any Coupon appertaining thereto shall be bound thereby.

Section 905. Reference in Securities to Supplemental Indentures.

Securities of any series authenticated and delivered after the execution of any supplemental indenture pursuant to this Article may, and shall if required by the Trustee, bear a notation in form approved by the Trustee as to any matter provided for in such supplemental indenture. If the Company shall so determine, new Securities of any series so modified as to conform, in the opinion of the Trustee and the Company, to any such supplemental indenture may be prepared and executed by the Company and authenticated and delivered by the Trustee in exchange for Outstanding Securities of such series.

Section 906. Conformity with Trust Indenture Act.

Every supplemental indenture executed pursuant to this Article Nine shall conform to the requirements of the Trust Indenture Act.

ARTICLE TEN

COVENANTS

Section 1001. Payment of Principal and any Premium, Interest and Additional Amounts.

The Company covenants and agrees for the benefit of the Holders of the Securities of each series that it will duly and punctually pay the principal of, any premium and interest on and any Additional Amounts with respect to the Securities of such series in accordance with the terms thereof, any Coupons appertaining thereto and this Indenture. Any interest due on any Bearer Security on or before the Maturity thereof, and any Additional Amounts payable with respect to such interest, shall be payable only upon presentation and surrender of the Coupons appertaining thereto for such interest as they severally mature.

Section 1002. Maintenance of Office or Agency.

The Company shall maintain in each Place of Payment for any series of Securities an Office or Agency where Securities of such series (but not Bearer Securities, except as otherwise provided below, unless such Place of Payment is located outside the United States) may be presented or surrendered for payment, where Securities of such series may be surrendered for registration of transfer or exchange or, if applicable, conversion and where notices and demands to or upon the Company in respect of the Securities of such series relating thereto and this Indenture may be served. If Securities of a series are issuable as Bearer Securities, the Company shall maintain, subject to any laws or regulations applicable thereto, an Office or Agency in a Place of Payment for such series which is located outside the United States where Securities of such series and any Coupons appertaining thereto may be presented and surrendered for payment; provided, however, that if the Securities of such series are listed on any stock exchange located outside the United States and such stock exchange shall so require, the Company shall maintain a Paying Agent in the required city located outside the United States, as the case may be, so long as the Securities of such series are listed on such exchange. The Company will give prompt written notice to the Trustee of the location, and any change in the location, of such Office or Agency. If at any time the Company shall fail to maintain any such required Office or Agency or shall fail to furnish the Trustee with the address thereof, such presentations, surrenders, notices and demands may be made or served at the Corporate Trust Office of the Trustee, except that Bearer Securities of such series and any Coupons appertaining thereto may be presented and surrendered for payment at the place specified for the purpose with respect to such Securities as provided in or pursuant to this Indenture, and the Company hereby appoints the Trustee as its agent to receive all such presentations, surrenders, notices and demands.

Except as otherwise provided in or pursuant to this Indenture, no payment of principal, premium, interest or Additional Amounts with respect to Bearer Securities shall be made at any Office or Agency in the United States or by check mailed to any address in the United States or by transfer to an account maintained with a bank located in the United States; provided, however, if amounts owing with respect to any Bearer Securities shall be payable in Dollars, payment of principal of, any premium or interest on and any Additional Amounts with respect to any such Security may be made at the Corporate Trust Office of the Trustee or any Office or Agency designated by the Company in The City of New York, if (but only if) payment of the full amount of such principal, premium, interest or Additional Amounts at all offices outside the United States maintained for such purpose by the Company in accordance with this Indenture is illegal or effectively precluded by exchange controls or other similar restrictions.

The Company may also from time to time designate one or more other Offices or Agencies where the Securities of one or more series may be presented or surrendered for any or all such purposes and may from time to time rescind such designations; provided, however, that no such designation or rescission shall in any manner relieve the Company of its obligation to maintain an Office or Agency in each Place of Payment for Securities of any series for such purposes. The Company shall give prompt written notice to the Trustee of any such designation or rescission and of any change in the location of any such other Office or Agency. Unless otherwise provided in or pursuant to this Indenture, the Company hereby designates as the Place of Payment for each series The City of New York, and initially appoints the Office or Agency of the Corporate Trust Office of the Trustee for such purpose. Pursuant to Section 301(9) of this Indenture, the Company may subsequently appoint a place or places in The City of New York where such Securities may be payable.

Section 1003. Money for Securities Payments to Be Held in Trust.

If the Company shall at any time act as its own Paying Agent with respect to any series of Securities, it shall, on or before each due date of the principal of, any premium or interest on or Additional Amounts with respect to any of the Securities of such series, segregate and hold in trust for the benefit of the Persons entitled thereto a sum of money sufficient to pay the principal or any premium, interest or Additional Amounts so becoming due until such sums shall be paid to such Persons or otherwise disposed of as herein provided, and shall promptly notify the Trustee of its action or failure so to act.

Whenever the Company shall have one or more Paying Agents for any series of Securities, it shall, on or prior to each due date of the principal of, any premium or interest on or any Additional Amounts with respect to any Securities of such series, deposit with any Paying Agent a sum of money sufficient to pay the principal or any premium, interest or Additional Amounts so becoming due, such sum to be held in trust for the benefit of the Persons entitled thereto, and (unless such Paying Agent is the Trustee) the Company will promptly notify the Trustee of its action or failure so to act.

The Company shall cause each Paying Agent for any series of Securities other than the Trustee to execute and deliver to the Trustee an instrument in which such Paying Agent

shall agree with the Trustee, subject to the provisions of this Section, that such Paying Agent shall:

(1) hold all sums held by it for the payment of the principal of, any premium or interest on or any Additional Amounts with respect to Securities of such series in trust for the benefit of the Persons entitled thereto until such sums shall be paid to such Persons or otherwise disposed of as provided in or pursuant to this Indenture;

(2) give the Trustee notice of any default by the Company (or any other obligor upon the Securities of such series) in the making of any payment of principal, any premium or interest on or any Additional Amounts with respect to the Securities of such series;

(3) at any time during the continuance of any such default, upon the written request of the Trustee, forthwith pay to the Trustee all sums so held in trust by such Paying Agent; and

(4) comply with the provisions of the Trust Indenture Act applicable to it as Paying Agent.

The Company may at any time, for the purpose of obtaining the satisfaction and discharge of this Indenture or for any other purpose, pay, or by Company Order direct any Paying Agent to pay, to the Trustee all sums held in trust by the Company or such Paying Agent, such sums to be held by the Trustee upon the same terms as those upon which such sums were held by the Company or such Paying Agent; and, upon such payment by any Paying Agent to the Trustee, such Paying Agent shall be released from all further liability with respect to such money.

Except as otherwise provided herein or pursuant hereto, any money deposited with the Trustee or any Paying Agent, or then held by the Company, in trust for the payment of the principal of, any premium or interest on or any Additional Amounts with respect to any Security of any series and remaining unclaimed for two years after such principal or any such premium or interest or any such Additional Amounts shall have become due and payable shall be paid to the Company on Company Request, or (if then held by the Company) shall be discharged from such trust; and the Holder of such Security or any Coupon appertaining thereto shall thereafter, as an unsecured general creditor, look only to the Company for payment thereof, and all liability of the Trustee or such Paying Agent with respect to such trust money, and all liability of the Company as trustee thereof, shall thereupon cease; provided, however, that the Trustee or such Paying Agent, before being required to make any such repayment, may at the expense of the Company cause to be published once, in an Authorized Newspaper in each Place of Payment for such series or to be mailed to Holders of Registered Securities of such series, or both, notice that such money remains unclaimed and that, after a date specified therein, which shall not be less than 30 days from the date of such publication or mailing nor shall it be later than two years after such principal and any premium or interest or Additional Amounts shall have become due and payable, any unclaimed balance of such money then remaining will be repaid to the Company.

Section 1004. Additional Amounts.

If any Securities of a series provide for the payment of Additional Amounts, the Company agrees to pay to the Holder of any such Security or any Coupon appertaining thereto Additional Amounts as provided therein. Whenever in this Indenture there is mentioned, in any context, the payment of the principal of or any premium or interest on, or in respect of, any Security of any series or any Coupon or the net proceeds received on the sale or exchange of any Security of any series, such mention shall be deemed to include mention of the payment of Additional Amounts provided by the terms of such series established hereby or pursuant hereto to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof pursuant to such terms, and express mention of the payment of Additional Amounts (if applicable) in any provision hereof shall not be construed as excluding Additional Amounts in those provisions hereof where such express mention is not made.

Except as otherwise provided in or pursuant to this Indenture, if the Securities of a series provide for the payment of Additional Amounts, at least 10 days prior to the first Interest Payment Date with respect to such series of Securities (or if the Securities of such series shall not bear interest prior to Maturity, the first day on which a payment of principal is made), and at least 10 days prior to each date of payment of principal or interest if there has been any change with respect to the matters set forth in the below-mentioned Officers' Certificate, the Company shall furnish to the Trustee and the principal Paying Agent or Paying Agents, if other than the Trustee, an Officers' Certificate instructing the Trustee and such Paying Agent or Paying Agents whether such payment of principal of or interest on the Securities of such series shall be made to Holders of Securities of such series or the Coupons appertaining thereto who are United States Aliens without withholding for or on account of any tax, assessment or other governmental charge described in the Securities of such series. If any such withholding shall be required, then such Officers' Certificate shall specify by country the amount, if any, required to be withheld on such payments to such Holders of Securities or Coupons, and the Company agrees to pay to the Trustee or such Paying Agent the Additional Amounts required by the terms of such Securities. The Company covenants to indemnify the Trustee and any Paying Agent for, and to hold them harmless against, any loss, liability or expense (including reasonable fees and expenses) reasonably incurred without negligence or bad faith on their part arising out of or in connection with actions taken or omitted by any of them in reliance on any Officers' Certificate furnished pursuant to this Section 1004.

Section 1005. Limitation Upon Disposition of Voting Stock of Significant Subsidiaries.

So long as any of the Securities shall be Outstanding but subject to the provisions of Article Eight, the Company:

(a) will not, nor will it permit any Subsidiary to, sell, assign, transfer or otherwise dispose of any shares of, securities convertible into or options, warrants or rights to subscribe for or purchase shares of, Voting Stock of a Significant Subsidiary (other than sales of directors qualifying shares), and will not permit a Significant Subsidiary to issue

any shares of, or securities convertible into or options, warrants or rights to subscribe for or purchase shares of, such Voting Stock (other than sales of directors qualifying shares) if, in each case, after giving effect to any such transaction and to the issuance of the maximum number of shares of Voting Stock of such Significant Subsidiary issuable upon the exercise of all such convertible securities, options, warrants or rights, such Significant Subsidiary would cease to be a Controlled Subsidiary, or

(b) will not permit a Significant Subsidiary to

(i) merge or consolidate with or into any other corporation, unless the surviving corporation is the Company or is, or upon consummation of the merger or consolidation will become, a Controlled Subsidiary; or

(ii) lease, sell or transfer all or substantially all of its properties and assets to any corporation or other Person, except to the Company or to a Controlled Subsidiary or a Person that, upon such lease, sale or transfer, will become a Controlled Subsidiary.

Notwithstanding the foregoing, any such sale, assignment or transfer of securities, any such merger or consolidation or any such lease, sale or transfer of properties and assets shall not be prohibited if required (i) by any law or any rule, regulation or order of any governmental agency or authority or (ii) as a condition imposed by any law or any rule, regulation or order of any governmental agency or authority to the acquisition by the Company, directly or indirectly, through purchase of stock or assets, merger, consolidation or otherwise, of any Person, provided that, after giving effect to such disposition and acquisition, (A) such Person will be a Controlled Subsidiary, and (B) the Consolidated Assets of the Company will be at least equal to the Consolidated Assets of the Company prior thereto; and nothing in this section shall prohibit the Company from the sale or transfer of assets pursuant to any securitization transaction.

Section 1006. Limitation on Creation of Liens.

So long as any of the Securities shall be outstanding, the Company will not, nor will it permit any Subsidiary to, create, assume, incur or suffer to be created, assumed or incurred or to exist any pledge, encumbrance or lien, as security for indebtedness for borrowed money, upon any shares of, or securities convertible into or options, warrants or rights to subscribe for or purchase shares of, Voting Stock of a Significant Subsidiary, directly or indirectly, without making effective provision whereby the Securities of all series shall be equally and ratably secured with any and all such indebtedness if, treating such pledge, encumbrance or lien as a transfer of the shares of, or securities convertible into or options, warrants or rights to subscribe for or purchase shares of, Voting Stock subject thereto to the secured party and to the issuance of the maximum number of shares of Voting Stock of such Significant Subsidiary issuable upon the exercise of all such convertible securities, options, warrants or rights, such Significant Subsidiary would not continue to be a Controlled Subsidiary.

Section 1007. Corporate Existence.

Subject to Article Eight, the Company will do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence and the corporate existence of each Significant Subsidiary and its rights (charter and statutory) and franchises and those of each such Significant Subsidiary; provided, however, that neither the Company nor any Significant Subsidiary shall be required to preserve any such right or franchise if the Company or such Significant Subsidiary, as the case may be, shall determine that the preservation thereof is no longer desirable in the conduct of its business and that the loss thereof is not disadvantageous in any material respect to the Holders.

Section 1008. Waiver of Certain Covenants.

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

Section 1009. Company Statement as to Compliance; Notice of Certain Defaults.

(a) The Company shall deliver to the Trustee, within 120 days after the end of each fiscal year, a written statement (which need not be contained in or accompanied by an Officers' Certificate) signed by the principal executive officer, the principal financial officer or the principal accounting officer of the Company, stating that

(1) a review of the activities of the Company during such year and of its performance under this Indenture has been made under his or her supervision, and

(2) to the best of his or her knowledge, based on such review, (a) the Company has complied with all the conditions and covenants imposed on it under this Indenture throughout such year, or, if there has been a default in the fulfillment of any such condition or covenant, specifying each such default known to him or her and the nature and status thereof, and (b) no event has occurred and is continuing which is, or after notice or lapse of time or both would become, an Event of Default, or, if such an event has occurred and is continuing, specifying each such event known to him and the nature and status thereof.

[(b) The Company shall deliver to the Trustee, within five days after the occurrence thereof, written notice of any event which after notice or lapse of time or both would become an Event of Default pursuant to clause (4) of Section 501.]

ARTICLE ELEVEN

REDEMPTION OF SECURITIES

Section 1101. Applicability of Article.

Redemption of Securities of any series at the option of the Company as permitted or required by the terms of such Securities shall be made in accordance with the terms of such Securities and (except as otherwise provided herein or pursuant hereto) this Article.

Section 1102. Election to Redeem; Notice to Trustee.

The election of the Company to redeem any Securities shall be evidenced by or pursuant to a Board Resolution. In case of any redemption at the election of the Company of the Securities of any series, with the same issue date, interest rate, Stated Maturity and other terms, the Company shall, at least 60 days prior to the Redemption Date fixed by the Company (unless a shorter notice shall be satisfactory to the Trustee), notify the Trustee of such Redemption Date and of the principal amount of Securities of such series to be redeemed.

Section 1103. Selection by Trustee of Securities to be Redeemed.

If less than all the Securities of any series with the same issue date, interest rate, Stated Maturity and other terms are to be redeemed, the particular Securities to be redeemed shall be selected not more than 60 days prior to the Redemption Date by the Trustee from the Outstanding Securities of such series not previously called for redemption, by such method as the Trustee shall deem fair and appropriate and which may provide for the selection for redemption of portions of the principal amount of Registered Securities of such series; provided, however, that no such partial redemption shall reduce the portion of the principal amount of a Registered Security of such series not redeemed to less than the minimum denomination for a Security of such series established herein or pursuant hereto.

If any Convertible Security selected for partial redemption is converted in part before termination of the conversion right with respect to the portion of the Security so selected, the converted portion of such Security shall be deemed (so far as may be) to be the portion selected for redemption. Securities which have been converted during a selection of Securities to be redeemed shall be treated by the Trustee as Outstanding for the purpose of such selection.

The Trustee shall promptly notify the Company and the Security Registrar (if other than itself) in writing of the Securities selected for redemption and, in the case of any Securities selected for partial redemption, the principal amount thereof to be redeemed.

For all purposes of this Indenture, unless the context otherwise requires, all provisions relating to the redemption of Securities shall relate, in the case of any Securities redeemed or to be redeemed only in part, to the portion of the principal of such Securities which has been or is to be redeemed.

Section 1104. Notice of Redemption.

Notice of redemption shall be given in the manner provided in Section 106, not less than 30 nor more than 60 days prior to the Redemption Date, unless a shorter period is specified in the Securities to be redeemed, to the Holders of Securities to be redeemed. Failure to give notice by mailing in the manner herein provided to the Holder of any Registered Securities designated for redemption as a whole or in part, or any defect in the notice to any such Holder, shall not affect the validity of the proceedings for the redemption of any other Securities or portion thereof.

Any notice that is mailed to the Holder of any Registered Securities in the manner herein provided shall be conclusively presumed to have been duly given, whether or not such Holder receives the notice.

All notices of redemption shall state:

(1) the Redemption Date,

(2) the Redemption Price,

(3) if less than all Outstanding Securities of any series are to be redeemed, the identification (and, in the case of partial redemption, the principal amount) of the particular Security or Securities to be redeemed,

(4) in case any Security is to be redeemed in part only, the notice which relates to such Security shall state that on and after the Redemption Date, upon surrender of such Security, the Holder of such Security will receive, without charge, a new Security or Securities of authorized denominations for the principal amount thereof remaining unredeemed,

(5) that, on the Redemption Date, the Redemption Price shall become due and payable upon each such Security or portion thereof to be redeemed, and, if applicable, that interest thereon shall cease to accrue on and after said date,

(6) the place or places where such Securities, together (in the case of Bearer Securities) with all Coupons appertaining thereto, if any, maturing after the Redemption Date, are to be surrendered for payment of the Redemption Price and any accrued interest and Additional Amounts pertaining thereto,

(7) that the redemption is for a sinking fund, if such is the case,

(8) that, unless otherwise specified in such notice, Bearer Securities of any series, if any, surrendered for redemption must be accompanied by all Coupons maturing subsequent to the date fixed for redemption or the amount of any such missing Coupon or Coupons will be deducted from the Redemption Price, unless security or indemnity satisfactory to the Company, the Trustee and any Paying Agent is furnished,

(9) if Bearer Securities of any series are to be redeemed and any Registered Securities of such series are not to be redeemed, and if such Bearer Securities may be exchanged for Registered Securities not subject to redemption on the Redemption Date pursuant to Section 305 or otherwise, the last date, as determined by the Company, on which such exchanges may be made,

(10) the CUSIP number or the Euro-clear or the CEDEL reference numbers of such Securities, if any (or any other numbers used by a Depository to identify such Securities), and

(11) in the case of Convertible Securities, the Conversion Price then in effect, the date on which the right to convert the principal amount of the Securities or the portions thereof to be redeemed will terminate and the place or places where such Securities may be surrendered for conversion,

A notice of redemption published in an Authorized Newspaper as contemplated by Section 106 need not identify particular Registered Securities to be redeemed.

Notice of redemption of Securities to be redeemed at the election of the Company shall be given by the Company or, at the Company's request, by the Trustee in the name and at the expense of the Company.

Section 1105. Deposit of Redemption Price.

On or prior to any Redemption Date, the Company shall deposit with the Trustee or with a Paying Agent (or, if the Company is acting as its own Paying Agent, segregate and hold in trust as provided in Section 1003) an amount of money sufficient to pay the Redemption Price of, and (except if the Redemption Date shall be an Interest Payment Date) any accrued interest on and Additional Amounts with respect thereto, all the Securities or portions thereof which are to be redeemed on that date.

If any Convertible Security or portion thereof called for redemption is converted pursuant to Article Sixteen, any money deposited with the Trustee or so segregated and held in trust for the redemption of such Security or portion thereof shall (subject to any right of the Holder of the Security on a Regular Record Date preceding such conversion to receive interest) be paid to the Company upon Company Request or, if then held by the Company, shall be discharged from such trust.

Section 1106. Securities Payable on Redemption Date.

Notice of redemption having been given as aforesaid, the Securities so to be redeemed shall, on the Redemption Date, become due and payable at the Redemption Price therein specified, and from and after such date (unless the Company shall default in the payment of the Redemption Price and accrued interest) such Securities shall cease to bear interest and the Coupons for such interest appertaining to any Bearer Securities so to be redeemed, except to the extent provided below, shall be void. Upon surrender of any such Security for redemption in

accordance with said notice, together with all Coupons, if any, appertaining thereto maturing after the Redemption Date, such Security shall be paid by the Company at the Redemption Price, together with any accrued interest and Additional Amounts to the Redemption Date; provided, however, that installments of interest on Bearer Securities whose Stated Maturity is on or prior to the Redemption Date shall be payable only upon presentation and surrender of Coupons for such interest (at an Office or Agency located outside the United States except as otherwise provided in Section 1002), and provided, further, that installments of interest on Registered Securities whose Stated Maturity is on or prior to the Redemption Date shall be payable to the Holders of such Securities, or one or more Predecessor Securities, registered as such at the close of business on the Regular Record Dates therefor according to their terms and the provisions of Section 307.

If any Bearer Security surrendered for redemption shall not be accompanied by all appurtenant Coupons maturing after the Redemption Date, such Security may be paid after deducting from the Redemption Price an amount equal to the face amount of all such missing Coupons, or the surrender of such missing Coupon or Coupons may be waived by the Company and the Trustee if there be furnished to them such security or indemnity as they may require to save each of them and any Paying Agent harmless. If thereafter the Holder of such Security shall surrender to the Trustee or any Paying Agent any such missing Coupon in respect of which a deduction shall have been made from the Redemption Price, such Holder shall be entitled to receive the amount so deducted; provided, however, that any interest or Additional Amounts represented by Coupons shall be payable only upon presentation and surrender of those Coupons at an Office or Agency for such Security located outside of the United States except as otherwise provided in Section 1002.

If any Security called for redemption shall not be so paid upon surrender thereof for redemption, the principal and any premium, until paid, shall bear interest from the Redemption Date at the rate prescribed therefor in the Security.

Section 1107. Securities Redeemed in Part.

Any Registered Security which is to be redeemed only in part shall be surrendered at any Office or Agency for such Security (with, if the Company or the Trustee so requires, due endorsement by, or a written instrument of transfer in form satisfactory to the Company and the Trustee duly executed by, the Holder thereof or his attorney duly authorized in writing) and the Company shall execute and the Trustee shall authenticate and deliver to the Holder of such Security without service charge, a new Registered Security or Securities of the same series, containing identical terms and provisions, of any authorized denomination as requested by such Holder in aggregate principal amount equal to and in exchange for the unredeemed portion of the principal of the Security so surrendered. If a Security in global form is so surrendered, the Company shall execute, and the Trustee shall authenticate and deliver to the U.S. Depository or other Depository for such Security in global form as shall be specified in the Company Order with respect thereto to the Trustee, without service charge, a new Security in global form in a denomination equal to and in exchange for the unredeemed portion of the principal of the Security in global form so surrendered.

Section 1108. Conversion Arrangements on Call for Redemption.

Notwithstanding anything to the contrary contained in this Indenture, in connection with any redemption of Convertible Securities of any series, the Company, by an agreement with one or more investment bankers or other purchasers, may arrange for such purchasers to purchase all such Convertible Securities called for redemption (the "Called Securities") which are either (i) surrendered for redemption or (ii) not duly surrendered for redemption or conversion prior to the close of business on the Redemption Date, and to convert the same into shares of Common Stock, by the purchasers' depositing with the Trustee (acting as Paying Agent with respect to the deposit of such amount and as conversion agent with respect to the conversion of such Called Securities), in trust for the Holders of the Called Securities, on or prior to the Redemption Date in the manner agreed to by the Company and such purchasers, an amount sufficient to pay the Redemption Price, payable by the Company on redemption of such Called Securities. In connection with any such arrangement for purchase and conversion, the Trustee as Paying Agent shall pay on or after the Redemption Date such amounts so deposited by the purchasers in exchange for Called Securities surrendered for redemption prior to the close of business on the Redemption Date and for all Called Securities surrendered after such Redemption Date. Notwithstanding anything to the contrary contained in this Article Eleven, the obligation of the Company to pay the Redemption Price of such Called Securities shall be satisfied and discharged to the extent such amount is so paid by such purchasers, provided, however, that nothing in this Section 1108 shall in any way relieve the Company of the obligation to pay such Redemption Price on all Called Securities to the extent such amount is not so paid by said purchasers. For all purposes of this Indenture, any Called Securities surrendered by the Holders for redemption, and any Called Securities not duly surrendered for redemption or conversion prior to the close of business on the Redemption Date, shall be deemed acquired by such purchasers from such Holders and surrendered by such purchasers for conversion and shall in all respects be deemed to have been converted, all as of immediately prior to the close of business on the Redemption Date, subject to the deposit by the purchasers of the above amount as aforesaid. Nothing in this Section 1108 shall in any way limit the right of any Holder of a Security to convert his Security pursuant to the terms of this Indenture and of such Security at any time prior to the close of business on the Redemption Date applicable thereto.

ARTICLE TWELVE

SINKING FUNDS

Section 1201. Applicability of Article.

The provisions of this Article shall be applicable to any sinking fund for the retirement of Securities of a series, except as otherwise permitted or required by any form of Security of such series issued pursuant to this Indenture.

The minimum amount of any sinking fund payment provided for by the terms of Securities of any series is herein referred to as a "mandatory sinking fund payment", and any payment in excess of such minimum amount provided for by the terms of Securities of such series is herein referred to as an "optional sinking fund payment". If provided for by the terms of

Securities of any series, the cash amount of any sinking fund payment may be subject to reduction as provided in Section 1202. Each sinking fund payment shall be applied to the redemption of Securities of any series as provided for by the terms of Securities of such series.

Section 1202. Satisfaction of Sinking Fund Payments with Securities.

The Company may, in satisfaction of all or any part of any sinking fund payment with respect to the Securities of any series to be made pursuant to the terms of such Securities (1) deliver Outstanding Securities of such series (other than any of such Securities previously called for redemption or any of such Securities in respect of which cash shall have been released to the Company), together in the case of any Bearer Securities of such series with all unmatured Coupons appertaining thereto, and (2) apply as a credit Securities of such series which have been redeemed either at the election of the Company pursuant to the terms of such series of Securities or through the application of permitted optional sinking fund payments pursuant to the terms of such Securities or which have been surrendered for conversion pursuant to Article Sixteen, provided that such series of Securities have not been previously so credited. Such Securities shall be received and credited for such purpose by the Trustee at the Redemption Price specified in such Securities for redemption through operation of the sinking fund and the amount of such sinking fund payment shall be reduced accordingly. If as a result of the delivery or credit of Securities of any series in lieu of cash payments pursuant to this Section 1202, the principal amount of Securities of such series to be redeemed in order to exhaust the aforesaid cash payment shall be less than \$100,000, the Trustee need not call Securities of such series for redemption, except upon Company Request, and such cash payment shall be held by the Trustee or a Paying Agent and applied to the next succeeding sinking fund payment, provided, however, that the Trustee or such Paying Agent shall at the request of the Company from time to time pay over and deliver to the Company any cash payment so being held by the Trustee or such Paying Agent upon delivery by the Company to the Trustee of Securities of that series purchased by the Company having an unpaid principal amount equal to the cash payment requested to be released to the Company.

Section 1203. Redemption of Securities for Sinking Fund.

Not less than 45 days prior to each sinking fund payment date for any series of Securities (unless a shorter notice shall be satisfactory to the Trustee), the Company shall deliver to the Trustee an Officers' Certificate specifying the amount of the next ensuing mandatory sinking fund payment for that series pursuant to the terms of that series, the portion thereof, if any, which is to be satisfied by payment of cash and the portion thereof, if any, which is to be satisfied by delivering and crediting of Securities of that series pursuant to Section 1202, and the optional amount, if any, to be added in cash to the next ensuing mandatory sinking fund payment, and will also deliver to the Trustee any Securities to be so credited and not theretofore delivered. If such Officers' Certificate shall specify an optional amount to be added in cash to the next ensuing mandatory sinking fund payment, the Company shall thereupon be obligated to pay the amount therein specified. Not less than 40 days before each such sinking fund payment date the Trustee shall select the Securities to be redeemed upon such sinking fund payment date in the manner specified in Section 1103 and cause notice of the redemption thereof to be given

not less than 30 nor more than 40 days prior to the sinking fund payment date in the name of and at the expense of the Company in the manner provided in Section 1104. Such notice having been duly given, the redemption of such Securities shall be made upon the terms and in the manner stated in Sections 1106 and 1107.

ARTICLE THIRTEEN

REPAYMENT AT THE OPTION OF HOLDERS

Section 1301. Applicability of Article.

Securities of any series which are repayable at the option of the Holders thereof before their Stated Maturity shall be repaid in accordance with the terms of the Securities of such series. The repayment of any principal amount of Securities pursuant to such option of the Holder to require repayment of Securities before their Stated Maturity, for purposes of Section 309, shall not operate as a payment, redemption or satisfaction of the indebtedness represented by such Securities unless and until the Company, at its option, shall deliver or surrender the same to the Trustee with a directive that such Securities be cancelled. Notwithstanding anything to the contrary contained in this Section 1301, in connection with any repayment of Securities, the Company may arrange for the purchase of any Securities by an agreement with one or more investment bankers or other purchasers to purchase such Securities by paying to the Holders of such Securities on or before the close of business on the repayment date an amount not less than the repayment price payable by the Company on repayment of such Securities, and the obligation of the Company to pay the repayment price of such Securities shall be satisfied and discharged to the extent such payment is so paid by such purchasers.

ARTICLE FOURTEEN

SECURITIES IN FOREIGN CURRENCIES

Section 1401. Applicability of Article.

Whenever this Indenture provides for (i) any action by, or the determination of any of the rights of, Holders of Securities of any series in which not all of such Securities are denominated in the same Currency, or (ii) any distribution to Holders of Securities, in the absence of any provision to the contrary in the form of Security of any particular series, any amount in respect of any Security denominated in a Currency other than Dollars shall be treated for any such action or distribution as that amount of Dollars that could be obtained for such amount on such reasonable basis of exchange and as of the record date with respect to Registered Securities of such series (if any) for such action, determination of rights or distribution (or, if there shall be no applicable record date, such other date reasonably proximate to the date of such action, determination of rights or distribution) as the Company may specify in a written notice to the Trustee or, in the absence of such written notice, as the Trustee may determine.

ARTICLE FIFTEEN

MEETINGS OF HOLDERS OF SECURITIES

Section 1501. Purposes for Which Meetings May Be Called.

A meeting of Holders of Securities of any series may be called at any time and from time to time pursuant to this Article to make, give or take any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Indenture to be made, given or taken by Holders of Securities of such series.

Section 1502. Call, Notice and Place of Meetings.

(a) The Trustee may at any time call a meeting of Holders of Securities of any series for any purpose specified in Section 1501, to be held at such time and at such place in The City of New York, or, if Securities of such series have been issued in whole or in part as Bearer Securities, in London or in such place outside the United States as the Trustee shall determine. Notice of every meeting of Holders of Securities of any series, setting forth the time and the place of such meeting and in general terms the action proposed to be taken at such meeting, shall be given, in the manner provided in Section 106, not less than 21 nor more than 180 days prior to the date fixed for the meeting.

(b) In case at any time the Company (by or pursuant to a Board Resolution) or the Holders of at least 10% in principal amount of the Outstanding Securities of any series shall have requested the Trustee to call a meeting of the Holders of Securities of such series for any purpose specified in Section 1501, by written request setting forth in reasonable detail the action proposed to be taken at the meeting, and the Trustee shall not have made the first publication of the notice of such meeting within 21 days after receipt of such request or shall not thereafter proceed to cause the meeting to be held as provided herein, then the Company or the Holders of Securities of such series in the amount above specified, as the case may be, may determine the time and the place in The City of New York, or, if Securities of such series are to be issued as Bearer Securities, in London for such meeting and may call such meeting for such purposes by giving notice thereof as provided in subsection (a) of this Section 1502.

Section 1503. Persons Entitled to Vote at Meetings.

To be entitled to vote at any meeting of Holders of Securities of any series, a Person shall be (1) a Holder of one or more Outstanding Securities of such series, or (2) a Person appointed by an instrument in writing as proxy for a Holder or Holders of one or more Outstanding Securities of such series by such Holder or Holders. The only Persons who shall be entitled to be present or to speak at any meeting of Holders of Securities of any series shall be the Persons entitled to vote at such meeting and their counsel, any representatives of the Trustee and its counsel and any representatives of the Company and its counsel.

Section 1504. Quorum; Action.

The Persons entitled to vote a majority in principal amount of the Outstanding Securities of a series shall constitute a quorum for a meeting of Holders of Securities of such series; provided, however, that if any action is to be taken at such meeting with respect to a consent or waiver which this Indenture expressly provides may be given by the Holders of not less than 66-2/3% in principal amount of the Outstanding Securities of a series, the Persons entitled to vote 66-2/3% in principal amount of the Outstanding Securities of such series shall constitute a quorum. In the absence of a quorum within 30 minutes after the time appointed for any such meeting, the meeting shall, if convened at the request of Holders of Securities of such series, be dissolved. In any other case the meeting may be adjourned for a period of not less than 10 days as determined by the chairman of the meeting prior to the adjournment of such meeting. In the absence of a quorum at any such adjourned meeting, such adjourned meeting may be further adjourned for a period of not less than 10 days as determined by the chairman of the meeting prior to the adjournment of such adjourned meeting. Notice of the reconvening of any adjourned meeting shall be given as provided in Section 1502(a), except that such notice need be given only once not less than five days prior to the date on which the meeting is scheduled to be reconvened. Notice of the reconvening of an adjourned meeting shall state expressly the percentage, as provided above, of the principal amount of the Outstanding Securities of such series which shall constitute a quorum.

Except as limited by the proviso to Section 902, any resolution presented to a meeting or adjourned meeting duly reconvened at which a quorum is present as aforesaid may be adopted only by the affirmative vote of the Holders of a majority in principal amount of the Outstanding Securities of that series; provided, however, that, except as limited by the proviso to Section 902, any resolution with respect to any consent or waiver which this Indenture expressly provides may be given by the Holders of not less than 66-2/3% in principal amount of the Outstanding Securities of a series may be adopted at a meeting or an adjourned meeting duly convened and at which a quorum is present as aforesaid only by the affirmative vote of the Holders of 66-2/3% in principal amount of the Outstanding Securities of that series; and provided, further, that, except as limited by the proviso to Section 902, any resolution with respect to any request, demand, authorization, direction, notice, consent, waiver or other action which this Indenture expressly provides may be made, given or taken by the Holders of a specified percentage, which is less than a majority, in principal amount of the Outstanding Securities of a series may be adopted at a meeting or an adjourned meeting duly reconvened and at which a quorum is present as aforesaid by the affirmative vote of the Holders of such specified percentage in principal amount of the Outstanding Securities of such series.

Any resolution passed or decision taken at any meeting of Holders of Securities of any series duly held in accordance with this Section 1504 shall be binding on all the Holders of Securities of such series and the Coupons appertaining thereto, whether or not such Holders were present or represented at the meeting.

Section 1505. Determination of Voting Rights; Conduct and Adjournment of Meetings.

(a) Notwithstanding any other provisions of this Indenture, the Trustee may make such reasonable regulations as it may deem advisable for any meeting of Holders of Securities of such series in regard to proof of the holding of Securities of such series and of the appointment of proxies and in regard to the appointment and duties of inspectors of votes, the submission and examination of proxies, certificates and other evidence of the right to vote, and such other matters concerning the conduct of the meeting as it shall deem appropriate. Except as otherwise permitted or required by any such regulations, the holding of Securities shall be proved in the manner specified in Section 104 and the appointment of any proxy shall be proved in the manner specified in Section 104 or by having the signature of the person executing the proxy witnessed or guaranteed by any trust company, bank or banker authorized by Section 104 to certify to the holding of Bearer Securities. Such regulations may provide that written instruments appointing proxies, regular on their face, may be presumed valid and genuine without the proof specified in Section 104 or other proof.

(b) The Trustee shall, by an instrument in writing, appoint a temporary chairman of the meeting, unless the meeting shall have been called by the Company or by Holders of Securities as provided in Section 1502(b), in which case the Company or the Holders of Securities of the series calling the meeting, as the case may be, shall in like manner appoint a temporary chairman. A permanent chairman and a permanent secretary of the meeting shall be elected by vote of the Persons entitled to vote a majority in principal amount of the Outstanding Securities of such series represented at the meeting.

(c) At any meeting, each Holder of a Security of such series or proxy shall be entitled to one vote for each \$1,000 principal amount of Securities of such series held or represented by him; provided, however, that no vote shall be cast or counted at any meeting in respect of any Security challenged as not Outstanding and ruled by the chairman of the meeting to be not Outstanding. The chairman of the meeting shall have no right to vote, except as a Holder of a Security of such series or proxy.

(d) Any meeting of Holders of Securities of any series duly called pursuant to Section 1502 at which a quorum is present may be adjourned from time to time by Persons entitled to vote a majority in principal amount of the Outstanding Securities of such series represented at the meeting; and the meeting may be held as so adjourned without further notice.

Section 1506. Counting Votes and Recording Action of Meetings.

The vote upon any resolution submitted to any meeting of Holders of Securities of any series shall be by written ballots on which shall be subscribed the signatures of the Holders of Securities of such series or of their representatives by proxy and the principal amounts and serial numbers of the Outstanding Securities of such series held or represented by them. The permanent chairman of the meeting shall appoint two inspectors of votes who shall count all votes cast at the meeting for or against any resolution and who shall make and file with the secretary of the meeting their verified written reports in triplicate of all votes cast at the meeting.

A record, at least in triplicate, of the proceedings of each meeting of Holders of Securities of any series shall be prepared by the secretary of the meeting and there shall be attached to said record the original reports of the inspectors of votes on any vote by ballot taken thereat and affidavits by one or more persons having knowledge of the facts setting forth a copy of the notice of the meeting and showing that said notice was given as provided in Section 1502 and, if applicable, Section 1504. Each copy shall be signed and verified by the affidavits of the permanent chairman and secretary of the meeting and one such copy shall be delivered to the Company, and another to the Trustee to be preserved by the Trustee, the latter to have attached thereto the ballots voted at the meeting. Any record so signed and verified shall be conclusive evidence of the matters therein stated.

ARTICLE SIXTEEN

CONVERSION

Section 1601. Conversion Privilege.

Subject to and upon compliance with the provisions of this Article Sixteen and the terms of the Convertible Securities of the series proposed to be converted, at the option of the Holder, any Convertible Security or any portion of the principal amount thereof which is \$1,000 or an integral multiple thereof, may be converted into shares of Common Stock, as said shares shall be constituted at the Date of Conversion, at the Conversion Price for such Convertible Securities of such series in effect at the Date of Conversion.

Section 1602. Manner of Exercise of Conversion Privilege.

In order to exercise the conversion privilege, the Holder of any Convertible Security to be converted shall surrender such Convertible Security to the Company at its office or agency in The City of New York, together with the conversion notice in the form provided on the Securities (or separate written notice) duly executed, and, if so required by the Company, accompanied by instruments of transfer, in form satisfactory to the Company and to the Trustee, duly executed by the Holder or by his duly authorized attorney in writing. Any Registered Convertible Security so surrendered during the period from the close of business on the Regular Record Date preceding an Interest Payment Date for such Registered Convertible Security to the opening of business on such Interest Payment Date shall (unless any such Registered Convertible Security or the portion thereof being converted shall have been called for redemption on a Redemption Date during such period, in which event no interest shall be payable with respect to such Registered Convertible Security or portion thereof, as the case may be, following such Redemption Date) also be accompanied by payment in New York Clearing House funds or other funds acceptable to the Company of an amount equal to the interest payable on such Interest Payment Date on the principal amount of such Registered Convertible Security then being converted; provided, however, that no such payment need be made if there shall exist, at the time of conversion, a default in the payment of interest on the Convertible Securities of such series. Except as provided in the immediately preceding sentence, no adjustment shall be made for interest accrued on any Convertible Security that shall be converted or for dividends on any shares of Common Stock that shall be delivered upon the conversion of such Convertible

Securities. The funds so delivered to such office or agency shall be paid to the Company on or after such Interest Payment Date, unless the Company shall default in the payment of the interest due on such Interest Payment Date, in which event such funds shall be repaid to the Person who delivered the same. As promptly as practicable after the surrender of any Convertible Security for conversion as aforesaid, the Company shall deliver at said office or agency to such Holder, or on his written order, a certificate or certificates for the number of full shares deliverable upon the conversion of such Convertible Security or portion thereof and a check or cash in respect of any fraction of a share of Common Stock otherwise deliverable upon such conversion, all as provided in this Article Sixteen, together with a Convertible Security or Convertible Securities of the same series in principal amount equal to the unconverted and unredeemed portion, if any, of the Convertible Security so converted in accordance with Section 305 hereof. Such conversion shall be deemed to have been effected on the date on which such notice shall have been received at said office or agency and such Convertible Security shall have been surrendered as aforesaid, and the Person or Persons in whose name or names any certificate or certificates, for shares of Common Stock shall be deliverable upon such conversion shall be deemed to have become on said date the Holder or Holders of record of the shares represented thereby, provided, however, that any such surrender on any date when the stock transfer books of the Company shall be closed shall constitute the Person or Persons in whose name or names the certificates are to be delivered as the record Holder or Holders thereof for all purposes on the next succeeding day on which such stock transfer books are open, but such conversion shall be at the Conversion Price in effect on the date of such surrender.

Section 1603. Cash Adjustment Upon Conversion.

The Company shall not be required to deliver fractions of shares of Common Stock upon conversions of Convertible Securities. If more than one Convertible Security shall be surrendered for conversion at one time by the same Holder, the number of full shares which shall be deliverable upon conversion thereof shall be computed on the basis of the aggregate principal amount of the Securities so surrendered. If any fractional interest in a share of Common Stock would be deliverable upon the conversion of any Convertible Security or Securities, the Company shall make an adjustment therefor in cash equal to the current market value of such fractional interest computed to the nearest cent either on the basis of the last reported sale price regular way of the Common Stock on the New York Exchange (or, if not listed on the New York Exchange, then on such other exchange on which the shares of Common Stock are listed as the Company may designate) on the last Business Day prior to the Date of Conversion or, if there shall not have been a sale on such last Business Day, on the basis of the average of the bid and asked quotations therefor on such exchange on such last Business Day or, if the Common Stock shall not then be listed on any exchange, at the highest bid quotation in the over-the-counter market on such last Business Day as reported by the National Association of Securities Dealers through NASDAQ, its automated system for reporting quotes, or its successor or such other generally accepted source of publicly reported bid and asked quotations as the Company may reasonably designate.

Section 1604. Conversion Price.

The Conversion Price applicable to any series of Convertible Securities shall be the initial Conversion Price set forth on the Officers' Certificate or supplemental indenture establishing such series adjusted as provided in this Article Sixteen.

Section 1605. Adjustment of Conversion Price.

The Conversion Price applicable to any series of Convertible Securities shall be adjusted from time to time as follows:

(a) In case the Company shall, at any time or from time to time while the Securities of any series are Outstanding, (i) pay a dividend on its Common Stock in shares of Common Stock, (ii) subdivide its outstanding shares of Common Stock into a larger number of shares, or (iii) combine its outstanding Common Stock into a smaller number of shares, the Conversion Price for such series in effect immediately prior thereto shall be adjusted so that the Holder of any Security of such series thereafter surrendered for conversion shall be entitled to receive the number of shares of Common Stock or other securities of the Company which he would have owned or have been entitled to receive after the happening of any of the events described above, had such Convertible Security of such series been converted immediately prior to the happening of such event. An adjustment made pursuant to this subdivision (a) shall become effective, in the case of a dividend, on the payment date retroactively to immediately after the opening of business on the day following the record date for the determination of stockholders entitled to receive such dividend, subject to the provisions of paragraph (g) of this Section 1605, and shall become effective in the case of a subdivision or combination immediately after the opening of business on the day following the day when such subdivision or combination, as the case may be, becomes effective.

(b) In case the Company shall, at any time or from time to time while the Convertible Securities of any series are Outstanding, issue rights or warrants to all holders of its shares of Common Stock entitling them (for a period expiring within 45 days of the record date mentioned below) to subscribe for or purchase shares of Common Stock at a price per share less than the current market price per share of Common Stock (as defined in paragraph (d) below) at such record date, the Conversion Price of any series of Convertible Securities in effect immediately prior to the issuance of such rights or warrants shall be adjusted as follows: the number of shares of Common Stock into which \$1,000 principal amount of Convertible Securities of such series was theretofore convertible shall be multiplied by a fraction, of which the numerator shall be the number of shares of Common Stock outstanding immediately prior to such record date plus the number of additional shares of Common Stock offered for subscription or purchase, and of which the denominator shall be the number of shares of Common Stock outstanding immediately prior to such record date plus the number of shares which the aggregate offering price of the total number of shares so offered would purchase at such current market price; and the Conversion Price for such series of Convertible Securities shall be

adjusted by dividing \$1,000 by the new number of shares into which \$1,000 principal amount of Securities of such series shall be convertible as aforesaid. Such adjustment shall become effective on the date of such issuance retroactively to immediately after the opening of business on the day following the record date for the determination of shareholders entitled to receive such rights or warrants, subject to the provisions of paragraph (g) of this Section 1605. In determining whether any rights or warrants entitle the holders to subscribe for or purchase shares of Common Stock at less than such current market price, and in determining the aggregate offering price of such shares, there shall be taken into account any consideration received by the Company for such rights or warrants, the value of such consideration, if other than cash, to be determined by the Board of Directors.

(c) In case the Company shall, at any time from time to time while the Convertible Securities of any series are Outstanding, distribute to all holders of shares of its Common Stock evidences of its indebtedness or securities or assets (excluding cash dividends or cash distributions payable out of consolidated net earnings or retained earnings) or rights or warrants to subscribe for shares of Common Stock at a price per share less than the current market price per share of Common Stock, determined in the manner set forth in paragraph (d) below, but excluding rights or warrants referred to in paragraph (b) above, the Conversion Price for such series of Convertible Securities in effect immediately prior to such distribution shall be adjusted by multiplying the number of shares of Common Stock into which \$1,000 principal amount of Convertible Securities of such series of Convertible Securities was theretofore convertible by a fraction, of which the numerator shall be the current market price per share of Common Stock (as defined in paragraph (d) below) on the record date for such distribution, and of which the denominator shall be such current market price per share of the Common Stock, less the then fair market value (as determined by the Board of Directors of the Company, whose determination shall be conclusive) of the portion of such evidences of indebtedness, securities or assets or of such subscription rights or warrants so distributed applicable to one share of Common Stock; and the Conversion Price for such series of Convertible Securities shall be adjusted by dividing \$1,000 by the new number of shares into which \$1,000 principal amount of Convertible Securities of such series shall be convertible as aforesaid. Such adjustment shall become effective on the date of such distribution retroactively to immediately after the opening of business on the day following the record date for the determination of shareholders entitled to receive such distribution, subject to the provisions of paragraph (g) of this Section 1605. For the purposes of this paragraph (c) consolidated net earnings or retained earnings shall be computed by adding thereto all charges against retained earnings on account of dividends paid in shares of Common Stock in respect of which the Conversion Price has been adjusted, all as determined by Independent Public Accountants, whose determination shall be conclusive.

(d) For the purpose of any computation under paragraphs (b) and (c) above, the current market price per share of Common Stock at any date shall be deemed to be the average of the market values of the shares of Common Stock for the ten consecutive

Business Days immediately preceding the day in question. The market value of the Common Stock for each day shall be determined as provided in Section 1603 hereof.

(e) The Company may make such reductions in the Conversion Price for any series of Convertible Securities, in addition to those required by paragraphs (a), (b) and (c) of this Section as it considers to be advisable in order that any event treated for Federal income tax purposes as a dividend of stock or stock rights shall not be taxable to the recipients.

(f) Except as herein otherwise provided, no adjustment in the Conversion Price for any series of Convertible Securities shall be made by reason of the issuance, in exchange for cash, property or services, of shares of Common Stock or any securities convertible into or exchangeable for shares of Common Stock or carrying the right to purchase any of the foregoing.

(g) If the Company shall take a record of the holders of its shares of Common Stock for the purpose of entitling them to receive any dividend or any subscription or purchase rights or any distribution and shall, thereafter and before the distribution to shareholders of any such dividend, subscription or purchase rights or distribution, legally abandon its plan to pay or deliver such dividend, subscription or purchase rights or distribution, then no adjustment of the Conversion Price for any series of Convertible Securities shall be required by reason of the taking of such record.

(h) No adjustment in the Conversion Price for any series of Convertible Securities shall be required unless such adjustment would require an increase or decrease of at least 1% in such price; provided, however, that any adjustments which by reason of this paragraph (h) are not required to be made shall be carried forward and taken into account in any subsequent adjustment. All calculations under this Article Seventeen shall be made to the nearest cent or to the nearest one-hundredth of a share, as the case may be.

(i) Whenever the Conversion Price for any series of Convertible Securities is adjusted as herein provided, the Company shall (i) forthwith place on file at the Principal Office of the Trustee an Officers' Certificate showing in detail the facts requiring such adjustment and the Conversion Price after such adjustment and shall exhibit the same from time to time to any Holder of Convertible Securities of such series desiring an inspection thereof, and (ii) cause a notice stating that such adjustment has been effected and the adjusted Conversion Price to be mailed to the Holders of Registered Convertible Securities of such series at their last addresses as they shall appear on the Security Register.

(j) The Company may delete, modify or vary any of the provisions applicable to conversion of the Convertible Securities of any series, or may add new provisions applicable thereto, all as may be contained in the Board Resolutions and Officers' Certificate or supplemental indenture establishing such series.

Section 1606. Effect of Reclassifications, Consolidations, Mergers or Sales on Conversion Privilege.

In case of any reclassification or change of outstanding shares of the class of Common Stock issuable upon conversion of the Convertible Securities (other than a change in par value, or from par value to no par value, or from no par value to par value, or as a result of a subdivision or combination), or in case of any merger or consolidation of the Company with one or more other corporations (other than a merger or consolidation in which the Company is the continuing corporation and which does not result in any reclassification or change of outstanding shares of Common Stock issuable upon conversion of the Securities), or in case of the merger of the Company into another corporation, or in case of any sale or conveyance to another corporation of the property of the Company as an entirety or substantially as an entirety, the Holders of Convertible Securities of each series then Outstanding shall have the right to convert such Convertible Securities into the kind and amount of shares of capital stock or other securities and property, including cash, receivable upon such reclassifications change, consolidation, merger, sale or conveyance by a holder of the number of shares of Common Stock into which such Convertible Securities might have been converted immediately prior to such reclassification, change, consolidation, merger, sale or conveyance. In any such case the Company, or such successor or purchasing corporation, as the case may be, shall execute with the Trustee one or more supplemental indentures (which shall conform to the Trust Indenture Act of 1939 as in force at the date of the execution of such supplemental indenture) containing provisions to the effect set forth above in this Section 1606 and providing further for adjustments which shall be as nearly equivalent as may be practicable to the adjustments provided for in this Article Sixteen; and any such adjustment which shall be approved by the Board of Directors and set forth in such supplemental indenture or supplemental indentures shall be conclusive for all purposes of this Section, and the Trustee shall not be under any responsibility to determine the correctness of any provision contained in such supplemental indenture or supplemental indentures relating to either the kind or amount of shares of stock or securities or property receivable by Holders of Securities of any series upon the conversion of their Convertible Securities after any such reclassification, change, consolidation, merger, sale or conveyance.

The above provisions of this Section 1606 shall similarly apply to successive reclassifications, changes, consolidations, mergers, sales and conveyances.

Section 1607. Taxes on Conversions.

The issue of stock certificates on conversions of Convertible Securities shall be made without charge to the converting Holder of Convertible Securities for any tax in respect of the issue thereof. The Company shall not, however, be required to pay any tax which may be payable in respect of any transfer involved in the issue and delivery of shares in any name other than that of the Holder of any Registered Convertible Security converted, and the Company shall not be required to issue or deliver any such stock certificate unless and until the Person or Persons requesting the issue thereof shall have paid to the Company the amount of such tax or shall have established to the satisfaction of the Company that such tax has been paid.

Section 1608. Company to Reserve Common Stock.

The Company shall at all times reserve and keep available out of the aggregate of its authorized but unissued shares or its issued shares held in its treasury, or both, for the purpose of effecting the conversion of the Securities, such number of its duly authorized shares of Common Stock as shall from time to time be sufficient to effect the conversion of all Outstanding Securities.

If any shares of Common Stock reserved or to be reserved for the purpose of conversion of Securities hereunder require registration with or approval of any governmental authority under any Federal or State law before such shares may be validly delivered upon conversion, then the Company covenants that it will in good faith and as expeditiously as possible endeavor to secure registration or approval, as the case may be.

The Company covenants that all shares of Common Stock which may be delivered upon conversion of Convertible Securities shall upon delivery be fully paid and nonassessable by the Company and free from all taxes, liens and charges with respect to the issue or delivery thereof.

Section 1609. Disclaimer by Trustee of Responsibility for Certain Matters.

Neither the Trustee nor any conversion agent shall at any time be under any duty or responsibility to any Holder of Convertible Securities of any series to determine whether any facts exist which may require any adjustment of the Conversion Price for such series, or with respect to the nature or extent of any such adjustment when made, or with respect to the method employed, or herein or in any supplemental indenture provided to be employed, in making the same, subject, however, to the provisions of Sections 315(a) through 315(b) of the Trust Indenture Act. Neither the Trustee nor any conversion agent shall be accountable with respect to the validity or value (or the kind or amount) of any shares of Common Stock, or of any securities or property which may at any time be issued or delivered upon the conversion of any Convertible Security; and neither of them makes any representation with respect thereto. Neither the Trustee nor any conversion agent shall be responsible for any failure of the Company to make any cash payment or to issue, transfer or deliver any shares of Common Stock or stock certificates or other securities or property upon the surrender of any Security for the purpose of conversion or, subject to Sections 315(a) through 315(b) of the Trust Indenture Act, to comply with any of the covenants of the Company contained in this Article Sixteen.

Section 1610. Company to Give Notice of Certain Events.

In the event

(A) that the Company shall pay any dividend or make any distribution to the holders of shares of Common Stock otherwise than in cash charged against consolidated net earnings or retained earnings of the Company and its consolidated subsidiaries or in Common Stock;
or

(B) that the Company shall offer for subscription or purchase, pro rata, to the holders of shares of Common Stock any additional shares of stock of any class or any securities convertible into or exchangeable for stock of any class; or

(C) of any reclassification or change of outstanding shares of the class of Common Stock issuable upon the conversion of the Securities (other than a change in par value, or from par value to no par value, or from no par value to par value, or as a result of a subdivision or combination), or of any merger or consolidation of the Company with, or merger of the Company into, another corporation (other than a merger or consolidation in which the Company is the continuing corporation and which does not result in reclassification or change of outstanding shares of Common Stock issuable upon conversion of the Securities), or of any sale or conveyance to another corporation of the property of the Company as an entirety or substantially as an entirety;

then, and in any one or more of such events, the Company will give to the Trustee and each conversion agent written notice thereof at least fifteen days prior to (i) the record date fixed with respect to any of the events specified in (A) and (B) above, and (ii) the effective date of any of the events specified in (C) above; and shall mail in the case of Registered Securities, promptly a copy of such notice to the Holders thereof at their last addresses as they shall appear upon the Security Register or, in the case of Bearer Securities, cause such notice to be published in an Authorized Newspaper. Failure to give such notice, or any defect therein, shall not affect the legality or validity of such dividend, distribution, reclassification, consolidation, merger, sale, transfer, dissolution, liquidation or winding up.

ARTICLE SEVENTEEN

IMMUNITY OF INCORPORATORS, STOCKHOLDERS, OFFICERS AND DIRECTORS

Section 1701. Indenture and Securities Solely Corporate Obligations.

No recourse for the payment of the principal of or premium, if any, or interest or Additional Amounts on any Security, or for any claim based thereon or otherwise in respect thereof, and no recourse under or upon any obligation, covenant or agreement of the Company in this Indenture or in any supplemental indenture or, in any Security, or because of the creation of any indebtedness represented thereby, shall be had against any incorporator, stockholder, officer or director, as such, past, present or future, of the Company or of any successor corporation, either directly or through the Company or any successor corporation, whether by virtue of any constitution, statute or rule of law, or by the enforcement of any assessment or penalty or otherwise; it being expressly understood that all such liability is hereby expressly waived and released as a condition of, and as a consideration for, the execution of this Indenture and the issuance of the Securities.

* * * * *

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

IN WITNESS WHEREOF, the parties hereto have caused this Indenture to be duly executed, and their respective corporate seals to be hereunto affixed, all as of the day and year first above written.

[SEAL] Capital One Financial Corporation

Attest:
- - - - -

By _____
Name:
Title:

[SEAL] Harris Trust and Savings Bank,
as Trustee

Attest:
- - - - -

By _____
Name:
Title:

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

CUSIP No. 14040HAA3
No. R-001

\$125,000,000

CAPITAL ONE FINANCIAL CORPORATION

7.25% NOTES DUE 2003

Capital One Financial Corporation, a corporation duly organized and existing under the laws of Delaware (the "Company"), for value received, hereby promises to pay to Cede & Co. or registered assigns the principal sum of ONE HUNDRED TWENTY-FIVE MILLION United States Dollars at the Company's office or agency for said purpose in the Borough of Manhattan, The City of New York, on December 1, 2003 in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts, and to pay interest semi-annually in arrears on June 1 and December 1 of each year (each an "interest payment date"), commencing June 1, 1997, on said principal sum in like coin or currency at the rate per annum set forth above at said office or agency from December 10, 1996 or from the most recent June 1 or December 1, as the case may be, to which interest on the Securities has been paid or duly provided for, until payment of said principal sum has been made or duly provided for; provided that, unless this Security is a Security issued in global form (a "Global Security"), interest may be paid, at the option of the company, by mailing a check therefor payable to the Holder entitled thereto at his last address as it appears on the Security Register. The interest so payable will be paid to the Person in whose name this Global Security (or one or more Predecessor Securities) is registered at the close of business on the May 15 or November 15, as the case may be, next preceding such interest payment date, unless the Company shall default in the payment of interest due on such interest payment date after taking

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

Reference is made to the further provisions set forth on the reverse hereof. Such further provisions shall for all purposes have the same effect as though fully set forth at this place.

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

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

Dated: _____, 1996

CAPITAL ONE FINANCIAL CORPORATION

By: _____
Name:
Title:

[CORPORATE SEAL]

Attest By: _____
Name:
Title:

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

Dated: _____, 1996

HARRIS TRUST AND SAVINGS BANK

By: _____
Authorized Officer

Capital One Financial Corporation

7.25% Notes Due 2003

This Security is one of a duly authorized issue of debt securities of the Company, of the series hereinafter specified, all issued or to be issued under an Indenture, dated as of November 1, 1996 (the "Senior Indenture"), and duly executed and delivered by the Company to Harris Trust and Savings Bank, as trustee (hereinafter, the "Trustee"), to which reference to the Senior Indenture is hereby made for a description of the respective rights and duties thereunder of the Trustee, the Company and the Holders of the Securities. This Security is one of a series designated as the "7.25% Notes due 2003" of the Company (hereinafter called the "Notes"), issued under the Senior Indenture and limited in aggregate principal amount to \$125,000,000.

Neither the Senior Indenture nor the Notes limit or otherwise restrict the amount of indebtedness which may be incurred or other securities which may be issued by the Company. The Notes issued under the Senior Indenture will be direct, unsecured obligations of the Company and will mature on December 1, 2003. The Notes rank on parity with all other unsecured, unsubordinated indebtedness of the Company.

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

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

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

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

The Senior Indenture permits the Company and the Trustee, without the consent of the Holders of the Notes for certain situations and with the consent of not less than two-thirds of the Holders in aggregate principal amount of the Outstanding Notes in other situations, to execute supplemental indentures adding to, modifying or changing various provisions to the Senior Indenture; provided that no such supplemental indenture, without the consent of the Holder of each Outstanding Security affected thereby, shall (i) change the Stated Maturity of the principal of, or any installment of interest on the Notes, or reduce the principal amount thereof or the interest thereon, or change the place or currency of payment of principal of, or interest on, the Notes, or impair the right to institute suit for the enforcement of any payment on or after the Stated Maturity thereof, or change the Company's obligation to pay additional amounts (except as otherwise contemplated in the Senior Indenture); (ii) reduce the percentage in principal amount of the Outstanding Notes, the consent of whose Holders is required for any such supplemental indenture, or the consent of whose Holders is required for any waiver (of compliance with certain provisions of the Senior Indenture or certain defaults hereunder and their consequences) provided for in the Senior Indenture; or (iii) modify any of the provisions of Sections 902, 513 or 1008 of the Senior Indenture, except to increase any such percentage or provide that certain other provisions of the Senior Indenture cannot be modified or waived without the consent of the Holder of each Outstanding Security affected thereby.

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

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

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

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

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

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

No recourse shall be had for the payment of the principal of or the interest on this Note, for any claim based hereon, or otherwise in respect hereof, or based on or in respect of the Senior Indenture or any indenture supplemental thereto, against any incorporator, shareholder, officer or director, as such, past, present or future, of the Company or of any successor corporation, either directly or through the Company or any successor corporation, whether by virtue of any constitution, statute or rule of law or by the enforcement of any assessment or penalty or otherwise, all such liability being, by the acceptance hereof and as part of the consideration for the issue hereof, expressly waived and released.

THIS NOTE SHALL BE DEEMED TO BE A CONTRACT MADE UNDER THE LAWS OF THE STATE OF NEW YORK, AND FOR ALL PURPOSES SHALL BE CONSTRUED IN ACCORDANCE WITH THE LAWS OF SAID STATE, WITHOUT REFERENCE TO PRINCIPLES OF CONFLICTS OF LAW.

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

DECLARATION OF TRUST
OF
CAPITAL ONE CAPITAL I

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

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

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

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

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

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

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

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

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

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

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

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

CAPITAL ONE BANK,
as Sponsor

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

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

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

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

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

CERTIFICATE OF TRUST

OF

CAPITAL ONE CAPITAL I

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

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

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

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

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

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

By:

Name: John R. Prendiville
Title: Vice President

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

By:

Name: John R. Prendiville
Title: Vice President

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

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

Unless this Capital Security Certificate is presented by an authorized representative of the Depository to Capital One Capital I or its agent for registration of transfer, exchange or payment, and any Capital Security Certificate issued is registered in the name of Cede & Co. or such other name as registered by an authorized representative of the Depository (and any payment hereon is made to Cede & Co. or to such other entity as is requested by an authorized representative of the Depository), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL since the registered owner hereof, Cede & Co., has an interest herein.

CERTIFICATE NO. R-2

CUSIP NO. 140 41C AA3

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

CERTIFICATE EVIDENCING CAPITAL SECURITIES
OF
CAPITAL ONE CAPITAL I

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

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

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

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

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

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

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

CAPITAL ONE CAPITAL I

By: _____
Name:
Title:

CERTIFICATE OF AUTHENTICATION

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

THE FIRST NATIONAL BANK OF
CHICAGO

By: _____
Authorized Officer

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

[CHECK ONE]

- (1) to the Sponsor or a subsidiary thereof; or
- (2) pursuant to and in compliance with Rule 144A under the Securities Act of 1933, as amended; or
- (3) to an institutional "accredited investor" (as defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act of 1933, as amended) that has furnished to the Trustee a signed letter containing certain representations and agreements (the form of which letter can be obtained from the Trustee); or
- (4) outside the United States to a "foreign person" in compliance with Rule 904 of Regulation S under the Securities Act of 1933, as amended; or
- (5) pursuant to the exemption from registration provided by Rule 144 under the Securities Act of 1933, as amended; or
- (6) pursuant to an effective registration statement under the Securities Act of 1933, as amended; or
- (7) pursuant to another available exemption from the registration requirements of the Securities Act of 1933, as amended.

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

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

Dated: -----

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

Signature Guarantee: -----

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

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

Dated: -----

NOTICE: To be executed by an
executive officer

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

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

Dated: -----

NOTICE: To be executed by an
executive officer

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

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

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

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

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

Unless this Capital Security Certificate is presented by an authorized representative of the Depository to Capital One Capital I or its agent for registration of transfer, exchange or payment, and any Capital Security Certificate issued is registered in the name of Cede & Co. or such other name as registered by an authorized representative of the Depository (and any payment hereon is made to Cede & Co. or to such other entity as is requested by an authorized representative of the Depository), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL since the registered owner hereof, Cede & Co., has an interest herein.

CERTIFICATE NO. R-1

CUSIP NO. U 13479 AA5

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

CERTIFICATE EVIDENCING CAPITAL SECURITIES
OF
CAPITAL ONE CAPITAL I

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

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

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

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

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

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

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

CAPITAL ONE CAPITAL I

By: _____
Name:
Title:

CERTIFICATE OF AUTHENTICATION

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

THE FIRST NATIONAL BANK OF
CHICAGO

By: _____
Authorized Officer

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

[CHECK ONE]

- (1) to the Sponsor or a subsidiary thereof; or
- (2) pursuant to and in compliance with Rule 144A under the Securities Act of 1933, as amended; or
- (3) to an institutional "accredited investor" (as defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act of 1933, as amended) that has furnished to the Trustee a signed letter containing certain representations and agreements (the form of which letter can be obtained from the Trustee); or
- (4) outside the United States to a "foreign person" in compliance with Rule 904 of Regulation S under the Securities Act of 1933, as amended; or
- (5) pursuant to the exemption from registration provided by Rule 144 under the Securities Act of 1933, as amended; or
- (6) pursuant to an effective registration statement under the Securities Act of 1933, as amended; or
- (7) pursuant to another available exemption from the registration requirements of the Securities Act of 1933, as amended.

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

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

Dated: _____

Signed: _____

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

Signature Guarantee: _____

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

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

Dated: _____

NOTICE: To be executed by an executive officer

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

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

Dated: _____

NOTICE: To be executed by an executive officer

AMENDED AND RESTATED DECLARATION OF TRUST

CAPITAL ONE CAPITAL I

Dated as of January 31, 1997

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AMENDED AND RESTATED DECLARATION OF TRUST
OF CAPITAL ONE CAPITAL I

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

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

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

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

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

ARTICLE 1

INTERPRETATION AND DEFINITIONS

Section 1.1 Interpretation and Definitions.

Unless the context otherwise requires:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

"Cedel" means Cedel Bank, societe anonyme.

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

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

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

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

"Commission" means the Securities and Exchange Commission.

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

"Common Security" has the meaning specified in Section 7.1

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

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

"Corporation" means Capital One Financial Corporation.

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

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

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

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

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

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

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

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

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

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

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

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

"DWAC" means Deposit and Withdrawal At Custodian Service.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

"Non-U.S. Certificate" has the meaning set forth in Section

7.13(c).

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

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

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

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

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

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

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

"PORTAL" has the meaning specified in Section 3.6

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

7.2.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ARTICLE 2

TRUST INDENTURE ACT

Section 2.1 Trust Indenture Act; Application.

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

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

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

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

Section 2.2 Lists of Holders of Securities.

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

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

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

Section 2.3 Reports by the Property Trustee.

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

Section 2.4 Periodic Reports to the Property Trustee.

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

Section 2.5 Evidence of Compliance with Conditions Precedent.

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

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

Section 2.6 Trust Enforcement Events; Waiver.

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

- (i) is not waivable under the Indenture, the Trust Enforcement Event under the Declaration shall also not be waivable; or
- (ii) requires the consent or vote of greater than a majority in principal amount of the holders of the Debentures (a "Super Majority") to be waived under the Indenture, the Trust Enforcement Event under the Declaration may only be waived by the vote or written consent of the Holders of at least the proportion in liquidation amount of the Capital Securities that the relevant Super Majority represents of the aggregate principal amount of the Debentures outstanding.

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

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

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

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

- (i) is not waivable under the Indenture, except where the Holders of the Common Securities are deemed to have waived such Trust Enforcement Event under the Declaration as provided below in this Section 2.6(c), the Trust Enforcement Event under the Declaration shall also not be waivable; or
- (ii) requires the consent or vote of a Super Majority to be waived under the Indenture, except where the Holders of the Common Securities are deemed to have waived such Trust Enforcement Event under the Declaration as provided below in this Section 2.6(c), the Trust Enforcement Event under the Declaration may only be waived by the vote or written consent of the Holders of at least the proportion in liquidation amount of the Common Securities that the relevant Super Majority represents of the aggregate principal amount of the Debentures outstanding;

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

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

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

Section 2.7 Trust Enforcement Event; Notice.

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

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

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

- (i) a default under Sections 501(1) and 501(2) of the Indenture; or
- (ii) any default as to which the Property Trustee shall have received written notice or of which a Responsible Officer of the Property Trustee charged with the administration of this Declaration shall have actual knowledge.

ARTICLE 3

ORGANIZATION

Section 3.1 Name and Organization.

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

Section 3.2 Office.

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

Section 3.3 Purpose.

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

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

Section 3.4 Authority.

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

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

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

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

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

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

Section 3.5 Title to Property of the Trust.

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

Section 3.6 Powers and Duties of the Administrators.

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

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

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

- (i) execute and file any documents prepared by the Sponsor, or take any acts as determined by the Sponsor to be necessary, in order to qualify or register all or part of the Capital Securities in any State in which the Sponsor has determined to qualify or register such Capital Securities for sale;
- (ii) execute and file an application, prepared by the Sponsor, to the Private Offerings, Resales and Trading through Automated Linkages ("PORTAL") Market and if and at such time determined by the Sponsor, to The New York Stock Exchange, Inc. or any other national stock exchange or the Nasdaq Stock Market's National Market for listing upon notice of issuance of any Capital Securities; and

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- (B) in the absence of bad faith on the part of an Administrator, such Administrator may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon any certificates or opinions furnished to such Administrator and conforming to the requirements of this Declaration; but in the case of any such certificates or opinions that by any provision hereof are specifically required to be furnished to such Administrator, such Administrator shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Declaration;
- (ii) an Administrator shall not be liable for any error of judgment made in good faith unless it shall be proved that such Administrator was negligent in ascertaining the pertinent facts;
- (iii) no provision of this Declaration shall require an Administrator to expend or risk his own funds or otherwise incur personal financial liability in the performance of any of his duties or in the exercise of any of his rights or powers, if he shall have reasonable grounds for believing that the repayment of such funds or liability is not reasonably assured to him under the terms of this Declaration or indemnity reasonably satisfactory to such Administrator against such risk or liability is not reasonably assured to him;
- (iv) an Administrator shall not be responsible for monitoring the compliance by the Property Trustee or the Sponsor with their respective duties under this Declaration, nor shall such Administrator be liable for any default or misconduct of the Property Trustee or the Sponsor;

- (v) an Administrator may conclusively rely and shall be fully protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document believed by him to be genuine and to have been signed, sent or presented by the proper party or parties;
- (vi) an Administrator shall have no duty to see to any recording, filing or registration of any instrument (including any financing or continuation statement or any filing under tax or securities laws) or any rerecording, refiling or registration thereof;
- (vii) the Administrators may consult with counsel or other experts of their selection and the advice or opinion of such counsel and experts with respect to legal matters or advice within the scope of such experts' area of expertise shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by them hereunder in good faith and in accordance with such advice or opinion, such counsel may be counsel to the Sponsor or any of its Affiliates, and may include any of its employees. The Administrators shall have the right at any time to seek instructions concerning the administration of this Declaration from any court of competent jurisdiction;
- (viii) the Administrators shall be under no obligation to exercise any of the rights or powers vested in them by this Declaration at the request or direction of any Holder, unless such Holder shall have provided to the Administrators security and indemnity, reasonably satisfactory to the Administrators, against the costs, expenses (including attorneys' fees and expenses) and liabilities that might be incurred by them in complying with such request or direction,

including such reasonable advances as may be requested by them;

- (ix) an Administrator shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document, but he, in his discretion, may make such further inquiry or investigation into such facts or matters as he may see fit;
- (x) an Administrator may execute any of the powers hereunder or perform any duties hereunder either directly or by or through agents, custodians, nominees or attorneys and such Administrator shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care by him hereunder;
- (xi) any action taken by an Administrator or his agents hereunder shall bind the Trust and the Holders of the Securities, and the signature of such Administrator or his agents alone shall be sufficient and effective to perform any such action and no third party shall be required to inquire as to the authority of such Administrator to so act or as to his compliance with any of the terms and provisions of this Declaration, both of which shall be conclusively evidenced by such Administrator's or his agent's taking such action;
- (xii) except as otherwise expressly provided by this Declaration, an Administrator shall not be under any obligation to take any action that is discretionary under the provisions of this Declaration; and
- (xiii) an Administrator shall not be liable for any action taken, suffered, or omitted to be taken by it in good faith and reasonably believed by it to be authorized or within the discretion or rights or powers conferred upon it by this Declaration.

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

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

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

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

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

- (i) invest any proceeds received by the Trust from holding the Debentures, but shall distribute all such proceeds to Holders of Securities pursuant to the terms of this Declaration and of the Securities;
- (ii) acquire any assets other than the Debentures (and any interest or proceeds received thereon) and the Guarantee (and the proceeds received thereon or with respect thereto);
- (iii) possess Trust property for other than a Trust purpose;
- (iv) make any loans or incur any indebtedness;
- (v) possess any power or otherwise act in such a way as to vary the Trust assets;

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

- (ix) take any action inconsistent with the status of the Trust as a grantor trust for United States federal income tax purposes; or
- (x) revoke any action previously authorized or approved by a vote of the Holders of the Capital Securities except pursuant to a subsequent vote of the Holders of the Capital Securities.

Section 3.8 Powers and Duties of the Property Trustee.

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

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

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

(c) The Property Trustee shall:

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

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

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

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

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

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

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

- (i) the Trust has been completely liquidated and the proceeds of the liquidation distributed to the Holders of Securities pursuant to the terms of the Securities;
- (ii) a Successor Property Trustee has been appointed and has accepted that appointment in accordance with Section 6.6; or
- (iii) the Property Trustee has resigned in accordance with Section 6.6.

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

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

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

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

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

Section 3.9 Certain Duties and Responsibilities of the Property Trustee.

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

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

- (i) prior to the occurrence of a Trust Enforcement Event and after the curing or waiving of all such Trust Enforcement Events that may have occurred:
 - a. the duties and obligations of the Property Trustee shall be determined solely by the express provisions of this Declaration and the Property Trustee shall not be liable except for the performance of such duties and obligations as are specifically set forth in this Declaration, and no implied covenants or obligations shall be read into this Declaration against the Property Trustee; and
 - b. in the absence of bad faith on the part of the Property Trustee, the Property Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon any certificates or opinions furnished to the Property Trustee and conforming to the requirements of this Declaration; but in the case of any such certificates or opinions that by any provision hereof are specifically required to be furnished to the Property Trustee, the Property Trustee shall be under a duty to examine the same to determine whether or not they substantially conform to the requirements of this Declaration;
- (ii) the Property Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer of the Property Trustee, unless it shall be proved that the Property Trustee was negligent in ascertaining the pertinent facts;
- (iii) the Property Trustee shall not be liable with respect to any action taken or omitted to be taken

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

- (iv) no provision of this Declaration shall require the Property Trustee to expend or risk its own funds or otherwise incur personal financial liability in the performance of any of its duties or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that the repayment of such funds or liability is not reasonably assured to it under the terms of this Declaration or indemnity reasonably satisfactory to the Property Trustee against such risk or liability is not reasonably assured to it;
- (v) the Property Trustee's sole duty with respect to the custody, safe-keeping and physical preservation of the Debentures and the Property Account shall be to deal with such property in a similar manner as the Property Trustee deals with similar property for its own account, subject to the protections and limitations on liability afforded to the Property Trustee under this Declaration and the Trust Indenture Act;
- (vi) the Property Trustee shall have no duty or liability for or with respect to the value, genuineness, existence or sufficiency of the Debentures or the payment of any taxes or assessments levied thereon or in connection therewith;
- (vii) the Property Trustee shall not be liable for any interest on any money received by it except as it may otherwise agree with the Sponsor in writing. Money held by the Property Trustee need not be segregated from other funds held by it except in relation to the Property Account maintained by the

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

- (viii) the Property Trustee shall not be responsible for monitoring the compliance by the Administrators or the Sponsor with their respective duties under this Declaration, nor shall the Property Trustee be liable for any default or misconduct of the Administrators or the Sponsor; and
- (ix) The Trustee shall be under no liability for interest on any money received by it hereunder except as otherwise agreed in writing with the Debenture Issuer.

Section 3.10 Certain Rights of Property Trustee.

- (a) Subject to the provisions of Section 3.9:
 - (i) the Property Trustee may conclusively rely and shall be fully protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document believed by it to be genuine and to have been signed, sent or presented by the proper party or parties;
 - (ii) any direction or act of the Sponsor or the Administrators contemplated by this Declaration shall be sufficiently evidenced by an Officers' Certificate (or, with respect to the establishment of the terms and form of the Securities by the Administrators, by an Authorization Certificate);
 - (iii) whenever in the administration of this Declaration, the Property Trustee shall deem it desirable that a matter be proved or established before taking, suffering or omitting any action hereunder, the Property Trustee (unless other evidence is herein specifically prescribed) may, in the absence of bad faith on its part, request and conclusively rely upon an Officers'

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

- (iv) the Property Trustee shall have no duty to see to any recording, filing or registration of any instrument (including any financing or continuation statement or any filing under tax or securities laws) or any rerecording, refiling or registration thereof;
- (v) the Property Trustee may consult with counsel of its choice or other experts and the advice or opinion of such counsel and experts with respect to legal matters or advice within the scope of such experts' area of expertise shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in accordance with such advice or opinion, such counsel may be counsel to the Sponsor or any of its Affiliates, and may include any of its employees. The Property Trustee shall have the right at any time to seek instructions concerning the administration of this Declaration from any court of competent jurisdiction;
- (vi) the Property Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Declaration at the request or direction of any Holder, unless such Holder shall have provided to the Property Trustee security and indemnity, reasonably satisfactory to the Property Trustee, against the costs, expenses (including attorneys' fees and expenses and the expenses of the Property Trustee's agents, nominees or custodians) and liabilities that might be incurred by it in complying with such request or direction, including such reasonable advances as may be requested by the Property Trustee; provided that, nothing contained in this Section 3.10(a) shall be taken to relieve the Property Trustee, upon the occurrence of an Indenture Event of Default, of

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

- (vii) the Property Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document, but the Property Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit;
- (viii) the Property Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents, custodians, nominees or attorneys and the Property Trustee shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care by it hereunder;
- (ix) any action taken by the Property Trustee or its agents hereunder shall bind the Trust and the Holders of the Securities, and the signature of the Property Trustee or its agents alone shall be sufficient and effective to perform any such action and no third party shall be required to inquire as to the authority of the Property Trustee to so act or as to its compliance with any of the terms and provisions of this Declaration, both of which shall be conclusively evidenced by the Property Trustee's or its agent's taking such action;
- (x) whenever in the administration of this Declaration the Property Trustee shall deem it desirable to receive instructions with respect to enforcing any remedy or right or taking any other action hereunder, the Property Trustee (i) may request instructions from the Holders of the Securities, the Administrators or the Sponsor which instructions may only be given by the Holders of

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

- (xi) if no Trust Enforcement Event has occurred and is continuing and the Property Trustee is required to decide between alternative causes of action, construe ambiguous provisions in their Declaration or is unsure of the application of any provision of their Declaration, and the matter is not one on which Holders of Capital Securities are entitled under the Declaration to vote, then the Property Trustee may, but shall be under no duty to, take such action as is directed by the Sponsor and will have no liability except for its own bad faith, negligence or willful misconduct;
- (xii) except as otherwise expressly provided by this Declaration, the Property Trustee shall not be under any obligation to take any action that is discretionary under the provisions of this Declaration;
- (xiii) the Property Trustee shall not be liable for any action taken, suffered or omitted to be taken by it without negligence, in good faith and reasonably believed by it to be authorized or within the discretion, rights or powers conferred upon it by this Declaration; and
- (xiv) the Trustee shall have a lien prior to the Securities as to all property and funds held by it hereunder for any amount owing it or any predecessor Trustee, except with respect to funds held in trust for the benefit of the Holders of particular Securities.

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

Section 3.11 Delaware Trustee.

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

Section 3.12 Execution of Documents.

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

Section 3.13 Not Responsible for Recitals or Issuance of Securities.

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

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

Section 3.14 Duration of Trust.

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

Section 3.15 Mergers.

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

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

- (i) if the Trust is not the successor, such successor entity (the "Successor Entity") either:
 - a. expressly assumes all of the obligations of the Trust under the Securities; or
 - b. substitutes for the Capital Securities other securities having substantially the same terms as the Capital Securities (the "Successor Securities") so long as the Successor Securities rank the same as the Capital Securities rank with respect to Distributions and payments upon liquidation, redemption and otherwise;
- (ii) if the Trust is not the successor entity, the Property Trustee expressly appoints a trustee of such Successor Entity that possesses substantially

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

- (iii) the Capital Securities or any Successor Securities are listed, or any Successor Securities will be listed upon notification of issuance, on any national securities exchange or with any other organization on which the Capital Securities are then listed or quoted, if any;
- (iv) such merger, consolidation, amalgamation, replacement, conveyance, transfer or lease does not cause the Capital Securities (including any Successor Securities) to be downgraded by any nationally recognized statistical rating organization;
- (v) such merger, consolidation, amalgamation, replacement, conveyance, transfer or lease does not adversely affect the rights, preferences and privileges of the Holders of the Capital Securities (including any Successor Securities) in any material respect;
- (vi) such Successor Entity has a purpose substantially identical to that of the Trust;
- (vii) prior to such merger, consolidation, amalgamation, replacement, conveyance, transfer or lease the Trust has received an opinion of independent counsel to the Trust experienced in such matters to the effect that:
 - a. such merger, consolidation, amalgamation, replacement, conveyance, transfer or lease does not adversely affect the rights, preferences and privileges of the Holders of the Capital Securities (including any Successor Securities) in any material respect;
 - b. following such merger, consolidation, amalgamation, replacement, conveyance, transfer or lease neither the Trust nor the

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

- c. following such merger, consolidation, amalgamation or replacement, the Trust (or the Successor Entity) will continue to be classified as a grantor trust for United States federal income tax purposes;
- (viii) the Sponsor or any permitted successor or assignee owns all of the Common Securities the Corporation or any permitted successor or assignee and guarantees the obligations of such Successor Entity under the Successor Securities at least to the extent provided by the Guarantee; and
- (ix) such Successor Entity expressly assumes all of the obligations of the Trust with respect to the Trustees.

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

Section 3.16 Property Trustee May File Proofs of Claim.

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

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

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

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

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

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

ARTICLE 4

SPONSOR

Section 4.1 Responsibilities of the Sponsor.

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

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

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

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

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

Section 4.2 Compensation, Indemnification and Expenses of the Trustee.

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

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

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

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

ARTICLE 5

TRUST COMMON SECURITIES HOLDER

Section 5.1 Debenture Issuer's Purchase of Common Securities.

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

Section 5.2 Covenants of the Common Securities Holder.

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

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

ARTICLE 6

TRUSTEES

Section 6.1 Number of Trustees.

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

Section 6.2 Delaware Trustee.

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

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

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

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

Section 6.3 Property Trustee; Eligibility.

- (a) There shall at all times be one Trustee which shall act as Property Trustee which shall:
- (i) not be an Affiliate of the Sponsor or any Person involved in the organization or operation of the Sponsor;
 - (ii) not offer or provide credit or credit enhancement to the Trust; and
 - (iii) be a corporation organized and doing business under the laws of the United States of America or any State or Territory thereof or of the District of Columbia, or a corporation or other Person permitted by the Commission to act as an institutional trustee under the Trust Indenture Act, authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least 50 million U.S. dollars (\$50,000,000), and subject to supervision or examination by Federal, State, Territorial or District of Columbia authority. If such corporation publishes reports of condition at least annually, pursuant to law or to the requirements of the supervising or examining authority referred to above, then for the purposes of this Section 6.3(a)(ii), the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

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

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

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

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

Section 6.4 Qualifications of Administrators and Delaware Trustee Generally.

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

Section 6.5 Appointment of Administrators.

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

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

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

The initial Administrators shall be:

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

Section 6.6 Appointment, Removal and Resignation of Trustees.

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

- (i) until the issuance of any Securities, by written instrument executed by the Sponsor; and
- (ii) after the issuance of any Securities, by vote of the Holders of a Majority in Liquidation Amount of the Common Securities voting as a class at a meeting of the Holders of the Common Securities.

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

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

- (i) No such resignation of the Trustee that acts as the Property Trustee shall be effective:
 - a. until a Successor Property Trustee has been appointed and has accepted such appointment by instrument executed by such Successor Property Trustee and delivered to the Trust, the Sponsor and the resigning Property Trustee; or
 - b. until the assets of the Trust have been completely liquidated and the proceeds thereof distributed to the holders of the Securities; and
- (ii) no such resignation of the Trustee that acts as the Delaware Trustee shall be effective until a Successor Delaware Trustee has been appointed and has accepted such appointment by instrument executed by such Successor Delaware Trustee and delivered to the Trust, the Sponsor and the resigning Delaware Trustee.
- (d) The Holders of the Common Securities shall use their best efforts to promptly appoint a Successor Delaware Trustee or Successor Property Trustee, as the case may be, if the Property Trustee or the Delaware Trustee delivers an instrument of resignation in accordance with this Section 6.6.
- (e) If no Successor Property Trustee or Successor Delaware Trustee, as the case may be, shall have been appointed and accepted appointment as provided in this Section 6.6 within 30 days after delivery to the Sponsor and the Trust of an instrument of resignation or removal, the resigning or removed Property Trustee or Delaware Trustee, as applicable, may petition any court of competent jurisdiction for appointment of a Successor Property Trustee or Successor Delaware Trustee, as applicable. Such court may thereupon, after prescribing such notice, if any, as it may deem proper, appoint a Successor Property Trustee or Successor Delaware Trustee, as the case may be.

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

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

Section 6.7 Vacancies among Trustees.

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

Section 6.8 Effect of Vacancies.

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

Section 6.9 Delegation of Power.

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

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

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

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

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

ARTICLE 7

THE SECURITIES

Section 7.1 General Provisions Regarding Securities.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(g) The Securities shall have no preemptive rights.

Section 7.2 Distributions.

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

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

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

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

Section 7.3 Redemption of Securities; Distribution of

Debentures.

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

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

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

Section 7.4 Redemption Procedures.

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

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

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

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

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

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

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

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

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

Section 7.5 Voting Rights of Capital Securities.

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

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

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

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

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

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

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

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

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

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

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

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

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

Section 7.6 Voting Rights of Common Securities.

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

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

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

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

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

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

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

Section 7.7 Paying Agent.

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

Section 7.8 Transfer of Securities.

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

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

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

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

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

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

Section 7.9 Mutilated, Destroyed, Lost or Stolen

Certificates.

If:

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

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

Section 7.10 Deemed Security Holders.

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

Section 7.11 Global Securities.

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

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

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

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

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

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

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

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

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

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

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

Section 7.12 Restrictive Legend.

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

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

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

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

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

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

Section 7.13 Regulation S Global Securities; Regulation S Certificates

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

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

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

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

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

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

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

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

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

Section 7.14 Special Transfer Provisions.

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

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

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

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

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

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

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

(e) If a holder of a beneficial interest in the Regulation S Global Security wishes at any time to exchange its interest in the Regulation S Global Security for an interest in the Restricted Global Security, or to transfer its interest in the Regulation S Global Security to a person who wishes to take delivery thereof in the form of an interest in the Restricted Global Security, such holder may, subject to the rules and procedures of Euroclear or Cedel and the Depositary, as the case may be, and to the requirements set forth in the following sentence, exchange or cause the exchange or transfer or cause the transfer of such interest for an equivalent beneficial interest in such Restricted Global Security. Upon receipt by the Property Trustee, as transfer agent of (1) instructions given in accordance with the procedures of Euroclear or Cedel and the Depositary, as the case may be, from or on behalf of a beneficial owner of an interest in the Regulation S Global Security directing the Property Trustee, as transfer agent, to credit or cause to be credited a beneficial interest in the Restricted Global Security in an amount equal to the beneficial interest in the Regulation S Global Security to be exchanged or transferred, (2) a written order given in accordance with the procedures of Euroclear or Cedel and the Depositary, as the case may be, containing information regarding the account with the Depositary to be credited with such increase and the name of such account,

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

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

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

ARTICLE 8

DISSOLUTION AND TERMINATION OF TRUST

Section 8.1 Dissolution and Termination of Trust.

- (a) The Trust shall dissolve upon the earliest of:
- (i) December 31, 2051, the expiration time of the Trust;
 - (ii) any liquidation, insolvency or similar proceeding with respect to the Holder of the Common Securities or the Sponsor or all or substantially all of its property;
 - (iii) the filing of a certificate of dissolution or its equivalent with respect to the Sponsor; the consent of the Holder of at least a Majority in Liquidation Amount of the Securities to the filing of a certificate of cancellation with respect to the Trust or the revocation of the Sponsor's charter and the expiration of 90 days after the date of revocation without a reinstatement thereof;
 - (iv) the entry of a decree of judicial dissolution of the Sponsor or the Trust;

- (v) the time when all of the Securities shall have matured or been called for redemption and the amounts then due shall have been paid to the Holders in accordance with the terms of the Securities; or
- (vi) upon the election of the Sponsor and subject to the receipt of any necessary regulatory approvals, pursuant to which the Trust shall have been dissolved in accordance with the terms of the Securities, and all of the Debentures shall have been distributed to the Holders of Securities in exchange for all of the Securities.

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

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

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

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

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

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

ARTICLE 9

LIMITATION OF LIABILITY OF HOLDERS OF SECURITIES, TRUSTEES OR OTHERS

Section 9.1 Liability.

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

- (i) shall not be personally liable for the return of any portion of the capital contributions (or any return thereon) of the Holders of the Securities which shall be made solely from assets of the Trust; and
- (ii) shall not be required to pay to the Trust or to any Holder of Securities any deficit upon dissolution of the Trust or otherwise.

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

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

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

Section 9.2 Exculpation.

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

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

Section 9.3 Fiduciary Duty.

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

- (b) Unless otherwise expressly provided herein:
- (i) whenever a conflict of interest exists or arises between any Covered Persons; or
- (ii) whenever this Declaration or any other agreement contemplated herein or therein provides that an Indemnified Person shall act in a manner that is, or provide terms that are, fair and reasonable to the Trust or any Holder of Securities,

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

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

- (i) in its "discretion" or under a grant of similar authority, the Indemnified Person shall be entitled to consider such interests and factors as it desires, including its own interests, and shall have no duty or obligation to give any consideration to any interest of or factors affecting the Trust or any other Person; or
- (ii) in its "good faith" or under another express standard, the Indemnified Person shall act under such express standard and shall not be subject to any other or different standard imposed by this Declaration or by applicable law.

Section 9.4 Indemnification.

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

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

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

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

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

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

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

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

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

Section 9.5 Outside Businesses.

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

ARTICLE 10

ACCOUNTING

Section 10.1 Fiscal Year.

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

Section 10.2 Certain Accounting Matters.

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

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

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

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

Section 10.3 Banking.

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

Section 10.4 Withholding.

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

ARTICLE 11

AMENDMENTS AND MEETINGS

Section 11.1 Amendments.

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

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

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

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

- (ii) unless, in the case of any proposed amendment which affects the rights, powers, duties, obligations or immunities of the Property Trustee, the Property Trustee shall have first received:
 - a. an Officers' Certificate from each of the Trust and the Sponsor that such amendment is permitted by, and conforms to, the terms of this Declaration (including the terms of the Securities); and
 - b. an opinion of counsel (who may be counsel to the Sponsor or the Trust) that such amendment is permitted by, and conforms to, the terms of this Declaration (including the terms of the Securities); and
- (iii) to the extent the result of such amendment would be to:
 - a. cause the Trust to be classified other than as a grantor trust for United States federal income tax purposes;
 - b. reduce or otherwise adversely affect the powers of the Property Trustee in contravention of the Trust Indenture Act; or
 - c. cause the Trust to be deemed to be an Investment Company required to be registered under the Investment Company Act.

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

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

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

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

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

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

- (i) to cure any ambiguity, correct or supplement any provisions in this Declaration that may be inconsistent with any other provision, or to make any other provisions with respect to matters or questions arising under this Declaration that shall not be inconsistent with the other provisions of this Declaration;
- (ii) to modify, eliminate or add to any provisions of this Declaration to such extent as shall be necessary to ensure that the Trust will be

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

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

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

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

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

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

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

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

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

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

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

- (ii) each Holder of a Security may authorize any Person to act for it by proxy on all matters in which a Holder of Securities is entitled to participate, including waiving notice of any meeting, or voting or participating at a meeting. No proxy shall be valid after the expiration of 11 months from the date thereof unless otherwise provided in the proxy. Every proxy shall be revocable at the pleasure of the Holder of Securities executing such proxy. Except as otherwise provided herein, all matters relating to the giving, voting or validity of proxies shall be governed by the General Corporation Law of the State of Delaware relating to proxies, and judicial interpretations thereunder, as if the Trust were a Delaware corporation and the Holders of the Securities were stockholders of a Delaware corporation;
- (iii) each meeting of the Holders of the Securities shall be conducted by the Trustees or by such other Person that the Trustees may designate; and
- (iv) consistent with the Business Trust Act, this Declaration, the terms of the Securities, the Trust Indenture Act or the listing rules of any stock exchange on which the Capital Securities are then listed for trading, otherwise provides, the Trustees, in their sole discretion, shall establish all other provisions relating to meetings of Holders of Securities, including notice of the time, place or purpose of any meeting at which any matter is to be voted on by any Holders of Securities, waiver of any such notice, action by consent without a meeting, the establishment of a record date, quorum requirements, voting in person or by proxy or any other matter with respect to the exercise of any such right to vote.

ARTICLE 12

REPRESENTATIONS OF PROPERTY TRUSTEE
AND DELAWARE TRUSTEE

Section 12.1 Representations and Warranties of the Property

Trustee.

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

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

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

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

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

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

Section 12.2 Representations and Warranties of the Delaware Trustee.

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

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

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

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

ARTICLE 13

MISCELLANEOUS

Section 13.1 Notices.

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

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

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

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

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

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

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

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

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

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

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

Section 13.2 Governing Law.

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

Section 13.3 Intention of the Parties.

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

Section 13.4 Headings.

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

Section 13.5 Successors and Assigns.

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

Section 13.6 Partial Enforceability.

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

Section 13.7 Counterparts.

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

Section 13.8 Undertaking for Costs.

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

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

CAPITAL ONE BANK,
as Sponsor and Common Securities
Holder

BY: _____
Name:
Title:

THE FIRST NATIONAL BANK OF CHICAGO,
as Property Trustee

BY: _____
Name:
Title:

FIRST CHICAGO DELAWARE INC.,
as Delaware Trustee

BY: _____
Name:
Title:

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

Unless this Capital Security Certificate is presented by an authorized representative of the Depository to Capital One Capital I or its agent for registration of transfer, exchange or payment, and any Capital Security Certificate issued is registered in the name of Cede & Co. or such other name as registered by an authorized representative of the Depository (and any payment hereon is made to Cede & Co. or to such other entity as is requested by an authorized representative of the Depository), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL since the registered owner hereof, Cede & Co., has an interest herein.

CERTIFICATE NO.

CUSIP NO.

AGGREGATE LIQUIDATION AMOUNT OF CAPITAL SECURITIES: \$

CERTIFICATE EVIDENCING CAPITAL SECURITIES

OF

CAPITAL ONE CAPITAL I

FLOATING RATE SUBORDINATED CAPITAL INCOME SECURITIES

(LIQUIDATION AMOUNT \$1,000 PER CAPITAL SECURITY)

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

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

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

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

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

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

CAPITAL ONE CAPITAL I

By: _____
Name:
Title:

CERTIFICATE OF AUTHENTICATION

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

THE FIRST NATIONAL BANK OF CHICAGO

By: _____
Authorized Officer

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

[CHECK ONE]

- (1) --- to the Sponsor or a subsidiary thereof; or
- (2) --- pursuant to and in compliance with Rule 144A under the Securities Act of 1933, as amended; or
- (3) --- to an institutional "accredited investor" (as defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act of 1933, as amended) that has furnished to the Trustee a signed letter containing certain representations and agreements (the form of which letter can be obtained from the Trustee); or
- (4) --- outside the United States to a "foreign person" in compliance with Rule 904 of Regulation S under the Securities Act of 1933, as amended; or
- (5) --- pursuant to the exemption from registration provided by Rule 144 under the Securities Act of 1933, as amended; or
- (6) --- pursuant to an effective registration statement under the Securities Act of 1933, as amended; or
- (7) --- pursuant to another available exemption from the registration requirements of the Securities Act of 1933, as amended.

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

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

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

Dated: _____ Signed: _____
(Sign exactly as name appears on the other side of this Security)

Signature Guarantee: _____

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

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

Dated: _____
NOTICE: To be executed by an executive officer

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

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

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

Dated: -----

NOTICE: To be executed by an
executive officer

THIS CERTIFICATE IS NOT TRANSFERABLE

CERTIFICATE NO. _____ NUMBER OF COMMON SECURITIES: _____

CERTIFICATE EVIDENCING COMMON SECURITIES
OF
CAPITAL ONE CAPITAL I
COMMON SECURITIES
(LIQUIDATION AMOUNT \$1,000 PER COMMON SECURITY)

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

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

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

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

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

CAPITAL ONE CAPITAL I

By: _____
Name:
Title:

A-2-3

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

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

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

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

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

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

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

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

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

Dated: _____ **/

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

or

Cedel, societe anonyme]

By: _____
Name:
Title

*/ Select as applicable.

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

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

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

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

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

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

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

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

*/ Select, as applicable.

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

Dated: _____, ____

By: _____

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

CAPITAL ONE FINANCIAL CORPORATION
1999 NON-EMPLOYEE DIRECTORS STOCK INCENTIVE PLAN

(AS AMENDED OCTOBER 18, 2001)

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

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

A. "Board" means the Board of Directors of the Company.

B. "Change of Control" means:

(i) The acquisition by an individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 20% (or, if such shares are purchased from the Company, 40%) or more of either (A) the then outstanding shares of common stock of the Company (the "Outstanding Company Common Stock") or (B) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Company Voting Securities"), provided, however, that any acquisition by (x) the Company or any of its subsidiaries, or any employee benefit plan (or related trust) sponsored or maintained by the Company or any of its subsidiaries or (y) any corporation with respect to which, immediately following such acquisition, more than 60% of, respectively, the then outstanding shares of common stock of such corporation and the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors is then beneficially owned, directly or indirectly, by all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Company Common Stock and

Company Voting Securities immediately prior to such acquisition in substantially the same proportion as their ownership, immediately prior to such acquisition, of the Outstanding Company Common Stock and Company Voting Securities, as the case may be, shall not constitute a Change of Control; or

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

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

(iv) (A) a complete liquidation or dissolution of the Company or (B) sale or other disposition of all or substantially all of the assets of the Company other than to a corporation with respect to which, immediately following such sale or disposition, more than 60% of, respectively, the then outstanding shares of common stock and the combined voting power of the then

outstanding voting securities entitled to vote generally in the election of directors is then beneficially owned, directly or indirectly, in the aggregate by all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Company Common Stock and Company Voting Securities immediately prior to such sale or disposition in substantially the same proportion as their ownership of the Outstanding Company Common Stock and Company Voting Securities, as the case may be, immediately prior to such sale or disposition.

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

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

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

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

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

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

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

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

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

3. ADMINISTRATION.

A. The Board shall administer the Plan. The award of Options under the Plan shall be as described in Section 7. However, the Board shall have all powers vested in it by

the terms of the Plan, including, without limitation, the authority (within the limitations described herein) to prescribe the form of the agreement applicable to evidence the award of Options under the Plan, to construe the Plan, to determine all questions arising under the Plan, and to adopt and amend rules and regulations for the administration of the Plan as it may deem desirable. Any decision of the Board in the administration of the Plan, as described herein, shall be final and conclusive. The Board may act only by a majority of its members in office, except that members thereof may authorize any one or more of their number or any officer of the Company to execute and deliver documents on behalf of the Board.

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

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

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

5. STOCK SUBJECT TO THE PLAN. Subject to Section 10 of the Plan, there shall be reserved for issuance under the Plan an aggregate of 825,000 shares of Company Stock, which shall be treasury shares. Shares granted under the Plan subject to Options that expire or otherwise terminate unexercised may again be subjected to a grant under the Plan. The Board is expressly

authorized to grant an Option to an optionee conditioned upon the surrender for cancellation of an existing Option.

6. NON-STATUTORY STOCK OPTIONS. All Options granted under the Plan shall be non-statutory in nature and shall not be entitled to special tax treatment under IRC Section 422.

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

A. Option Exercise Price. The Option exercise price shall be the Fair Market Value of the shares of Company Stock subject to such Option on the Date of Grant.

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

C. Exercise of Options. An Option shall be exercisable on the terms and conditions determined by the Board; provided, however, that no Option may be exercised:

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

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

instructions to a broker to promptly deliver to the Company the amount of the sale or loan proceeds to pay the exercise price.

D. Change of Control. The Board may, in its discretion, grant Options which by their terms become fully exercisable upon a Change of Control, notwithstanding other conditions on exercisability in the stock option agreement.

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

9. LIMITATION OF RIGHTS.

A. No Right to Continue as a Director. Neither the Plan nor the award of an Option, nor any other action taken pursuant to the Plan, shall constitute or be evidence of any agreement or understanding, express or implied, that the Company will retain any person as a director for any period of time.

B. No Shareholders' Rights Under Options. The Company may place on any certificate representing Company Stock issued upon the exercise of an Option any legend deemed desirable by the Company's counsel to comply with Federal or state securities laws, and the

Company may require of the optionee a customary written indication of his investment intent. Until the optionee has made any required payment and has had issued to him a certificate (whether original, book-entry or otherwise) for the shares of Company Stock acquired, he shall possess no shareholder rights with respect to the shares.

10. CHANGES IN CAPITAL STRUCTURE.

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

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

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

12. GOVERNING LAW. The terms of the Plan shall be governed by the laws of the Commonwealth of Virginia.

EMPLOYMENT AGREEMENT

AGREEMENT, dated this 13th day of July, 1998 (the "Agreement"), among Summit Acceptance Corporation (the "Employer"), and David R. Lawson of 3939 Beltline Road, Suite 400, Dallas, Texas 75244 (the "Employee").

1. Employment. Duties and Agreements.

(a) The Employer hereby agrees to employ the Employee as the Chief Executive Officer of the Employer and the Employee hereby accepts such position and agrees to serve the Employer in such capacity during the employment period fixed by Section 3 hereof (the "Employment Period"). The Employee shall report to the Board of Directors of the Employer (the "Board") or to the Executive Committee of the Board, if any, or any other officer of the Employer as determined by the Board. The Employee's duties and responsibilities shall be commensurate with his position or as determined by the Board or its designee. During the Employment Period, the Employee shall be subject to, and shall act in accordance with, all reasonable instructions and directions of the Board or its designee and all applicable policies and rules thereof as are consistent with the above title.

(b) During the Employment Period and as long as the Employer shall not be in default of a material obligation hereunder, excluding any periods of vacation, holidays, sick leave and other paid or unpaid leaves of absence to which the Employee is entitled, the Employee shall devote his full working time, energy and attention to the performance of his duties and responsibilities hereunder and shall faithfully and diligently endeavor to promote the business and best interests of the Employer.

(c) During the Employment Period, the Employee may not, without the prior written consent of the Board, operate, participate in the management, operations or control of, or act as an employee, officer, consultant, agent or representative of, any type of business or service (other than as an employee of the Employer), provided that it shall not be a violation of the foregoing for the Employee to (i) act or serve as a director, trustee or committee member of any civic or charitable organization, (ii) act or serve as a director or committee member of another business to the extent the Employee serves such business in such capacity as of the Effective Date, provided that such activities do not violate the non-compete covenants of Section 7 hereof or otherwise present any conflict of interest with the Employer and any of its affiliates, and (iii) manage his personal, financial and legal affairs, so long as such activities (described in clauses (i), (ii) and (iii)) do not interfere with the performance of his duties and responsibilities to the Employer as provided hereunder.

2. Compensation.

(a) As compensation for the arrangements made by the Employee herein and the performance by the Employee of his obligations hereunder, during the Employment Period, the Employer shall pay the Employee, not less than once a month pursuant to the Employer's normal and customary payroll procedures, a base salary at the rate of \$240,000 per annum (the "Base Salary"), provided that such base salary shall increase to \$252,000 as of the first anniversary of the Effective Date.

(b) In addition to the Base Salary, during the Employment Period the Employee shall have an opportunity to earn an annual target bonus (the "Bonus") equal to 50% of the Employee's Base Salary. The actual Bonus will be determined by the Board and will be based on individual performance, achievement of Capital One Financial Corporation/Summit Acceptance Corporation integration plan, and performance of the Employer's business.

(c) On the Effective Date (as defined in Section 3 below), the Employee shall be granted an option (the "Option") to purchase 16,000 shares of common stock of Capital One Financial Corporation ("Capital One Common Stock"), par value \$0.01 per share, at a per share exercise price equal to the average of the high and low trading price for Capital One Common Stock as reported on the New York Stock Exchange Composite Transactions Tape on the Effective Date. The terms of the Option shall be governed by the Capital One Financial Corporation 1994 Stock Incentive Plan and the Employee shall be required to execute the forms of Stock Option Grant Agreement attached hereto as Exhibit I (with respect to the portion of the Option that qualifies as an incentive stock option under Section 422 of the Internal Revenue Code) and Exhibit II (with respect to the portion of the Option that is a non-qualified stock option).

(d) During an Employment Period, the Employee shall be entitled to the benefits and perquisites which are made available generally to other similar employees of the Employer or as may be agreed upon by the Board.

3. Employment Period.

The Employment Period shall commence on the Closing Date of the transactions contemplated under the Agreement and Plan of Merger dated July 13, 1998 (the "Merger Agreement") among Capital One Financial Corporation ("Capital One"), S-Acquisition Corp., the Employer and certain other parties (the "Effective Date") and shall terminate on the day preceding the second anniversary of the Effective Date (the "Scheduled Termination Date"); provided, however, that the Employee's employment hereunder may be terminated during the Employment Period prior to the Scheduled Termination Date upon the earliest to occur of the following events (at which time the Employment Period shall be terminated);

(a) Death. The Employee's employment hereunder shall terminate upon his death.

(b) Disability. The Employer shall be entitled to terminate the Employee's employment hereunder for "Disability" if, as a result of the Employee's incapacity due to physical or mental illness, the Employee shall have been unable to perform his duties hereunder or the Employer determines that the Employee will not be able to perform his duties hereunder, for a period of six (6) consecutive months or for 180 days within any 365-day period, and within 30 days after Notice of Termination (as defined in Section 4 below) for Disability is given following such 6-month or 180/365-day period, as the case may be, the Employee shall not have returned to the performance of his duties on a full-time basis. Such inability or incapacity to perform the duties hereunder shall be documented to the reasonable satisfaction of the Board by correspondence from registered physicians reasonably satisfactory to the Board and the Employee.

(c) Cause. The Employer may terminate the Employee's employment hereunder for Cause. For purposes of this Agreement, the term "Cause" shall mean: (i) a material violation by the Employee of this Agreement; (ii) the failure by the Employee to substantially perform his duties hereunder (other than as a result of physical or mental illness or injury), after the Board delivers to the Employee a written demand for substantial performance that specifically identifies the manner in which the Board believes that the Employee has not substantially performed the Employee's duties and the Employee fails to cure the existing problem within 30 days; (iii) the Employee's willful misconduct or gross negligence which is materially injurious to the Employer; or (iv) the commission by the Employee of a felony or other serious crime involving moral turpitude. If, subsequent to the Employee's termination of employee hereunder for other than Cause, it is discovered that the Employee's employment could have been terminated for Cause, the Employee's employment shall, at the election of the Employer, be deemed to have been terminated for Cause retroactively to the date the events giving rise to Cause occurred.

(d) Without Cause. The Employer may terminate the Employee's employment hereunder without Cause.

(e) Voluntary Termination. The Employee may voluntarily terminate his employment under this Agreement at any time by providing at least 60 days' prior written notice to the Employer. In such event, the Employee shall be entitled to receive his unpaid Base Salary accrued up to the date of such termination and the Employer shall not have any further obligations hereunder.

4. Termination Procedure.

(a) Notice of Termination. Any termination of the Employee's employment by the Employer or by the Employee during the Employment Period (other than termination pursuant to Section 3(a)) shall be communicated by written "Notice of

Termination" to the other party hereto in accordance with Section 9(a). For purposes of this Agreement, a Notice of Termination shall mean a notice which shall indicate the specific termination provision in this Agreement relied upon and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Employee's employment under the provision so indicated and shall attach any prior notices required under Section 3.

(b) Date of Termination. "Date of Termination" shall mean (i) if the Employee's employment is terminated by his death, the date of his death, (ii) if the Employee's employment is terminated pursuant to Section 3(b), thirty (30) days after Notice of Termination and (iii) if the Employee's employment is terminated for any other reason, the date on which a Notice of Termination is given or any later date (within thirty (30) days, or any alternative time period agreed upon by the parties, after the giving of such notice) set forth in such Notice of Termination.

5. Termination Payments.

(a) Without Cause. In the event of the termination of the Employee's employment during the Employment Period by the Employer without Cause, the Employer shall continue to pay, in accordance with the Employer's normal and customary payroll procedures, the Employee's Base Salary through the Scheduled Termination Date and shall pay any unpaid Bonus for each year in the two year period covered by this Agreement as if 100% of the target Bonus had been achieved on the date such Bonus would have otherwise been paid for such year; provided that the Employer's obligation to pay any termination payments hereunder shall be contingent upon the Employee executing a valid release and waiver of all claims.

(b) Cause, Death or Disability. If the Employee's employment is terminated during the Employment Period by the Employer for Cause or as a result of the Employee's death or Disability, the Employer shall pay to the Employee or the Employee's estate or legal representative in the event of his death any unpaid Base Salary accrued up to the date of such termination. The Employer shall have no additional obligations under this Agreement.

6. Non-Disclosure. The Employee acknowledges that during the course of the Employee's employment, he has had, and/or will have, access to confidential information regarding the Employer and Capital One and their respective customers and trade secrets (including, but not limited to, information relating to the Employer's business of acquiring and managing auto finance receivables and Capital One's business of acquiring and managing credit card accounts and accounts relating to other consumer products and services) which, if released, would cause substantial and irreparable harm to the business interests of the Employer and Capital One. The Employee agrees that all information pertaining to prior, current or contemplated business of the Employer and/or Capital One (excluding (a) publicly available information (in substantially the form in which it is publicly available) unless such information is publicly available by reason of unauthorized disclosure and (b) information of a general nature not pertaining exclusively

to the Employer and/or Capital One which would be generally acquired in similar employment with another employer) constitute valuable and confidential assets of the Employer. Such information includes, without limitation, information related to the Employer's auto finance business and Capital One's credit card and other information-based consumer marketing businesses, such as the Employer's or Capital One's business plans and strategies, products, test results, discoveries, customer lists, databases, computer programs, frameworks, models, credit policies and practices, collections, recoveries and repossession policies and practices and marketing, selling and operating policies and practices with respect to the identity, solicitation, acquisition, management, resale or cancellation of auto finance receivables, credit card accounts and/or other consumer product and/or service accounts. The Employee shall hold all such information in trust and confidence for the Employer and Capital One shall not use or disclose any such information for other than the Employer's business, and shall be liable for damages incurred by the Employer and Capital One as a result of disclosure of such information by the Employee for any purpose other than the Employer's business, either during the Employee's employment or after the Employee's employment terminates for whatever reason.

7. Non-Compete: Non-Solicitation.

(a) In consideration of the Employer's willingness to enter into this Agreement and provide the payments and benefits provided hereunder and in consideration of Capital One's willingness to effect the acquisition, acquire all outstanding shares of Summit Common Stock held by the Employee and convert all Summit Options held by the Employee into Capital One Options, the Employee agrees not to engage in the following:

(i) directly or indirectly, whether or not for compensation, participate in the ownership, management, operation or control of, or otherwise render any service to, any Auto Finance Competitor (as hereunder defined) or be employed by or perform consulting services for any Auto Finance Competitor during the Employment Period and continuing for a period ending two (2) years following the later of the Scheduled Termination Date or the Employee's termination of employment, provided that the ownership for investment purposes of not more than five percent (5%) of the total outstanding equity securities of a publicly-traded company shall not violate this provision;

(ii) directly or indirectly, whether or not for compensation, participate in the ownership, management, operation or control of, or otherwise render any service to, any Credit Card Competitor (as hereunder defined) or be employed by or perform consulting services for any Credit Card Competitor during the Employment Period and continuing for a period ending two (2) years following the later of the Scheduled Termination Date or the Employee's termination of employment, provided that the ownership for investment purposes of not more than five percent (5%) of the total outstanding equity securities of a publicly-traded company shall not violate this provision;

(iii) directly or indirectly, solicit any Customer (as hereinafter defined) of the Employer or any former or prospective Customer of the Employer with a view to inducing such Customer to enter into an agreement or otherwise do business with any Competitor (as hereinafter defined) with respect to the Employer's business, or attempt to induce any such Customer to terminate its relationship with the Employer or to not enter into a relationship with the Employer, as the case may be for a period of two (2) years following the later of the Scheduled Termination Date or the Employee's termination of employment; or

(iv) offer employment to any employee of the Employer or attempt to induce any such employee to leave the employ of the Employer for a period of two (2) years following the later of the Scheduled Termination Date or the Employee's termination of employment.

(b) For purposes of this Section 7:

(i) An "Auto Finance Competitor" is any corporation, firm, partnership, proprietorship or other entity which engages in the business of acquiring and/or managing auto finance receivables in the United States or any other country where the Employer or one of its affiliates is engaged in the auto finance business at the Scheduled Termination Date or Employee's termination of employment.

(ii) A "Credit Card Competitor" is any corporation, firm, partnership, proprietorship or other entity which engages in the business of acquiring and/or managing credit card accounts, whether secured or unsecured, in the United States, Canada, the United Kingdom or any other country where Capital One or one of its affiliates is engaged in the credit card business at the Scheduled Termination Date or the Employee's termination of employment.

Any references to the term "Competitor" shall collectively include Auto Finance Competitor and Credit Card Competitor.

(iii) A "Customer" shall mean (1) any person or entity who sells, purchases or in any way utilizes the products or services of the Employer or (2) any person or entity who has an active business relationship with, and has referred business to, the Employer.

8. Third Party Beneficiary Right: Enforcement. The Employee hereby agrees and acknowledges that his obligations under Section 6 and 7 hereof are for the benefit of the Employer and Capital One and Capital One shall have the right to enforce such provisions hereof to the same extent and in the same manner as the Employer.

The parties hereto hereby declare that it is impossible to measure in money the damages which will accrue to the Employer and/or Capital One by reason of a failure

by the Employee to perform any of his obligations under the Sections 6 and 7. Accordingly, if the Employer and/or Capital One institutes any action or proceeding to enforce the provisions hereof, to the extent permitted by applicable law, the Employee hereby waives the claim or defense that the Employer and/or Capital One has an adequate remedy at law, and the Employee shall not urge in any such action or proceeding the defense that any such remedy exists at law. Section 6, 7 and 8 shall survive the termination of the Employment Period.

9. Miscellaneous.

(a) Any notice or other communication required or permitted under this Agreement shall be effective only if it is in writing and delivered personally or sent by registered or certified mail, postage prepaid, addressed as follows (or if it is sent through any other method agreed upon by the parties):

If to the Employer:

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

Attention: Senior Vice President (Human Resources)
and General Counsel

If to the Employee:

At the address first written above.

or to such other address as any party hereto may designate by notice to the others, and shall be deemed to have been given upon receipt.

(b) This Agreement by and between the Employee and the Employer and the forms of Stock Option Grant Agreement attached hereto as Exhibits I and II, constitute the entire agreement among the parties hereto with respect to the Employee's employment, and supersedes and is in full substitution for any and all prior understandings or agreements with respect to the Employee's employment.

(c) This Agreement may be amended only by an instrument in writing signed by the parties hereto, and any provision hereof may be waived only by an instrument in writing signed by the party or parties against whom or which enforcement of such waiver is sought. The failure of any party hereto at any time to require the performance by any other party hereto of any provision hereof shall in no way affect the full right to require such performance at any time thereafter, nor shall the waiver by any

party hereto of a breach of any provision hereof be taken or held to be a waiver of any succeeding breach of such provision or a waiver of the provision itself or a waiver of any other provision of this Agreement.

(d) (i) This Agreement is binding on and is for the benefit of the parties hereto and their respective successors, heirs, executors, administrators and other legal representatives. Neither this Agreement nor any right or obligation hereunder may be assigned by the Employee.

(ii) The Employer shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Employer expressly to assume and agree to perform this Agreement in the same manner and to the same extent that the Employer would have been required to perform it if no such succession had taken place. As used in the Agreement, "the Employer" shall mean both the Employer as defined above and any such successor that assumes and agrees to perform this Agreement, by operation of law or otherwise.

(e) If any provision of this Agreement or portion thereof is so broad, in scope or duration, so as to be unenforceable, such provision or portion thereof shall be interpreted to be only so broad as is enforceable.

(f) The Employer may withhold from any amounts payable to the Employee hereunder all federal, state, city or other taxes that the Employer may reasonably determine are required to be withheld pursuant to any applicable law or regulation.

(g) THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS, WITHOUT REFERENCE TO ITS PRINCIPLES OF CONFLICTS OF LAW.

(h) This Agreement may be executed in several counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same instrument.

(i) The headings in this Agreement are inserted for convenience of reference only and shall not be a part of or control or affect the meaning of any provision hereof.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

SUMMIT ACCEPTANCE CORPORATION

/s/ David R. Lawson

Name: David R. Lawson
Title: CEO

/s/ David R. Lawson

David R. Lawson

AMENDMENT TO EMPLOYMENT AGREEMENT

THIS AMENDMENT TO EMPLOYMENT AGREEMENT (the "Amendment") is entered into effective as of the 27 day of July, 2000 (the "Effective Date"), by and between SUMMIT ACCEPTANCE CORPORATION, a Texas corporation (the "Employer"), and DAVID R. LAWSON ("Employee").

WHEREAS, Employee and Employer entered into an Employment Agreement dated as of July 13, 1998, (the "Original Employment Agreement"); and

WHEREAS, pursuant to Section 8 of the Original Employment Agreement, Employee agreed that his obligations under Sections 6 ("Non-Disclosure") and 7 ("Non-Compete; Non Solicitation") of the Original Employment Agreement were for the benefit of Summit and Capital One Financial Corporation ("Capital One"), and that the Employer and Capital One shall have the right to enforce such provisions; and

WHEREAS, Employer and Employee desire to amend the Original Employment Agreement.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

1. The first paragraph of Section 3 of the Original Employment Agreement is hereby deleted in its entirety and replaced as provided below:

"3. Employment Period.

The Employment Period shall commence upon the Effective Date of the Amendment to Employment Agreement, as the term is defined therein, and shall terminate on the day preceding the first anniversary of the Effective Date of the Amendment to Employment Agreement (the "Scheduled Termination Date"); provided, however, that the Employee's employment hereunder may be terminated during the Employment Period prior to the Scheduled Termination Date upon the earliest to occur of the following events (at which time the Employment Period shall be terminated):"

Subsections 3(a)-(e) shall remain as written.

The following paragraph shall be added at the end of Section 3:

"This Agreement shall be automatically renewed for a one-year period ("Renewal Term"), unless this Agreement is terminated by either party at least 30 days prior to the end of the term of this Agreement, or is otherwise terminated pursuant to Section 3 of the Original Employment Agreement. The Renewal Term will continue from year-to-year unless either party terminates the Agreement at least 30 days prior to the expiration of any Renewal Term, or

otherwise terminates the Agreement pursuant to Section 3 of the Original Employment Agreement."

2. The first paragraph of Section 7(a) of the Original Employment Agreement is hereby deleted in its entirety and replaced as provided below:

"7. Non-Compete: Non-Solicitation

(a) In consideration of the Employer's willingness to enter into this Agreement and provide the payments, benefits, confidential information, and special training provided hereunder, the Employee agrees not to engage in the following:"

3. Section 9(b) of the Original Employment Agreement is hereby deleted in its entirety and replaced as provided below:

"(b) This Agreement by and between the Employee and the Employer and the forms of Stock Option Grant Agreement attached hereto as Exhibits I and II, together with the Amendment to Employment Agreement executed on July 13, 1998, constitute the entire agreement among the parties hereto with respect to the Employee's employment, and supersedes and is full substitution for any and all prior understandings or agreements with respect to the Employee's employment."

Employee specifically acknowledges that the Employee's obligations of non-disclosure, non-competition, and non-solicitation apply to protect all confidential information received or learned by him, directly or indirectly, during the initial term of the Original Employment Agreement and thereafter.

Except as otherwise amended pursuant to this Amendment, the terms and conditions of the Original Employment Agreement shall remain in full force and effect, and shall survive the execution of this Amendment. If any inconsistency or conflict between the terms of this Amendment and the Original Employment Agreement shall exist, this Amendment shall control.

IN WITNESS WHEREOF, this Amendment has been executed by the duly authorized representatives of each of the parties effective as of the date first written above.

EMPLOYER:
SUMMIT ACCEPTANCE CORPORATION

EMPLOYEE:

By: _____

/s/ David R. Lawson

CAPITAL ONE FINANCIAL CORPORATION

1994 STOCK INCENTIVE PLAN

(AS AMENDED SEPTEMBER 19, 2002)

1. PURPOSE. The purpose of the Capital One Financial Corporation 1994 Stock Incentive Plan (the "Plan") is to further the long term stability and financial success of Capital One Financial Corporation (the "Company") by attracting and retaining key employees of the Company through the use of stock incentives. It is believed that ownership of Company Stock will stimulate the efforts of those employees of the Company upon whose judgment and interest the Company is and will be largely dependent for the successful conduct of its business. It is also believed that Awards granted to such employees under this Plan will strengthen their desire to remain with the Company and will further the identification of those employees' interests with those of the Company's shareholders. The Plan was adopted by the Board of Directors and approved by the Company's sole shareholder on October 28, 1994.

The Plan is intended to satisfy the requirements of Securities and Exchange Commission Rule 16b-3 ("Rule 16b-3").

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

(a) "Award" means, collectively, the award of an Option, Stock Appreciation Right, Restricted Stock or Incentive Stock under the Plan.

(b) "Board" means the board of directors of the Company.

(c) "Change of Control" means:

(i) The acquisition by an individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 20% (or, if such shares are purchased from the Company, 40%) or more of either (A) the then outstanding shares of common stock of the Company (the "Outstanding Company Common Stock") or (B) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Company Voting Securities"), provided, however, that any acquisition by (x) the Company or any of its subsidiaries, or any employee benefit plan (or related trust) sponsored or maintained by the Company or any of its subsidiaries or (y) any corporation with respect to which, immediately following such acquisition, more than 60% of, respectively, the then outstanding shares of common stock of such corporation and the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors is then beneficially owned, directly or indirectly, by all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Company Common Stock and Company Voting Securities immediately prior to such acquisition in substantially the same proportion as their ownership, immediately prior to such acquisition, of the Outstanding Company

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

(ii) Individuals who constitute the Board as of September 1, 1995 (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board, provided that any individual becoming a director subsequent to September 1, 1995 whose appointment to fill a vacancy or to fill a new Board position or whose nomination for election by the Company's shareholders was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office is in connection with an actual or threatened election contest relating to the election of the Directors of the Company (as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Exchange Act); or

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

as the case may be, of the corporation resulting from such Business Combination in substantially the same proportion as their ownership immediately prior to such Business Combination of the Outstanding Company Common Stock and Company Voting Securities, as the case may be; or

(iv) (A) a complete liquidation or dissolution of the Company or (B) sale or other disposition of all or substantially all of the assets of the Company other than to a corporation with respect to which, immediately following such sale or disposition, more than 60% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors is then beneficially owned, directly or indirectly, in the aggregate by all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Company Common Stock and Company Voting Securities immediately prior to such sale or disposition in substantially the same proportion as their ownership of the Outstanding Company Common Stock and Company Voting Securities, as the case may be, immediately prior to such sale or disposition.

(v) Neither the sale of Company common stock in an initial public offering, nor the distribution of Company common stock by Capital One Financial Corporation's parent corporation to its shareholders in a transaction to which Section 355 of the Internal Revenue Code applies, nor any restructuring of the

Company or its Board of Directors in contemplation of or as the result of either of such events, shall constitute a Change of Control.

(d) "Code" means the Internal Revenue Code of 1986, as amended.

(e) "Company" means Capital One Financial Corporation, a Delaware corporation.

(f) "Company Stock" means Common Stock of the Company. If the par value of the Company Stock is changed, or in the event of a change in the capital structure of the Company (as provided in Section 15), the shares resulting from such a change shall be deemed to be Company Stock within the meaning of the Plan.

(g) "Date of Grant" means the date on which an Award is granted by the Committee or such later date specified by the Committee as the date as of which the Award is to be effective.

(h) "Disability" or "Disabled" means, as to an Incentive Stock Option, a Disability within the meaning of Code section 22(e)(3). As to all other Awards, the Committee shall determine whether a Disability exists and such determination shall be conclusive.

(i) "Distribution" means the distribution of the Company's common stock to shareholders of the Company's parent corporation in a transaction to which Code Section 355 applies.

(j) "Distribution Date" means the date on which the Distribution occurs.

(k) "Fair Market Value" means, on the date shares of the Company Stock are offered in an initial public offering, the offering price, and on any given date thereafter,

the average of the high and low price on such date as reported on The New York Stock Exchange-Composite Transactions Tape. In the absence of any such sale, fair market value means the average of the highest bid and lowest asked prices of a share of Company Stock on such date as reported by such source. In the absence of such average or if shares of Company Stock are no longer traded on The New York Stock Exchange, the fair market value shall be determined by the Committee using any reasonable method in good faith.

(l) "Incentive Stock" means Company Stock awarded when performance goals are achieved pursuant to an incentive plan as provided in Section 9.

(m) "Incentive Stock Option" means an Option intended to meet the requirements of, and qualify for favorable Federal income tax treatment under, Code section 422.

(n) "Insider" means a person subject to Section 16(b) of the Securities Exchange Act of 1934.

(o) "Nonstatutory Stock Option" means an Option, which does not meet the requirements of Code section 422, or even if meeting the requirements of Code section 422, is not intended to be an Incentive Stock Option and is so designated.

(p) "Option" means a right to purchase Company Stock granted under the Plan, at a price determined in accordance with the Plan.

(q) "Parent" means, with respect to any corporation, a "parent corporation" of that corporation within the meaning of Code section 424(e).

(r) "Participant" means any employee who receives an Award under the Plan.

(s) "Reload Feature" means a feature of an Option described in an employee's stock option agreement that provides for the automatic grant of a Reload Option in accordance with the provisions described in Section 10(d).

(t) "Reload Option" means an Option granted to an employee equal to the number of shares of already owned Company Stock delivered by the employee to exercise an Option described in Section 10(d).

(u) "Restricted Stock" means Company Stock awarded upon the terms and subject to the restrictions set forth in Section 8.

(v) "Restricted Stock Award" means an award of Restricted Stock granted under the Plan.

(w) "Retirement" means the termination of employment of any Participant who either: (a) has attained his or her 62nd birthday and has served as an employee of the Company or its subsidiaries for at least five consecutive years prior to such termination of employment; or (b) has attained his or her 55th birthday and has served as an employee of the Company or its subsidiaries for at least ten consecutive years prior to such termination of employment.

(x) "Rule 16b-3" means Rule 16b-3 of the Securities Exchange Act of 1934. A reference in the Plan to Rule 16b-3 shall include a reference to any corresponding rule (or number redesignation) of any amendments to Rule 16b-3 enacted after the effective date of the Plan's adoption.

(y) "Stock Appreciation Right" means a right granted under the Plan to receive from the Company amounts in cash or shares of Company Stock upon the surrender of an Option.

(z) "Stock Option Committee" or "Committee" means the committee appointed by the Board as described under Section 16.

(aa) "Subsidiary" means, with respect to any corporation, a "subsidiary corporation" of that corporation within the meaning of Code section 424(f).

(bb) "10% Shareholder" means a person who owns, directly or indirectly, stock possessing more than 10% of the total combined voting power of all classes of stock of the Company or any Parent or Subsidiary of the Company. Indirect ownership of stock shall be determined in accordance with Code section 424(d).

3. GENERAL. The following types of Awards may be granted under the Plan: Options, Stock Appreciation Rights, Restricted Stock or Incentive Stock. Options granted under the Plan may be Incentive Stock Options or Nonstatutory Stock Options.

4. STOCK. Subject to Section 15 of the Plan, there shall be reserved for issuance under the Plan an aggregate of 67,112,640 shares of Company Stock, of which 41,612,640 shares (the "Existing Reserve") may be used for the grant of any Award and 25,500,000 shares (the "New Reserve") may be used for the grant of any Award except Incentive Stock Options, which shall be authorized, but unissued shares. Shares granted under the Plan that expire or otherwise terminate unexercised and shares forfeited pursuant to restrictions on Restricted Stock or Incentive Stock may again be subjected to an Award under the Plan. The Committee is expressly authorized to make an Award to a Participant conditioned upon the surrender for cancellation of

an existing Award. For purposes of determining the number of shares that are available for Awards under the Plan, such number shall include the number of shares surrendered by a Participant or retained by the Company in payment of (a) the exercise price of a Nonstatutory Stock Option or an Incentive Stock Option; or (b) federal and state income tax withholding liabilities upon exercise of a Nonstatutory Stock Option or Stock Appreciation Right, or the granting or vesting of a Restricted Stock Award.

5. ELIGIBILITY.

(a) Any employee of the Company (or Parent or Subsidiary of the Company) who, in the judgment of the Committee has contributed or can be expected to contribute to the profits or growth of the Company (or Parent or Subsidiary) shall be eligible to receive Awards under the Plan. Directors of the Company who are employees and are not members of the Committee are eligible to participate in the Plan. The Committee shall have the power and complete discretion, as provided in Section 16, to select eligible employees to receive Awards and to determine for each employee the terms and conditions, the nature of the award and the number of shares to be allocated to each employee as part of each Award.

(b) The grant of an Award shall not obligate the Company or any Parent or Subsidiary of the Company to pay an employee any particular amount of remuneration, to continue the employment of the employee after the grant or to make further grants to the employee at any time thereafter.

6. STOCK OPTIONS.

(a) Whenever the Committee deems it appropriate to grant Options, notice shall be given to the eligible employee stating the number of shares for which Options are granted, the Option price per share, whether the Options are Incentive Stock Options or Nonstatutory Stock Options, the extent to which Stock Appreciation Rights are granted (as provided in Section 7), and the conditions to which the grant and exercise of the Options are subject. This notice shall constitute the stock option agreement between the Company and the eligible employee.

(b) The exercise price of shares of Company Stock covered by an Option shall be not less than 100% of the Fair Market Value of such shares on the Date of Grant. If the employee is a 10% Shareholder and the Option is an Incentive Stock Option, the exercise price shall be not less than 110% of the Fair Market Value of such shares on the Date of Grant.

(c) Options may be exercised in whole or in part at such times as may be specified by the Committee in the employee's stock option agreement; provided that the exercise provisions for Incentive Stock Options shall in all events not be more liberal than the following provisions:

(i) No Incentive Stock Option may be exercised after the first to occur of (x) ten years (or, in the case of an Incentive Stock Option granted to a 10% Shareholder, five years) from the Date of Grant, (y) three months from the employee's Retirement or termination of employment with the Company and its Parent and Subsidiary corporations for reasons other than Disability or death, or

(z) one year from the employee's termination of employment on account of Disability or death.

(ii) Except as otherwise provided in this paragraph, no Incentive Stock Option may be exercised unless the employee is employed by the Company or a Parent or Subsidiary of the Company at the time of the exercise (or was so employed not more than three months before the time of the exercise) and has been employed by the Company or a Parent or Subsidiary of the Company at all times since the Date of Grant. If an employee's employment is terminated other than by reason of his Disability or death at a time when the employee holds an Incentive Stock Option that is exercisable (in whole or in part), the employee may exercise any or all of the exercisable portion of the Incentive Stock Option (to the extent exercisable on the date of termination) within three months after the employee's termination of employment. If an employee's employment is terminated by reason of his death or Disability at a time when the employee holds an Incentive Stock Option, the Incentive Stock Option shall immediately become fully exercisable and may be exercised within one year after the employee's termination due to death or Disability by the employee or the person to whom the employee's rights under the Stock Incentive Option shall have passed by will or by the laws of descent and distribution.

(iii) An Incentive Stock Option by its terms, shall be exercisable in any calendar year only to the extent that the aggregate Fair Market Value (determined at the Date of Grant) of the Company Stock with respect to which incentive stock

options are exercisable for the first time during the calendar year does not exceed \$100,000 (the "Limitation Amount"). Incentive Stock Options granted under the Plan and similar incentive options granted after 1986 under all other plans of the Company and any Parent or Subsidiary of the Company shall be aggregated for purposes of determining whether the Limitation Amount has been exceeded. The Board may impose such conditions as it deems appropriate on an Incentive Stock Option to ensure that the foregoing requirement is met. If Incentive Stock Options that first become exercisable in a calendar year exceed the Limitation Amount, the excess Options will be treated as Nonstatutory Stock Options to the extent permitted by law.

(d) The Committee may, in its discretion, grant Options which by their terms become fully exercisable upon a Change of Control or Retirement, notwithstanding other conditions on exercisability in the stock option agreement.

(e) The maximum number of shares with respect to which Nonstatutory Options or Stock Appreciation Rights may be granted in any calendar year to an employee eligible to participate in the Plan is as follows: the Chief Executive Officer, 4,500,000; each of the next four most highly compensated employees, 3,000,000; each other eligible employee, 1,500,000.

(f) The Committee may, in its discretion, grant Options containing or amend Options previously granted to provide for a Reload Feature subject to the limitations of Section 10(d).

(g) Notwithstanding paragraph (c) above, the Committee may, in its discretion, amend a previously granted Incentive Stock Option to provide for more liberal exercise provisions; provided however if the Incentive Stock Option as amended no longer meets the requirements of Code section 422, and as a result such Option no longer qualifies for favorable Federal income tax treatment under Code section 422, the amendments shall not become effective without the written consent of the Participant and provided further that no Incentive Stock Option may be exercised after ten (10) years (or, in the case of an Incentive Stock Option granted to a 10% Shareholder, five (5) years) from the Date of Grant.

7. STOCK APPRECIATION RIGHTS.

(a) Whenever the Committee deems it appropriate, Stock Appreciation Rights may be granted in connection with all or any part of an Incentive Stock Option. At the discretion of the Committee, Stock Appreciation Rights may also be granted in connection with all or any part of a Nonstatutory Stock Option, either concurrently with the grant of the Nonstatutory Stock Option or at any time thereafter during the term of the Nonstatutory Stock Option. The following provisions apply to all Stock Appreciation Rights that are granted in connection with Options:

(i) Stock Appreciation Rights shall entitle the employee, upon exercise of all or any part of the Stock Appreciation Rights, to surrender to the Company unexercised that portion of the underlying Option relating to the same number of shares of Company Stock as is covered by the Stock Appreciation Rights (or the portion of the Stock Appreciation Rights so exercised) and to receive in exchange from the Company an amount in cash or shares of Company Stock (as provided in the Stock Appreciation Right) equal to the excess of (x) the

Fair Market Value on the date of exercise of the Company Stock covered by the surrendered portion of the underlying Option over (y) the exercise price of the Company Stock covered by the surrendered portion of the underlying Option. The Committee may limit the amount that the employee will be entitled to receive upon exercise of the Stock Appreciation Right.

(ii) Upon the exercise of a Stock Appreciation Right and surrender of the related portion of the underlying Option, the Option, to the extent surrendered, shall not thereafter be exercisable.

(iii) Subject to any further conditions upon exercise imposed by the Committee, a Stock Appreciation Right issued in tandem with an Option shall be exercisable only to the extent that the related Option is exercisable and shall expire no later than the date on which the related Option expires.

(iv) A Stock Appreciation Right may only be exercised at a time when the Fair Market Value of the Company Stock covered by the Stock Appreciation Right exceeds the exercise price of the Company Stock covered by the underlying Option.

(b) The manner in which the Company's obligation arising upon the exercise of a Stock Appreciation Right shall be paid shall be determined by the Committee and shall be set forth in the employee's Option or the related Stock Appreciation Rights agreement. The Committee may provide for payment in Company Stock or cash, or a fixed combination of Company Stock or cash, or the Committee may reserve the right to determine the manner of payment at the time the Stock Appreciation Right is exercised. Shares of Company Stock issued

upon the exercise of a Stock Appreciation Right shall be valued at their Fair Market Value on the date of exercise.

8. RESTRICTED STOCK AWARDS.

(a) Whenever the Committee deems it appropriate to grant a Restricted Stock Award, notice shall be given to the Participant stating the number of shares of Restricted Stock for which the Restricted Stock Award is granted and the terms and conditions to which the Restricted Stock Award is subject. This notice, when accepted by the Participant shall become an award agreement between the Company and the Participant and certificates representing the shares shall be issued and delivered to the Participant, or electronic transfer of the shares shall be made to an account established for the benefit of the Participant. A Restricted Stock Award may be made by the Committee in its discretion without cash consideration.

(b) Restricted Stock issued pursuant to the Plan shall be subject to the following restrictions:

(i) Unless otherwise provided by the Committee, Restricted Stock may not be sold, assigned, transferred or disposed of within a six-month period beginning on the Date of Grant.

(ii) None of such shares may be sold, assigned, transferred, pledged, hypothecated, or otherwise encumbered or disposed of until the restrictions on such shares shall have lapsed or shall have been removed pursuant to paragraph (d) or (e) below.

(iii) If a Participant ceases to be employed by the Company or a Parent or Subsidiary of the Company, the Participant shall forfeit to the Company any

shares of Restricted Stock, the restrictions on which shall not have lapsed or shall not have been removed pursuant to paragraph (d) or (e) below, on the date such Participant ceases to be so employed.

(c) Upon the acceptance by a Participant of a Restricted Stock Award, such Participant shall, subject to the restrictions set forth in paragraph (b) above, have all the rights of a shareholder with respect to the shares of Restricted Stock subject to such Restricted Stock Award, including, but not limited to, the right to vote such shares of Restricted Stock and the right to receive all dividends and other distributions paid thereon. Certificates representing Restricted Stock shall bear a legend referring to the restrictions set forth in the Plan and the Participant's award agreement.

(d) The Committee shall establish as to each Restricted Stock Award the terms and conditions upon which the restrictions set forth in paragraph (b) above shall lapse. Such terms and conditions may include, without limitation, the passage of time, the meeting of performance goals, the lapsing of such restrictions as a result of the Disability, death or Retirement of the Participant, or the occurrence of a Change of Control.

(e) Notwithstanding the forfeiture provisions of paragraph (b)(iii) above, the Committee may at any time, in its sole discretion, accelerate the time at which any or all restrictions will lapse or remove any and all such restrictions.

(f) Each Participant shall agree at the time his Restricted Stock Award is granted, and as a condition thereof, to pay to the Company, or make arrangements satisfactory to the Company regarding the payment to the Company of, the aggregate amount of any Federal, state or local taxes of any kind required by law to be withheld with respect to the shares of

Restricted Stock subject to the Restricted Stock Award. Until such amount has been paid or arrangements satisfactory to the Company have been made, no stock certificate free of a legend reflecting the restrictions set forth in paragraph (b) above shall be issued to such Participant.

(g) The Company may place on any certificate representing Company Stock issued in connection with an Incentive Award any legend deemed desirable by the Company's counsel to comply with Federal or state securities laws, and the Company may require a customary written indication of the Participant's investment intent.

(h) To the extent that the foregoing provisions of this Section 8 relate to the issuance and delivery of physical certificates representing Restricted Stock, with or without the legends referenced above, such provisions shall permit and apply equally to any electronic account entry representing shares of Restricted Stock, as such may be coded to reflect the content of such legends that would otherwise appear on such physical certificates.

9. INCENTIVE STOCK AWARDS.

(a) Incentive Stock may be issued pursuant to the Plan in connection with incentive programs established from time to time by the Committee when performance criteria established by the Committee as part of the incentive program have been achieved. If the objectives established by the Committee as a prerequisite to the receipt of Incentive Stock have not been achieved, no stock will be issued, except as provided in (c). A Participant eligible for the receipt or issuance of incentive shares will have no rights as a stockholder before actual receipt of the Incentive Stock.

(b) Whenever the Committee deems it appropriate, the Committee may establish an incentive program and notify Participants of their participation in and the terms of

the incentive program. More than one incentive program may be established by the Committee and they may operate concurrently or for varied periods of time and a Participant may be permitted to participate in more than one incentive program at the same time. Incentive Stock will be issued only subject to the incentive program and the Plan and consistent with meeting the performance goals set by the Committee. Incentive Stock may be issued without cash consideration.

(c) The Committee may provide in the incentive program, or subsequently, that Incentive Stock will be issued if a Change of Control occurs even though the performance goals set by the Committee have not been met.

(d) A Participant's interest in an incentive program may not be sold, assigned, transferred, pledged, hypothecated, or otherwise encumbered.

(e) Each Participant shall agree as a condition of his participation in an incentive program and the receipt of Incentive Stock, to pay to the Company, or make arrangements satisfactory to the Company regarding the payment to the Company of, the aggregate amount of any Federal, state or local taxes of any kind required by law to be withheld with respect to the shares of Incentive Stock received. Until such amount has been paid or arrangements satisfactory to the Company have been made, no stock certificate free of a legend reflecting the restrictions set forth in paragraph (b) above shall be issued to such Participant.

(f) The Company may place on any certificate representing Company Stock issued in connection with an Incentive Award any legend deemed desirable by the Company's counsel to comply with Federal or state securities laws, and the Company may require a customary written indication of the Participant's investment intent.

10. METHOD OF EXERCISE OF OPTIONS AND STOCK APPRECIATION RIGHTS.

(a) Options and Stock Appreciation Rights may be exercised by the employee giving written notice of the exercise to the Company, stating the number of shares the employee has elected to purchase under the Option or the number of Stock Appreciation Rights he has elected to exercise. In the case of the purchase of shares under an Option, such notice shall be effective only if accompanied by the exercise price in full in cash; provided that if the terms of an Option so permit, the employee may (i) deliver Company Stock that the Participant has owned for at least six (6) months (valued at Fair Market Value on the date of exercise) in satisfaction of all or any part of the exercise price, (ii) deliver a properly executed exercise notice together with irrevocable instructions to a broker to promptly deliver to the Company the amount of the sale or loan proceeds to pay the exercise price, or (iii) deliver an interest bearing promissory note, payable to the Company, in payment of all or part of the exercise price together with such collateral as may be required by the Committee at the time of exercise. The interest rate under any such promissory note shall be equal to the minimum interest rate required at the time to avoid imputed interest to the Participant under the Code.

(b) Options and Stock Appreciation Rights may also be exercised by the employee in accordance with any other method or methods of exercise as may be approved from time to time by the Committee;

(c) The Company may place on any certificate representing Company Stock issued upon the exercise of an Option or Stock Appreciation Right any legend deemed desirable by the Company's counsel to comply with Federal or state securities laws, and the Company may require of the employee a customary written indication of his investment intent. Until the

employee has made any required payment, including any applicable Federal, state and local withholding taxes, and has had issued to him a certificate for the shares of Company Stock acquired, he shall possess no shareholder rights with respect to the shares.

(d) If an employee exercises an Option that has a Reload Feature by delivering already owned shares of Company Stock, the employee shall automatically be granted a Reload Option. The Reload Option shall be subject to the following provisions:

(i) The Reload Option shall cover the number of shares of Company Stock delivered by the employee to the Company to exercise the Option with the Reload Feature;

(ii) The Reload Option will not have a Reload Feature;

(iii) The exercise price of shares of Company Stock covered by a Reload Option shall be 100% of the Fair Market Value of such shares on the date the employee delivers shares of Company Stock to the Company to exercise the Option that has a Reload Feature;

(iv) The Reload Option shall be subject to the same restrictions on exercisability as those imposed on the underlying Option (possessing the Reload Feature);

(v) The Reload Option shall not be exercisable until the expiration of any retention holding period imposed on the disposition of any shares of Company Stock covered by the underlying Option (possessing the Reload Feature).

The Committee may, in its discretion, cause the Company to place on any certificate representing Company Stock issued to a Participant upon the exercise of an underlying Option (possessing a

Reload Feature as evidenced by the stock option agreement for such Option) delivered pursuant to this subsection (d), a legend restricting the sale or other disposition of such Company Stock.

(e) Notwithstanding anything herein to the contrary, Awards shall always be granted and exercised in such a manner as to conform to the provisions of Rule 16b-3, or any replacement rule adopted, as the same now exists or may, from time to time, be amended.

11. APPLICABLE WITHHOLDING TAXES. As an alternative to making a cash payment to the Company to satisfy tax withholding obligations, the Committee may establish procedures permitting the Participant to elect to (a) deliver shares of already owned Company Stock or (b) have the Company retain that number of shares of Company Stock that would satisfy all or a specified portion of the Federal, state and local tax liabilities of the Participant arising in the year the Award becomes subject to tax. Any such election shall be made only in accordance with procedures established by the Committee.

12. TRANSFERABILITY OF AWARDS AND OPTIONS. To the extent required by the Code, Awards, by their terms, shall not be transferable by the Participant except by will or by the laws of descent and distribution and shall be exercisable, during the Participant's lifetime, only by the Participant or by his guardian or legal representative. The Committee is expressly authorized, in its discretion, to provide that all or a portion of a Nonstatutory Stock Option or Stock Appreciation Right may be granted to a Participant upon terms that permit transfer of the Nonstatutory Stock Option or Stock Appreciation Right in a form and manner determined by the Committee.

13. EFFECTIVE DATE OF THE PLAN. This Plan having been adopted by the Company's Board and approved by the Company's sole shareholder shall be effective on October 28, 1994.

Until the requirements of any applicable federal and state securities laws have been met, no Option or Stock Appreciation Right shall be exercisable and no award of Restricted Stock or Incentive Stock shall be made.

14. TERMINATION, MODIFICATION, CHANGE. If not sooner terminated by the Board, this Plan shall terminate at the close of business on October 27, 2004. No Awards shall be made under the Plan after its termination. The Board may terminate the Plan or may amend the Plan in such respects as it shall deem advisable; provided, that, if and to the extent required by the Code, no change shall be made that materially increases the total number of shares of Company Stock reserved for issuance pursuant to Awards granted under the Plan (except pursuant to Section 15), materially expands the class of persons eligible to receive Awards, or materially increases the benefits accruing to Participants under the Plan, unless such change is authorized by the shareholders of the Company. Notwithstanding the foregoing, the Board may amend the Plan and unilaterally amend Awards as it deems appropriate to ensure compliance with Rule 16b-3 and to cause Incentive Stock Options to meet the requirements of the Code and regulations thereunder. Except as provided in the preceding sentence, a termination or amendment of the Plan shall not, without the consent of the Participant, detrimentally affect a Participant's rights under an Award previously granted to him.

15. CHANGE IN CAPITAL STRUCTURE.

(a) In the event of a stock dividend, stock split or combination of shares, spin-off, recapitalization or merger in which the Company is the surviving corporation or other change in the Company's capital stock (including, but not limited to, the creation or issuance to shareholders generally of rights, options or warrants for the purchase of common stock or

preferred stock of the Company), the number and kind of shares of stock or securities of the Company to be subject to the Plan and to Awards then outstanding or to be granted under the Plan, the maximum number of shares or securities which may be delivered under the Plan, the exercise price and other relevant provisions shall be appropriately adjusted by the Committee, whose determination shall be binding on all persons. If the adjustment would produce fractional shares with respect to any unexercised Option, the Committee may adjust appropriately the number of shares covered by the Option so as to eliminate the fractional shares.

(b) If the Company is a party to a consolidation or a merger in which the Company is not the surviving corporation, a transaction that results in the acquisition of substantially all of the Company's outstanding stock by a single person or entity, or a sale or transfer of substantially all of the Company's assets, the Committee may take such actions with respect to outstanding Incentive Awards as the Committee deems appropriate.

(c) Notwithstanding anything in the Plan to the contrary, the Committee may take the foregoing actions without the consent of any Participant, and the Committee's determination shall be conclusive and binding on all persons for all purposes.

16. ADMINISTRATION OF THE PLAN. The Plan shall be administered by the Committee consisting solely of two or more nonemployee directors of the Company (within the meaning of Rule 16b-3), who shall be appointed by the Board. The Committee shall have general authority to impose any limitation or condition upon an Award the Committee deems appropriate to achieve the objectives of the Award and the Plan and, in addition, and without limitation and in addition to powers set forth elsewhere in the Plan, shall have the following specific authority:

(a) The Committee shall have the power and complete discretion to determine (i) which eligible employees shall receive an Award and the nature of the Award, (ii) the number of shares of Company Stock to be covered by each Award, (iii) whether Options shall be Incentive Stock Options or Nonstatutory Stock Options, (iv) when, whether and to what extent Stock Appreciation Rights shall be granted in connection with Options, (v) whether to include a Reload Feature in an Option and to impose limitations on the use of shares acquired through the exercise of a Reload Option to exercise Options, (vi) the fair market value of Company Stock, (vii) the time or times when an Award shall be granted, (viii) whether an Award shall become vested over a period of time and when it shall be fully vested, (ix) conditions relating to the length of time before disposition of Company Stock received in connection with an Award is permitted, (x) the terms and conditions on which restrictions upon Restricted Stock shall lapse, (xi) whether to accelerate the time of receipt of Incentive Stock or the time when any or all restrictions with respect to Restricted Stock will lapse or be removed, (xii) the terms of incentive programs, performance criteria and other factors relevant to the issuance of Incentive Stock or the lapse of restrictions on Restricted Stock, (xiii) when Options and Stock Appreciation Rights may be exercised, (xiv) whether a Disability exists, (xv) the manner in which payment will be made upon the exercise of Options or Stock Appreciation Rights, (xvi) whether to approve a Participant's election (x) to deliver shares of already owned Company Stock to satisfy tax liabilities arising upon the exercise of a Nonstatutory Stock Option or Stock Appreciation Right or (y) to have the Company withhold from the shares to be issued upon the exercise or receipt of an Award that number of shares necessary to

satisfy tax liabilities arising from such exercise or receipt, (xvii) notice provisions relating to the sale of Company Stock acquired under the Plan, and (xviii) any additional requirements relating to Awards that the Committee deems appropriate. Notwithstanding the foregoing, no "tandem stock options" (where two stock options are issued together and the exercise of one option affects the right to exercise the other option) may be issued in connection with Incentive Stock Options. The Committee shall also have the power to amend the terms of previously granted Awards so long as the terms as amended are consistent with the terms of the Plan and provided that the consent of the Participant is obtained with respect to any amendment that would be detrimental to him, except that such consent will not be required if such amendment is for the purpose of complying with Rule 16b-3 or any requirement of the Code applicable to the Award.

(b) The Committee may adopt rules and regulations for carrying out the Plan. The interpretation and construction of any provision of the Plan by the Committee shall be final and conclusive. The Committee may consult with counsel, who may be counsel to the Company, and shall not incur any liability for any action taken in good faith in reliance upon the advice of counsel.

(c) A majority of the members of the Committee shall constitute a quorum, and all actions of the Committee shall be taken by a majority of the members present. Any action may be taken by a written instrument signed by all of the members, and any action so taken shall be fully effective as if it had been taken at a meeting.

(d) The Board of Directors from time to time may appoint members previously appointed and may fill vacancies, however caused, in the Committee.

(e) The Committee or the Board may, at any time and from time to time, delegate all or any portion of the authority granted to it pursuant to Section 16(a) to one or more officers of the Corporation upon such terms as the Committee shall set forth in such delegation; provided, that the Committee shall not delegate the authority to grant awards made to the Corporation's executive officers for purposes of Section 16 of the Exchange Act.

17. NOTICE. All notices and other communications required or permitted to be given under this Plan shall be in writing and shall be deemed to have been duly given if delivered as follows: (a) if to the Company - delivery shall be made personally or by first class mail, postage prepaid at its principal business address to the attention of the Company's Director of Human Resources; and (b) if to any Participant - personally, including by delivery through the Company's internal electronic system with a return receipt requested or interoffice mail system, or by first class mail, postage prepaid, at the last known address of the Participant known to the sender at the time the notice or other communication is sent.

18. INTERPRETATION. The terms of this Plan are subject to all present and future regulations and rulings of the Secretary of the Treasury or his delegate relating to the qualification of Incentive Stock Options under the Code. If any provision of the Plan conflicts with any such regulation or ruling, then that provision of the Plan shall be void and of no effect.

19. FOREIGN EQUITY INCENTIVE PLANS. The Committee may authorize any foreign Subsidiary or any foreign unincorporated division of the Company or of a Subsidiary to adopt a plan for granting Awards (a "Foreign Equity Incentive Plan"). All Awards granted under a Foreign Equity Incentive Plan shall be treated as grants under this Plan. A Foreign Equity

Incentive Plan shall have such terms as the Committee permits; provided that such terms are not inconsistent with the provisions of this Plan; and provided further that such terms may be more restrictive than those in this Plan. Awards granted under a Foreign Equity Incentive Plan shall be governed by the terms of this Plan except to the extent that the terms of the Foreign Equity Incentive Plan are more restrictive than the terms of this Plan, in which case such terms of the Foreign Equity Incentive Plan shall control.

20. SUBSTITUTE AWARD. The Committee may make a grant of an Award to an employee of another corporation who becomes an employee of the Company (or Parent or Subsidiary of the Company) by reason of a corporate merger, consolidation, acquisition of stock or property, reorganization, liquidation or similar transaction involving the Company (or Parent or Subsidiary of the Company) in substitution for any award made by such corporation. The terms and conditions of the substitute Award may vary from the terms and conditions required by the Plan and from those of the substituted award. The Committee shall prescribe the provisions of the substitute Award.

21. PROVISIONS APPLICABLE TO FRENCH EMPLOYEES. Notwithstanding any other provision of the Plan to the contrary, the following provisions shall apply to Options granted to any employee who is employed by a French company or who works primarily in France (hereinafter collectively referred to as a "French Employee").

(a) Notwithstanding anything to the contrary herein, whether a Disability exists for a French Employee shall be determined in accordance with French law.

(b) Notwithstanding the provisions of Section 3 herein, only Options may be granted to French Employees to the exclusion of any other type of Awards. Moreover, Options

granted under the Plan to French Employees may be Nonstatutory Stock Options only.

(c) Notwithstanding anything to the contrary herein, no Option shall be granted to any French Employee who holds more than ten percent of the Company's capital as of the Date of Grant.

(d) Notwithstanding the provisions of Section 4 herein, (i) at no time shall the number of shares underlying Options granted to French Employees but not exercised exceed one-third of the total number of shares of Company Stock issued and outstanding, and (ii) the Committee shall not make an Award to any French Employee conditioned upon the surrender for cancellation of an existing Award.

(e) Notwithstanding the provisions of Section 6(b) herein, all Options granted to French Employees shall be granted at an exercise price per share equal to the greater of (i) the Fair Market Value per share of Company Stock as of the Date of Grant and (ii) 80% of the average Fair Market Value per share of Company Stock for the 20 trading days preceding the Date of Grant.

(f) Notwithstanding anything to the contrary herein, in respect of a Participant who is a French Employee, upon such French Employee's death, the vested portion of such Participant's Option shall remain exercisable for a six-month period after the date of his death and shall be exercisable by his heirs, provided his heirs agree to comply with and be bound by the Plan and the employee's stock option agreement, if applicable.

(g) Notwithstanding anything to the contrary herein, in respect of a Participant who is a French Employee, the method of exercise shall comply with applicable French law.

(h) Notwithstanding the provisions of Section 12 herein, no Option granted to a French Employee shall be transferable except as provided in paragraph (f) above.

(i) Notwithstanding the provisions of Section 14 herein, no Options shall be granted to any French Employee under the Plan five years after the later of (i) the date the Company's shareholders initially approved the Plan or (ii) the date on which the Plan has been subsequently re-authorized, in its original form or as amended from time to time by the Board, by the Company's shareholders.

(j) Notwithstanding anything to the contrary herein, no portion of any Option granted to a French Employee shall become exercisable before the second anniversary of the Date of Grant. Moreover, notwithstanding anything to the contrary herein, no share of the Company Stock received pursuant to the exercise of an Option by a French Employee may be sold for a two-year period after the date the Option is exercised, unless (i) such sale occurs on or after the fourth anniversary of the Option's Date of Grant; (ii) the Optionee is dismissed or retired from the Company (to the extent that the Optionee has exercised Options at least three months prior to notice of such dismissal or Retirement); or (iii) the Optionee dies or terminates due to disability. The stock option agreements with respect to French Employees shall reflect these restrictions and may provide that if the Optionee sells shares in breach of the foregoing restrictions, he or she shall be responsible for his or her share of any taxes or social charges arising from such sale.

(k) Notwithstanding anything to the contrary herein, the Company shall not amend or terminate all or a portion of an Option granted to any French Employee without the consent of such French Employee.

(1) Notwithstanding the provisions of Section 15 herein, any adjustment made to any Option granted to a French Employee shall comply with applicable French law.

Capital One Financial Corporation

Amended and Restated Change of Control Employment Agreement

Each of the following executive officers of Capital One Financial Corporation has entered into an Amended and Restated Change of Control Employment Agreement, between the executive officer and the registrant, in the form previously filed with the Securities and Exchange Commission on March 23, 2000 as Exhibit 10.10.2 to the Form 10-K for the year ended December 31, 1999 as amended:

Gregor S. Bailar
Marjorie M. Connelly
Larry A. Klane
Dennis H. Liberson
William J. McDonald
Peter A. Schnall
Catherine G. West

CAPITAL ONE FINANCIAL CORPORATION

EXCESS SAVINGS PLAN

CAPITAL ONE FINANCIAL CORPORATION

EXCESS SAVINGS PLAN

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Capital One Financial Corporation

Excess Savings Plan

SECTION 1

Purpose

This Excess Savings Plan was adopted by the Board of Directors of Capital One Financial Corporation on October 28, 1994. The Plan is intended to provide those eligible executives participating in the Capital One Financial Corporation Associate Savings Plan (the "Associate Savings Plan") with an opportunity to defer that portion of their compensation that they are precluded from deferring under the Associate Savings Plan due to limitations on such deferrals imposed by the Internal Revenue Code.

The Board has determined that the benefits to be paid to Employees under this Plan constitute reasonable compensation for the services rendered and to be rendered by the Employees.

SECTION 2

Definitions

Whenever used in the Plan, the following terms shall have the meanings set forth below unless the context clearly requires a different meaning:

2.1 Account. The bookkeeping account maintained for each Participant by his Employer to record his or her Deferrals (including deferrals under the Signet Banking Corporation Executive Employees Excess Savings Plan) as adjusted pursuant to Section 5.1.

2.2 Alternate Payee. Any spouse, former spouse, child or other dependent of a Participant who is recognized by a Domestic Relations Order as having a right to receive all or a portion of the benefits payable under the Plan with respect to such Participant.

2.3 Beneficiary. The person(s) or entity designated in accordance with Section 6.5 to receive a Participant's benefits under the Plan after the Participant's death.

2.4 Applicable Limitations. Statutory provisions that reduce benefits and/or contributions under the Associate Savings Plan or Signet Associate Savings Plan, such as Code sections 401(a)(17), 402(g), and 415.

2.5 Board of Directors or Board. The Board of Directors of the Company.

2.6 Change of Control. A "Change of Control" shall mean any of the following events.

(a) The acquisition, other than from the Company, by an individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 20% or more of either (i) the then outstanding shares of common stock of the Company (the "Outstanding Company Stock") or (ii) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Company Voting Securities"), provided, however, that any acquisition by (x) the Company or any of its subsidiaries, or any employee benefit plan (or related trust) sponsored or maintained by the Company or any of its subsidiaries or (y) any corporation with respect to which, following such acquisition, more than 60% of, respectively, the then outstanding shares of common stock of such corporation and the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors is then beneficially owned, directly or indirectly, by all or substantially all of the

individuals and entities who were the beneficial owners, respectively, of the Outstanding Company Common Stock and Company Voting Securities immediately prior to such acquisition in substantially the same proportion as their ownership, immediately prior to such acquisition, of the Outstanding Company Common Stock and Company Voting Securities, as the case may be, shall not constitute a Change of Control; or

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

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

(d) A complete liquidation or dissolution of the Company or of sale or other disposition of all or substantially all of the assets of the Company other than to a corporation with respect to which, following such sale or disposition, more than 60% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors is then owned beneficially, directly or indirectly, by all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Company Common Stock and Company Voting Securities immediately prior to such sale or disposition in substantially the same proportion as their ownership of the Outstanding Company Common Stock and Company Voting Securities, as the case may be, immediately prior to such sale or disposition.

(e) Neither the sale of Company common stock in an initial public offering, nor the distribution of Company common stock by Capital One's parent corporation to its shareholders in a transaction to which Section 355 of the Internal Revenue Code applies, nor any restructuring of the Company or its Board of Directors in contemplation of or as the result of either of such events, shall constitute a Change of Control.

2.7 Code. The Internal Revenue Code of 1986, as amended from time to time.

2.8 Company. Capital One Financial Corporation and any successor by merger, consolidation or otherwise.

2.9 Compensation. The earnings paid to a Participant by his or her Employer during each calendar year for personal services, including bonuses, overtime and commissions received in cash. "Compensation" shall be determined before taking into account any reduction in a Participant's earnings resulting from an election to have Before-Tax Contributions made on his behalf pursuant to the Plan. "Compensation" shall not include contributions made by the Employer under this Plan or under any other plan of deferred compensation maintained by the Employer (other than Before-Tax Contributions), and variable pay, and "Compensation" shall not include special allowances (such as amounts paid to an Employee during an authorized leave of absence, moving expenses, car expenses, tuition reimbursement,

meal allowances, the cost of excess group life insurance income includible in taxable income, and similar items) and any additional compensation in any form received by a Participant on any date following his final period of employment, all as determined by the Employer.

2.10 Deferral Agreement. The election filed by a Participant under the Associate Savings Plan to defer Compensation.

2.11 Distribution. The distribution of the Company's common stock to shareholders of the Company's parent corporation in a transaction to which Code section 355 applies.

2.12 Distribution Date. The date the Distribution occurs.

2.13 Domestic Relations Order. Any judgment, decree or order (including approval of a property settlement agreement) which relates to the provision of child support, alimony payments or marital property rights to a spouse, former spouse, child or other dependent of a Participant made pursuant to a State domestic relations law (including a community property law).

2.14 Effective Date. The first to occur of January 1, 1995 and the Distribution Date.

2.15 Effective Rate. The rate fixed by the Board of Directors for the crediting of interest rate equivalents on Participant Accounts.

2.16 Eligible Executive. An employee in Tiers I through IV of the Company.

2.17 Associate Savings Plan. Capital One Financial Corporation Associate Savings Plan, as amended from time to time, a plan qualified under Code Sections 401(a) and 401(k).

2.18 Employer. The Company and any subsidiary directly or indirectly controlled by the Company that has an Eligible Employee who is a Participant.

2.19 ERISA. The Employee Retirement Income Security Act of 1974, as amended.

2.20 Participant. Each Eligible Executive who is an active participant in the Associate Savings Plan and has not declined to be a Participant in this Plan.

2.21 Participant Deferrals. The amounts credited to a Participant's Account under Section 4.1.

2.22 Plan. The Capital One Financial Corporation Executive Employee Excess Savings Plan, as amended from time to time.

2.23 Spouse. The person who is the Participant's "spouse" as such term is defined in the Cash Balance Plan.

2.24 Valuation Date. Shall mean the last business day of each month following the Effective date.

SECTION 3

Participation

3.1 In General. An Eligible Executive shall become a Participant of the Plan as of the date he files his initial Deferral Agreement electing to make Before-Tax Contributions under the Associate Savings Plan. The Deferral Agreement filed with the Company pursuant to the Associate Savings Plan shall be effective under this Plan and shall be controlling as to the crediting of deferrals under Section 4.1 until the date the Participant (a) becomes an ineligible Participant because he or she is no longer a participant in the

Associate Savings Plan or is no longer an Eligible Executive, (b) elects not to be a Participant in this Plan, or (c) becomes entitled to benefits under the Plan.

3.2 Termination of Participation; Re-employment. Participation shall cease upon a Participant's termination of employment or if the Participant ceases to be an Eligible Executive. Upon re-employment as an Eligible Executive, such person shall become a Participant from the date an election is filed under the Associate Savings Plan to make Before-Tax contributions. If a former Participant did not receive the balance in his Account prior to re-employment, his previous elections and beneficiary designation shall remain in effect. If a Participant elects not to be an active Participant, he or she may again become an active Participant by filing an election with the Company. Such election shall be effective for compensation earned during the Payroll Period next following the date of his election.

3.3 Change in Status. If a Participant ceases to be an Eligible Executive or elects not to be an active Participant but continues to be employed by the Employer, deferrals shall be suspended as provided in Section 4.5. All other provisions of the Plan shall remain in effect, and he shall continue to be entitled to credits under Section 4 of the Plan until his Account is fully distributed as provided in Section 6.

SECTION 4

Participant Deferrals

Employer Matching Credits

4.1 Participant Deferrals. A Participant will be entitled to compensation deferrals under the Plan in accordance with the Participant's deferral election made pursuant to the terms of the Associate Savings Plan. A Participant will be entitled to credits under the Plan to the extent that the Participant's elective deferrals exceed the Applicable Limitations under the Associate Savings Plan. Any amounts which cannot be credited to the Participants accounts under the Associate Savings Plan because of Applicable Limitations shall be credited to his or her Account maintained pursuant to Section 5.1.

4.2 Employer Matching Credits/Additional Contributions. Each Participant will be credited (a) for each payroll period with an amount equal to 50% of that portion of the Participant's Before-Tax Contributions that exceeds the Applicable Limitations under the Associate Savings Plan, except that Employer Matching credits under the Plan will not exceed the difference between 3% of the Participant's Compensation reduced by Employer Matching Contributions under the Associate Savings Plan in such payroll period, and (b) with his or her share of the amount of any additional performance related contribution and any employer profit-sharing contribution for the year pursuant to the Associate Savings Plan that exceed the Applicable Limitations. No credits shall be made under this Section 4.2 with respect to:

(i) any After-Tax Contributions made by the Participant under the Associate Savings Plan,

(ii) that portion of Before-Tax Contributions made by the Participant under the Associate Savings Plan, which in the aggregate exceeds 6% of the Participant's Compensation, or

(iii) any Before-Tax Contribution that is distributed to the Participant pursuant to the provisions of the Associate Savings Plan providing for the distribution of Excess Contributions.

4.3 Timing of Deferral Credits. As of the end of each payroll period, each Participant's Account will be credited with (a) Participant Deferrals as provided in Section 4.1 and (b) Employer Matching Credits as provided in Section 4.2.

4.4 Interest on Deferral Credits. As of the end of each month, each Participant's Account will be credited with an interest equivalent at the Effective Rate, and such interest equivalent will be compounded monthly.

4.5 Deferrals on Change of Status of Participation. Deferral credits pursuant to Sections 4.1 and 4.2 for a Participant who changes his or her status will be governed by the following provisions:

(a) a Participant who elects not to participate in the Plan will be credited with deferrals through and ending with the payroll period within which the Participant's election is received by the Company.

(b) a Participant who becomes an ineligible Participant because he ceases to be an Eligible Executive will be entitled to Participant credits and Employer matching credits through the payroll period ending closest to the end of the calendar year in which he or she ceases to be an Eligible Executive.

4.6 Certain Transfers. A Participant's Account shall be credited with any amounts transferred to the Plan on the Participant's behalf from the Capital One Financial Corporation 1994 Deferred Compensation Plan, and each Participant shall be fully vested in amounts transferred to the Plan on his or her behalf from such plan.

SECTION 5

Participant Accounts

5.1 Participant Accounts. The Company shall maintain, or cause to be maintained, for each Participant records showing the amounts credited from time to time to his or her Account. At least once a year, each Participant and, if applicable, former Participant shall be furnished with a statement setting forth the credits to his or her Account.

5.2 Vesting of Account. Each Participant shall be vested in his or her Account as follows: (a) Deferrals credited pursuant to Section 4.1 will be fully vested, and (b) Employer matching credits will become vested after the Participant has completed 2 years of service with his or her Employer, including prior uninterrupted service with Signet Banking Corporation or a subsidiary thereof.

SECTION 6

Payment of Benefits

6.1 Commencement of Benefits. A Participant shall be entitled to begin the payment of benefits under the Plan as of the date the Participant becomes entitled to receive his or her benefits under the Associate Savings Plan. Benefits shall be paid as provided in Section 6.2.

6.2 Method of Payment.

(a) Retirement, Disability or Death. In the event of retirement or disability, a Participant's or former Participant's Account shall be distributed to him or, in the event of his death, to his Beneficiary, in annual installments over a period not exceeding the lesser of (a) the number of years between the date distributions begin and the date the Participant attains the age of 80, and (b) fifteen (15) years. Installments shall be payable as of January 1 and July 1, coincident with or next following the date the Participant (or his Beneficiary) becomes entitled to receive payments. The amount of each installment shall equal the balance in the Account as of the Valuation Date next preceding the date of payment, divided by the number of remaining installments (including the installment being determined). If a Participant or former Participant dies before payment of all the credits to his or her Account, the remaining balance shall continue to be paid in annual installments to his or her Beneficiary. A Participant (or Beneficiary of a Participant) may request at least one year before his or her Account becomes distributable that payment be made in a lump sum or over a period of years fewer than the number determined above, but any such change in method (and the timing of such change) shall be solely at the discretion of the committee authorized by the Board to administer the Associate Savings Plan.

(b) Termination for Other Reasons. If a Participant's employment terminates for reasons other than death, disability or retirement, the Participant's Account shall be distributed in five annual installments commencing as of the January 1 or July 1 coincident with or next following the date of the Participant's termination of employment. The amount of each installment shall equal the balance in the Account as of the Valuation Date next preceding the date of payment, divided by the number of remaining installments (including the installment being determined). If a Participant or former Participant dies before payment of all the credits to his or her Account, the remaining balance shall continue to be paid in annual installments to his or her Beneficiary. A Participant may instead request payment in a lump sum to be paid within 60 days after the Valuation Date that coincides with or next follows his or her termination of employment on account of reasons other than death, disability or retirement, provided that any such request must be made at least one year before his or her Account otherwise would become distributable on account of such a termination, and provided further that any such change in method (and the timing of such change) shall be solely at the discretion of the committee authorized by the Board to administer the Associate Savings Plan.

6.3 Payment Upon Change of Control. Notwithstanding any other provision of the Plan to the contrary, and unless the Eligible Employee made and filed with the Company as soon as practicable after first becoming a Participant, but in any event not later than six months before the occurrence of a Change of Control, an irrevocable election to defer receipt of payment of his Account to his Retirement or earlier termination of employment if a Change of Control occurs, the Company shall pay to such Participant, Beneficiary or Alternate Payee of the Participant, within 30 days of a Change of Control a lump sum in cash in an amount equal to the amount credited to his or her Account as of the Change of Control.

6.4 Hardship Withdrawal. A Participant or former Participant may, in the event of a severe financial hardship, request a withdrawal from his Account. The request shall be made in a time and manner determined by the Company, shall not be for a greater amount than the amount required to meet the financial hardship, and shall be subject to approval by the Company. For purposes of this Section 6.4, financial hardship shall have the same meaning as that term is used in the Associate Savings Plan. The Participant's Deferrals of a Participant permitted to make a hardship withdrawal shall be suspended for a period of twelve months from the date of the withdrawal.

6.5 Designation of Beneficiary. A Participant or former Participant may, in the manner determined by the Company, designate a beneficiary and one or more contingent beneficiaries (which may include the Participant's or former Participant's estate) to receive any benefits which may be payable under the Plan upon his death. A Participant or former Participant may revoke or change any designation made under this Section 6.4 in the manner determined by the Company. If a Participant or former Participant fails to designate a Beneficiary, the payment of benefits under the Plan on account of his death shall be governed by the terms of the Associate Savings Plan.

SECTION 7

Amendment or Termination

7.1 Right to Terminate. The Board may, in its sole discretion, terminate this Plan at any time. If the Plan is terminated, each Participant, former Participant or Beneficiary whose benefits are not in pay status shall be entitled to (a) begin to receive installment payments as provided, in Section 6.2, or (b) receive a single lump sum payment equal to the balance in his Account (including the unpaid balance of the Account of a Participant whose benefits are in pay status), as determined by the Company. The single lump sum payment shall be made as soon as practicable (but not later than 60 days) following the date the Plan is terminated and shall be in lieu of any other benefit which may be payable to the Participant, former Participant or Beneficiary under the Plan.

7.2 Right to Amend. The Board may, in its sole discretion, amend this Plan in any way, provided no amendment shall adversely affect the rights of a Participant, former Participant or Beneficiary

with respect to amounts credited to his or her Account as of the date of the amendment. The Board may effect an amendment either by adopting a resolution setting forth or incorporating the specific terms of the amendment or by adopting a resolution authorizing one or more officer(s) of the Company to amend the Plan as necessary and appropriate to carry out the intention of the Board as expressed in the resolution.

7.3 Assignment by Company. The Company has the unconditional right to assign its responsibilities and obligations under this Plan to a successor or other entity without notice to Participants, Beneficiaries or Alternate Payees.

SECTION 8

General Provisions

8.1 No Funding. Nothing contained in this Plan shall require an Employer to segregate any assets from their general funds, or to create any trusts, or to make any special deposits for any amounts to be paid to any Participant, former Participant or Beneficiary. Participants, former Participants and any Beneficiary of a Participant shall not have any right, title or interest in or to any specific funds or property of any Employer, and their interest shall be those of a general creditor.

8.2 No Contract or Employment. The existence of this Plan does not constitute a contract for continued employment between an Eligible Executive or a Participant and his Employer.

8.3 Withholding Taxes. All payments under the Plan shall be subject to and net of an amount sufficient to satisfy all federal, state or local withholding tax requirements.

8.4 Restrictions on Transfer. Any benefits to which a Participant, his Beneficiary or Alternate Payee may become entitled under this Plan are not subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, or encumbrance, and any attempt to do so is void. Benefits are not subject to attachment or legal process for the debts, contracts, liabilities, engagements or torts of a Participant, his Beneficiary or Alternate Payee. This Plan does not give a Participant, his Beneficiary or Alternate Payee any interest, lien, or claim against any specific assets of the Company. Participants and their Beneficiaries have only the rights of general creditors of the Company.

8.5 Domestic Relations Order/Alternate Payee.

(a) Notwithstanding the provisions of Section 8.4, an Alternate Payee shall be entitled to receive a benefit under the Plan, computed by reference to the Participant's benefit in accordance with the terms of the Domestic Relations Order, at the time and in the manner benefits begin to be paid or are paid to the Participant. If the Alternate Payee predeceases the Participant before payments begin to be paid or are paid to the Participant, the Alternate Payee's interest in the Plan shall begin to be paid or shall be paid (i) at the time and in the manner the Alternate Payee would have received or began to receive payment had the Alternate Payee survived, and (ii) if not inconsistent with the terms of the Domestic Relations Order, to the person or persons designated by the Alternate Payee in a writing filed with and acknowledged by the Company, or, if no writing has been filed or if the person or persons designated predecease the Alternate Payee, to the legal representative of the Alternate Payee.

(b) The Domestic Relations Order shall clearly specify (i) the name and last known mailing address of the Participant and the name and mailing address of each Alternate Payee covered by the order, (ii) the amount or percentage of the Participant's benefit to be paid by the Plan to each Alternate Payee, or the manner in which such amount or percentage is to be determined, and (iii) any limitation on the number of payments or period to which such order applies. The Company shall not be required to make payments to an Alternate Payee pursuant to a Domestic Relations Order that requires the Plan to (i) provide any type or form of benefit, or payment option, not otherwise provided under the Plan, (ii) provide increased benefits (determined on the basis of actuarial value), or (iii) pay benefits to an Alternate Payee otherwise required to be

paid to another Alternate Payee under an order previously determined to be a Domestic Relations Order.

(c) The Company shall have the right to delay any payment of a benefit under the Plan to an Alternate Payee for up to 180 days if necessary to determine whether the Domestic Relations Order complies with the provisions of this section.

(d) If an Alternate Payee cannot be located after a diligent search has been conducted, the interest of the Alternate Payee can be forfeited at the direction of the Company at any time after a two-year period and restored to the Participant on such conditions and terms as the Company shall determine.

8.6 Administration.

(a) This Plan shall be administered by the Company. The Company shall interpret the Plan, establish regulations to further the purposes of the Plan and take any other action necessary to the proper operation of the Plan. Prior to paying any benefit under the Plan, the Company may require the Participant, former Participant or Beneficiary to provide such information or material as the Company, in its sole discretion, shall deem necessary for it to make any determination it may be required to make under the Plan. The Company may withhold payment to any benefit under the Plan until it receives all such information and material and is reasonably satisfied of its correctness and genuineness.

(b) The Company shall provide adequate notice in writing to any Participant, former Participant, beneficiary or contingent beneficiary whose claim for benefits under the Plan has been denied, setting forth the specific reasons for such denial. A reasonable opportunity shall be afforded to any such member, former Participant or Beneficiary for a full and fair review by the Company of its decision denying the claim. The Company's decision on any such review shall be final and binding on the Participant, former Participant or Beneficiary and all other interested persons.

(c) All acts and decisions of the Company shall be final and binding upon each Participant, former Participant and Beneficiary and employees of the Employer.

(d) The Company may appoint one or more persons to act as administrator and delegate its administrative and fiduciary responsibilities to such administrator.

8.7 Construction. For construction, one gender includes the other, and the singular and plural include each other where the meaning would be appropriate. This Plan is construed in accordance with the laws of the State of Delaware, except to the extent that the laws of the United States of America have superseded those laws. The headings in this Plan have been inserted for convenience of reference only and are to be ignored in any construction of the provision. If a provision of this Plan is not valid, that invalidity does not affect the remaining provisions.

8.8 Binding Upon Successors and Assigns. The provisions of the Plan shall be binding upon the Participant and the Company and their successors, assigns, heirs, executors and beneficiaries.

8.9 Life Insurance and Funding. The Company in its discretion may apply for and procure as owner and for its own benefit insurance on the life of the Participant, in such amounts and in such forms as the Company may choose. The Participant shall have no interest whatsoever in any such policy or policies, but, as a condition of participation and at the request of the Company, the Participant shall submit to medical examinations and supply such information and execute such documents as may be required by the insurance company or companies to whom the Company has applied for insurance.

8.10 Form of Communication. Any election, application, claim, notice or other communication required or permitted to be made by a Participant shall be in writing and in such form as the

Committee shall prescribe. Such communication shall be effective upon mailing, if sent by first class mail, postage pre-paid, and addressed to the Company's office at 2980 Fairview Park Drive, Falls Church, Virginia 22043.

CAPITAL ONE FINANCIAL CORPORATION
EXCESS BENEFIT CASH BALANCE PLAN

CAPITAL ONE FINANCIAL CORPORATION
EXCESS BENEFIT CASH BALANCE PLAN

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CAPITAL ONE FINANCIAL CORPORATION
EXCESS BENEFIT CASH BALANCE PLAN

SECTION 1
Purpose

This Excess Benefit Cash Balance Plan was established by the Board of Directors of Capital One Financial Corporation on October 28, 1994 for the benefit of Employees whose benefits at retirement otherwise payable under the Capital One Financial Corporation Cash Balance Plan are limited by law. Benefits provided pursuant to this plan take into account limitations on benefits accrued by an Employee under the Employee Retirement Plan as well as the Cash Balance Plan.

The Board has determined that the benefits to be paid to Employees under this Plan constitute reasonable compensation for the services rendered and to be rendered by the Employees.

SECTION 2
Definitions

2.1 Actuarial Equivalent. As used in the Plan, the term shall have the same meaning and shall be applied in the same manner as used and applied in the Company's Cash Balance Plan.

2.2 Alternate Payee. Any spouse, former spouse, child or other dependent of a Participant who is recognized by a Domestic Relations Order as having a right to receive all or a portion of the benefits payable under the Plan with respect to such Participant.

2.3 Beneficiary. The person(s) or entity designated by the Participant to receive his or her benefits under the Plan in a writing filed with the Company. If the Participant fails to make a designation or if the person(s) designated do not survive the Participant, the Beneficiary shall be the person or entity who is to receive benefits otherwise payable to a Participant under the Cash Balance Plan in the event of the Participant's death.

2.4 Benefit Payment Date. The date as of which the benefits computed under Section 3 become payable (which shall be the same date as of which benefits under the Cash Balance Plan begin to be paid or are paid).

2.5 Board. The Board of Directors of the Company.

2.6 Cash Balance Plan. The Cash Balance Pension Plan adopted effective on the first to occur of January 1, 1995 and the Distribution Date.

2.7 Cash Balance Plan Account. The hypothetical bookkeeping account established and maintained for each Participant in the Cash Balance Plan that reflects the Participant's accrued benefits in that plan, including benefit liabilities of the Participant under the Signet Cash Balance Plan transferred to and assumed by the Cash Balance Plan.

2.8 Change of Control. Any of the following events:

(a) The acquisition, other than from the Company, by any individual, entity or group (within the meaning of Section 13(d)(3) or 14 (d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 20% or more of either (i) the then outstanding shares of common stock of the Company (the "Outstanding Company Common Stock") or (ii) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Company Voting Securities"), provided, however, that any acquisition by (x) the Company or any of its subsidiaries, or any employee benefit plan (or related trust) sponsored or maintained by the Company or any of its subsidiaries, or (y) any corporation with respect to which, following such acquisition, more than 60% of, respectively, the then outstanding shares of common stock of such corporation and the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors is then beneficially owned, directly or indirectly, by all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Company Common Stock and Company Voting Securities immediately prior to such acquisition in substantially the same proportion as their ownership, immediately prior to such acquisition, of the Outstanding Company Common Stock and Company Voting Securities, as the case may be, shall not constitute a Change of Control; or

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

(c) Approval by the shareholders of the Company of a reorganization, merger or consolidation (a "Business Combination"), in each case, with respect to which all or substantially all of the individuals and entities who were the respective beneficial owners of the Outstanding Company Common Stock and Company Voting Securities immediately prior to such Business Combination do not, following such Business

Combination, beneficially own, directly or indirectly, more than 60% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination in substantially the same proportion as their ownership immediately prior to such Business Combination of the Outstanding Company Common Stock and Company Voting Securities, as the case may be; or

(d) (i) a complete liquidation or dissolution of the Company or of (ii) sale or other disposition of all or substantially all of the assets of the Company other than to a corporation with respect to which, following such sale or disposition, more than 60% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors is then owned beneficially, directly or indirectly, by all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Company Common Stock and Company Voting Securities immediately prior to such sale or disposition in substantially the same proportion as their ownership of the Outstanding Company Common Stock and Company Voting Securities, as the case may be, immediately prior to such sale or disposition.

(e) Neither the sale of Company common stock in an initial public offering, nor the distribution of Company common stock by Capital One's parent corporation to its shareholders in a transaction to which Section 355 of the Internal Revenue Code applies, nor any restructuring of the Company or its Board of Directors in contemplation of or as the result of either of such events, shall constitute a Change of Control.

2.9 Code. The Internal Revenue Code of 1986, as amended.

2.10 Committee. The Administrative Committee of the Company's Cash Balance Pension Plan.

2.11 Company. Capital One Financial Corporation or any successor by merger or otherwise.

2.12 Distribution. The distribution of the Company's common stock to stockholders of the Company's parent corporation in a transaction to which Code section 355 applies.

2.13 Distribution Date. The date the Distribution occurs.

2.14 Domestic Relations Order. Any judgement, decree or order (including approval of a property settlement agreement) which relates to the provision of child support, alimony payments or marital property rights to a spouse, former spouse, child or other dependent of a Participant made pursuant to a State domestic relations law (including a community property law).

2.15 Effective Date. The first to occur of January 1, 1995 and the Distribution Date.

2.16 Eligible Employee. An employee who is approved from time to time by the Compensation Committee as eligible to participate in either of the Company's Short-Term or Long-Term Cash Incentive Plans, an employee designated to participate in a cash incentive plan covering senior management employees, or an employee whose taxable compensation paid by the Company with respect to the calendar year preceding the year of determination and each year thereafter equals or exceeds 300% of the Social Security table wage base.

2.17 ERISA. The Employment Retirement Income Security Act of 1974, as amended.

2.18 Excess Benefit Account. A hypothetical bookkeeping account established and maintained by the Company in connection with the Plan for each Participant that reflects (a) the sum of the value of the Participant's benefits that would have been accrued under the (i) Employee Retirement Plan through December 31, 1992 and (ii) under the Signet Cash Balance Plan (determined without a Limitations Adjustment) and would have constituted the Participant's Opening Account Balance without a Limitations Adjustment, (b) credits that would have been made or benefits that would have been available to the Participant under the Cash Balance Plan from time to time (including the Participant's Opening Account Balance) without a Limitations Adjustment, and (c) Interest Credits that would have been credited to the Participant's account in the Cash Balance Plan without a Limitations Adjustment.

2.19 Interest Credits. The credits to a Participant's Excess Benefit Account made in the same manner and at the same rate as provided in the Cash Balance Plan but without a Limitations Adjustment.

2.20 Limitations Adjustment. An adjustment that reduces benefits that would otherwise be or have been accrued by a Participant, under either the Employee Retirement Plan, the Signet Cash Balance Plan or the Cash Balance Plan, or all three, because of the application of Code sections 415 or 401(a)(17) or any other sections of the Code that now impose or in the future may limit the amount or method of computing benefits under the Cash Balance Plan.

2.21 Opening Account Balance. The value of the Participant's accrued benefit in the Cash Balance Plan as of the effective date of that Plan credited for the benefit of the Participant to a hypothetical bookkeeping account and benefit accruals after the effective date to the date of participation in this Plan.

2.22 Participant. An Eligible Employee who is not an Ineligible Employee (or Beneficiary of an Eligible Employee who is not an Ineligible Employee) who is now or in the future becomes a participant in the Cash Balance Plan and who is or becomes entitled

to receive benefits under Section 3. Notwithstanding the foregoing, no person shall become a Participant on or after December 31, 1995.

2.23 Plan. The Capital One Financial Corporation Excess Benefit Cash Balance Plan.

2.24 Spouse. The person who is the Participant's "spouse" as such term is defined in the Cash Balance Plan.

SECTION 3 Benefits

3.1 Basic Benefit. A Participant (or his or her Beneficiary) who receives payment of benefits under the Cash Balance Plan shall be entitled to receive under this Plan a benefit based upon the difference between (a) the Participant's Excess Benefit Account and (b) the Participant's Cash Balance Plan Account.

3.2 Form and Timing of Payments. The difference determined in 3.1 shall be paid to the Participant (or the Participant's Beneficiary) in the same form as the Participant's benefits shall be paid from the Cash Balance Plan. If the Participant's benefit under the Cash Balance Plan is paid in a form other than a lump sum, the difference determined in Section 3.1 shall be paid under this Plan in a form that is the Actuarial Equivalent to the Participant's payments under the Cash Balance Plan. All adjustments, actuarial or otherwise, shall be based on the factors, methods and assumptions used in administering the Cash Balance Plan. Payment of the benefit under this Plan shall begin on the date on which the Participant's (or Beneficiary's) benefit begins to be paid or is paid under the terms of the Cash Balance Plan and shall terminate with the last payment due under the Cash Balance Plan.

3.3 Payments Upon Death. The Beneficiary of a Participant who dies before his or her Benefit Commencement Date (as defined in the Cash Balance Plan) shall be entitled to receive a benefit under this Plan based on the difference determined in Section 3.1. Such benefit shall be paid to the Participant's Beneficiary as provided in Section 3.2.

3.4 Payment Upon Change of Control. Notwithstanding any other provision of the Plan to the contrary, and unless the Eligible Employee made and filed with the Company as soon as practicable after becoming a Participant, but in any event not later than six months before the occurrence of a Change of Control, an irrevocable election to defer receipt of payment of his Account to his Retirement or earlier termination of employment if a Change of Control occurs, the Company shall pay to such Participant, Beneficiary and Alternate Payee of the Participant, within 30 days of a Change of Control a lump sum in cash in an amount equal to the amount credited to his or her Account as of the Change of Control.

3.5 Notwithstanding any other provision of the Plan, the Plan shall be 'frozen' (within the meaning of Treas. Reg. Section 1.401(a)(4)(13)(c)(3)(i)) as of December 31, 1995; no amounts shall be credited to any Participant's Excess Benefit Account after that date.

SECTION 4 Amendment or Termination

4.1 Right to Terminate. The Board may, in its sole discretion, terminate this Plan at any time. If the Plan is terminated, each Participant, former Participant or Beneficiary whose benefits are not in pay status shall be entitled to (a) begin to receive installment payments as provided, in Section 3, or (b) receive a lump sum payment equal to the balance in his Cash Balance Plan Account (including the unpaid balance in the Cash Balance Plan Account) of a Participant whose benefits are in pay status), as determined by the Company. The single lump sum payment shall be made as soon as practicable (but not later than 60 days) following the date of the Plan is terminated and shall be in lieu of any other benefit which may be payable to the Participant, former Participant or Beneficiary under the Plan.

4.2 Right to Amend. The Board may, in its sole discretion, amend this Plan in any way, provided no amendment shall adversely affect the rights of a Participant, former Participant or Beneficiary with respect to amounts credited to a Participant's, former Participant's or Beneficiary's Account as of the date of the amendment.

4.3 Assignment by Company. The Company has the unconditional right to assign its responsibilities and obligations under this Plan to a successor or other entity without notice to Participants, Beneficiaries or Alternate Payees.

SECTION 5 General Provisions

5.1 No Funding. Nothing contained in this Plan shall require an Employer to segregate any assets from their general funds, or to create any trusts, or to make any special deposits for any amounts to be paid to any Participant, former Participant or Beneficiary. Participants, former Participants and any Beneficiary of a Participant shall not have the right, title or interest in or to any specific funds or property of any Employer, and their interest shall be those of a general creditor.

5.2 ERISA Exemption. The Plan is an unfunded plan of deferred compensation covering a select group of management or highly compensated employees, intended to be exempt from the participation, vesting, funding and fiduciary provisions of ERISA pursuant to Sections 201(2), 301(a)(3) and 401(a)(1) of that statute.

5.3 No Contract of Employment. The existence of this Plan does not constitute a contract for continued employment between an Eligible Executive or a Participant and his Employer.

5.4 Withholding Taxes. All payments under the Plan shall be subject to and net of an amount sufficient to satisfy all federal, state or local withholding tax requirements.

5.5 Restrictions on Transfer. Any benefits to which a Participant, his Beneficiary or Alternate Payee may become entitled under this Plan are not subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, or encumbrance, and any attempt to do so is void. Benefits are not subject to attachment or legal process for the debts, contracts, liabilities, engagements or torts of a Participant, his Beneficiary or Alternate Payee. This Plan does not give a Participant, his Beneficiary or Alternate Payee any interest, lien, or claim against any specific assets of the Company. Participants and their Beneficiaries have only the rights of general creditors of the Company.

5.6 Domestic Relations Order/ Alternate Payee.

(a) Notwithstanding the provisions of Section 5.5, an Alternate Payee shall be entitled to receive a benefit under the Plan, computed by reference to the Participant's benefit in accordance with the terms of the Domestic Relations Order, at the time and in the manner benefits begin to be paid or are paid to the Participant. If the Alternate Payee predeceases the Participant before payments begin to be paid or are paid to the Participant, the Alternate Payee's interest in the Plan shall begin to be paid or shall be paid (i) at the time and in the manner the Alternate Payee would have received or began to receive payment had the Alternate Payee survived, and (ii) if not inconsistent with the terms of the Domestic Relations Order, to the person or persons designated by the Alternate Payee in a writing filed with and acknowledged by the Company, or, if no writing has been filed or if the person or persons designated predecease the Alternate Payee, to the legal representative of the Alternate Payee.

(b) The Domestic Relations Order shall clearly specify (i) the name and last known mailing address of the Participant and the name and mailing address of each Alternate Payee covered by the order, (ii) the amount or percentage of the Participant's benefit to be paid by the Plan to each Alternate Payee, or the manner in which such amount or percentage is to be determined, and (iii) any limitation on the number of payments or period to which such order applies. The Company shall not be required to make payments to an Alternate Payee pursuant to a Domestic Relations Order that requires the Plan to (i) provide any type or form of benefit, or payment option, not otherwise provided under the Plan, (ii) provide increased benefits (determined on the basis of actuarial value), or (iii) pay benefits to an Alternate Payee otherwise required to be paid to another Alternate Payee under an order previously determined to be a Domestic Relations Order.

(c) The Company shall have the right to delay any payment of a benefit under the Plan to an Alternate Payee for up to 180 days if necessary to determine whether the Domestic Relations Order complies with the provisions of this section.

(d) If an Alternate Payee cannot be located after a diligent search has been conducted, the interest of the Alternate Payee can be forfeited at the direction of the Company at any time after a two-year period and restored to the Participant on such conditions and terms as the Company shall determine.

5.7 Administration.

(a) This Plan shall be administered by the Company. The Company shall interpret the Plan, established regulations to further the purposes of the Plan and take any other action necessary to the proper operation of the Plan. Prior to paying any benefit under the Plan, the Company may require the Participant, former Participant or Beneficiary to provide such information or material as the Company, in its sole discretion, shall deem necessary for it to make any determination it may be required to make under the Plan. The Company may withhold payment of any benefit under the Plan until it receives all such information and material and is reasonably satisfied of its correctness and genuineness.

(b) The Company shall provide adequate notice in writing to any Participant, former Participant, beneficiary or contingent beneficiary whose claim for benefits under the Plan has been denied, setting forth the specific reasons for such denial. A reasonable opportunity shall be afforded to any such member, former Participant or Beneficiary for a full and fair review by the Company of its decision denying the claim. The Committee's decision on any such review shall be final and binding on the Participant, former Participant or Beneficiary and all other interested persons.

(c) All acts and decisions of the Company shall be final and binding upon each Participant, former Participant and Beneficiary and employees of the Employer.

(d) The Company may appoint one or more persons to act as administrator and delegate its administrative and fiduciary responsibilities to such administrator.

5.8 Construction. For construction, one gender includes the other, and the singular and plural include each other where the meaning would be appropriate. This Plan is construed in accordance with the laws of the State of Delaware, except to the extent that the laws of the United States of America have superseded those laws. The headings in this Plan have been inserted for convenience of reference only and are to be ignored in any construction of the provision. If a provision of this Plan is not valid, that invalidity does not affect the remaining provisions.

5.9 Binding Upon Successors and Assigns. The provisions of the Plan shall be binding upon the Participant and the Company and their successors, assigns, heirs, executors and beneficiaries.

5.10 Life Insurance and Funding. The Company in its discretion may apply for and procure as owner and for its own benefit insurance on the life of the Participant, in

such amounts and in such forms as the Company may choose. The Participant shall have no interest whatsoever in any such policy or policies, but, as a condition of participation and at the request of the Company, the Participant shall submit to medical examinations and supply such information and execute such documents as may be required by the insurance company or companies to whom the Company has applied for insurance.

5.11 Form of Communication. Any election, application, claim, notice or other communication required or permitted to be made by a Participant shall be in writing and in such form as the Committee shall prescribe. Such communication shall be effective upon mailing, if sent by first class mail, postage pre-paid, and addressed to the Company's office at 2980 Fairview Park Drive, Falls Church, Virginia 22043.

CAPITAL ONE FINANCIAL CORPORATION
1994 DEFERRED COMPENSATION PLAN

CAPITAL ONE FINANCIAL CORPORATION
1994 DEFERRED COMPENSATION PLAN

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CAPITAL ONE FINANCIAL CORPORATION
1994 DEFERRED COMPENSATION PLAN

SECTION 1
Purpose

The 1994 Deferred Compensation Plan was adopted by the Board of Directors of Capital One Financial Corporation on October 28, 1994 for the benefit of a select group of highly compensated or management employees and the Capital One Financial Corporation Board of Directors to permit the deferral of compensation as provided in the Plan.

The Board has determined that the benefits to be paid to Participants under this Plan constitute reasonable compensation for the services rendered and to be rendered by such Participants.

SECTION 2
Definitions

Whenever used in the Plan, the following terms shall have the meanings set forth below unless the context clearly requires a different meaning:

2.1 Account. The book account established by the Company for each Participant pursuant to Section 3 which shall reflect Deferral Amounts, transferred credits from an Included Plan and interest equivalents credited under Section 3.

2.2 Alternate Payee. Any spouse, former spouse, child or other dependent of a Participant who is recognized by a Domestic Relations Order as having a right to receive all or a portion of the benefits payable under the Plan with respect to such Participant.

2.3 Base Salary. The annual rate of compensations due to be paid an Eligible Employee for services to be rendered, but excluding bonuses, reimbursed expenses, cash profit sharing and other forms of extraordinary compensation as determined by the Committee not to be treated as Base Salary for purposes of the Plan.

2.4 Beneficiary. The person(s) or entity designated by the Participant to receive his or her benefits under the Plan in a writing filed with the Company. If the Participant fails to make a designation or if the person(s) designated do not survive the Participant, the Beneficiary shall be the person or entity who is to receive benefits otherwise payable to a Participant under the Cash Balance Plan in the event of the Participant's death.

2.5 Bonus. An amount which an Eligible Employee may become entitled to receive under a cash incentive program maintained by the Company.

2.6 Cash Balance Plan. The Cash Balance Pension Plan adopted effective on the first to occur of January 1, 1995 and the Distribution Date.

2.7 Change of Control. A "Change of Control" shall mean any of the following events:

(a) The acquisition, other than from the Company, by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 20% or more of either (i) the then outstanding shares of common stock of the Company (the "Outstanding Company Common Stock") or (ii) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Company Voting Securities"), provided, however, that any acquisition by (x) the Company or any of its subsidiaries, or any employee benefit plan (or related trust) sponsored or maintained by the Company or any of its subsidiaries or (y) any corporation with respect to which, following such acquisition, more than 60% of, respectively, the then outstanding shares of common stock of such corporation and the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors is then beneficially owned, directly or indirectly, by all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Company Common Stock and Company Voting Securities immediately prior to such acquisition in substantially the same proportion as their ownership, immediately prior to such acquisition, of the Outstanding Company Common Stock and Company Voting Securities, as the case may be, shall not constitute a Change of Control; or

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

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

Combination of the Outstanding Company Common Stock and Company Voting Securities, as the case may be; or

(d) (i) a complete liquidation or dissolution of the Company or of (ii) sale or other disposition of all or substantially all of the assets of the Company other than to a corporation with respect to which, following such sale or disposition, more than 60% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors is then owned beneficially, directly or indirectly, by all or substantially all of the individuals and the entities who were the beneficial owners, respectively, of the Outstanding Company Common Stock and Company Voting Securities immediately prior to such sale or disposition in substantially the same proportion as their ownership of the Outstanding Company Common Stock and Company Voting Securities, as the case may be, immediately prior to such sale or disposition.

(e) Neither the sale of Company common stock in an initial public offering, nor the distribution of Company common stock by Capital One's parent corporation to its shareholders in a transaction to which Section 355 of the Internal Revenue Code applies, nor any restructuring of the Company or its Board of Directors in contemplation of or as the result of either of such events, shall constitute a Change of Control.

2.8 Code. The Internal Revenue Code of 1986, as amended from time to time.

2.9 Committee. The Company's Compensation Committee.

2.10 Company. Capital One Financial Corporation and its subsidiary corporations.

2.11 Compensation. As to a Director, fees (including the annual retainer and meeting fees) earned by a Director. As to an Eligible Employee, the earnings paid by the Company for personal services, including incentives, bonuses, overtime and commissions received in cash. "Compensation" shall be determined before taking into account any amounts deferred pursuant to an election under the Plan. "Compensation" shall not include contributions under any other plan of deferred compensation maintained by the Company (other than amounts deferred pursuant to section 3.1), and variable pay, and "Compensation" shall not include special allowances, non-recurring payments or imputed income (such as amounts paid to an employee during an authorized leave of absence, moving expenses, car expenses, tuition reimbursement, meal allowances, the cost of excess group life insurance income includible in taxable income, amounts received upon the exercise of a stock appreciation right or nonqualified stock option, or income recognized as a result of a premature disposition of an incentive stock option, distributions from any nonqualified deferred compensation plans, payments under an Executive Severance Agreement, and any other extraordinary form of remuneration) and any additional compensation in any form received by a Participant on any date following his final period of employment, all as determined by the Company.

2.12 Deferral Amount. The amounts elected to be withheld from Compensation (or components of Compensation) and credited from time to time to a Participant's Account pursuant to 3.1 and Section 3.5.

2.13 Director. Any person serving as a Director of Capital One Financial Corporation.

2.14 Disability. A condition that entitles the Participant to disability payments under the terms of the Company's long term disability plan.

2.15 Distribution. The distribution of the Company's common stock to shareholders of the Company's parent corporation in a transaction to which Code Section 355 applies.

2.16 Distribution Date. The date on which the Distribution occurs.

2.17 Domestic Relations Order. Any judgement, decree or order (including approval of a property settlement agreement) which relates to the provision of child support, alimony payments or marital property rights to a spouse, former spouse, child or other dependent of a Participant made pursuant to a State domestic relations law (including a community property law).

2.18 Effective Date. The first to occur of January 1, 1995 and the Distribution Date.

2.19 Eligible Employee. An employee who is approved from time to time by the Compensation Committee as eligible to participate in either of the Company's Short-Term or Long-Term Cash Incentive Plans, an employee designated to participate in a cash incentive plan covering senior management employees, or an employee whose taxable compensation paid by the Company with respect to the calendar year preceding the year of determination and each year thereafter equals or exceeds 300% of the Social Security table wage base.

2.20 ERISA. The Employee Retirement Income Security Act of 1974, as amended.

2.21 Included Plan. Capital One Financial Corporation Senior Executive Short-Term Cash Incentive Plan, Capital One Financial Corporation Senior Executive Long-Term Cash Incentive Plan, and any other cash incentive plan covering designated senior management employees.

2.22 Participant. An Eligible Employee or Director who elects to defer compensation under the Plan. Any employee who on the Effective Date is a Participant in an Included Plan shall be a Participant without regard to whether the employee is an Eligible Employee.

2.23 Plan. The Capital One Financial Corporation 1994 Deferred Compensation Plan.

2.24 Spouse. The person who is the Participant's "spouse" as such term is defined in the Cash Balance Plan.

2.25 Year. A calendar year.

SECTION 3 Deferral Amounts and Credits

3.1 Elections. An Eligible Employee or Director may elect to reduce his or her Compensation by a designated percentage as provided in Section 3.3 on such forms and at such times as may be prescribed by the Committee; provided that, effective January 1, 1996, only elections by Directors who are not employees of the Company shall be given effect in accordance with this sentence.

3.2 Elections/Included Plans. An election made by a Participant while a Participant in a plan maintained by Signet Banking Corporation substantially similar to an Included Plan shall, as to deferrals and credits under the included Plan in effect immediately before the Effective Date, be treated as having been made under this Plan, and such election shall remain in effect until a subsequent election is made pursuant to Section 3.1.

3.3 Deferral Percentages. The Committee shall provide forms and, when appropriate, formulate rules governing the making of deferred elections consistent with the terms of the Plan. Participants may elect Deferral Amounts in accordance with the following limitations:

(a) A Director may only elect to defer up to 100% of his or her Compensation;

(b) An Eligible Employee or class of Eligible Employees may elect to reduce and defer up to such percentage of his or her Compensation as the Committee may specify. Instead of making a general election applicable to all his or her Compensation, if the Committee permits, a Participant may make an election applicable to one or more components of Compensation (such as Base Salary or Bonuses, for example) and defer such percentage of the component as the Committee has authorized.

3.4 Accounts. The Company will establish for bookkeeping purposes only an Account for each Participant and credit to the Account from time to time as the Compensation is earned the Deferral Amounts elected by the Participant under the Plan. Amounts deferred by an employee who was a participant in an Included Plan will be credited to his Account under the Plan, or, if the employee is eligible and has elected Deferral Amounts, added to his Account. The Account of a Participant who participated

in the Signet Banking Corporation 1988 Deferred Compensation Plan shall include the amounts credited to him or her under that plan as of the date of such Participant's employment by the Company.

3.5 Vesting of Account. Each Participant will be fully vested in Deferrals credited to his or her Account pursuant to Section 3.1.

3.6 Interest Credited to the Account. Each Participant's Account will be credited with an interest equivalent in an amount determined from time to time by the Company. The Company shall have the right to increase or decrease the applicable interest equivalent rate at any time when it is in the best interest of the Company to do so. Interest equivalents shall be credited and compounded monthly.

3.7 Certain Transfers. Effective January 1, 1996, the balance in the Account of any Eligible Employee shall be transferred, with the consent of the Eligible Employee, to an account established for the Eligible Employee under the Capital One Financial Corporation Excess Saving Plan. Following any such transfer, the Eligible Employee shall not be entitled to any benefit under the Plan.

SECTION 4 Payment of Deferred Compensation

4.1 Commencement of Payments. When a Participant ceases to render services to the Company on account of retirement (as such term is used in the Company's Cash Balance Plan) or Disability, the Participant shall be entitled to begin to receive within 90 days the balance then credited to his or her Account in substantially equal monthly payments over the period of months beginning with the first payment date and ending with the month in which the Participant attains age 80, unless the Committee authorizes a shorter payment period or a lump sum payment pursuant to Section 4.5. The amount of the initial installment shall equal the balance in the Account as of the date of payment, divided by the number of remaining installments (including the installment being determined). Thereafter, as of each January 1, the amount of the monthly installments for the calendar year shall be redetermined by dividing the account by the number of remaining installments. If the amount credited to the Account is paid in installments, the undistributed Account and subsequent installments shall be adjusted as provided in Section 3.6 to reflect interest credited on the amounts that remain undistributed.

4.2 Early or Delayed Payment. The Committee may in its discretion authorize the distribution of his or her Account to a Participant who is still employed by the Company as provided in Section 4.1. A Participant who has received an early distribution or is receiving a distribution of his or her Account in installments while still employed shall not be entitled to have Deferral Amounts credited to an Account for 12 months after the distribution or series of distributions has been completed. The Committee in its discretion may delay to a date certain the commencement of payment of

the Account to a Participant whose employment terminates because of retirement, death or Disability.

4.3 Payments on Death. If a Participant dies prior to the commencement of payments under Sections 4.1 or 4.2, the Account shall be paid to his or her Beneficiary in a lump sum within 90 days after the date of death. If a Participant dies after payments have commenced, any remaining installments will be paid to the Participant's Beneficiary unless the Participant has elected that his Beneficiary shall receive a lump sum payment.

4.4 Payments on Termination of Employment. If a Participant terminates employment with the Company for reasons other than Retirement, death or Disability, the Participant's Account shall be paid in a lump sum within 90 days of the last day the Participant performed services for the Company.

4.5 Elections. Instead of receiving distribution of the Account in installments upon retirement or disability as provided in Section 4.1, the Committee may, if requested by a Participant, authorize a shorter period of payment or a lump sum payment. The request for a shorter period of payment or a lump sum payment shall be (a) subject to the consent of the Committee, (b) made in writing to the Committee at least one year prior to the date payments would commence or payment would be made, and (c) irrevocable once made.

4.6 Payment Upon Change of Control. Notwithstanding any other provision of the Plan to the contrary, and unless the Eligible Employee made and filed with the Company as soon as practicable after first becoming a Participant, but in any event not later than six months before the occurrence of a Change of Control, an irrevocable election to defer receipt of payment of his Account to his retirement or earlier termination of employment if a Change of Control occurs, the Company shall pay to such Participant, Beneficiary or Alternate Payee of the Participant within 30 days of a Change of Control a lump sum in cash in an amount equal to the amount credited to his or her Account as of the Change of Control.

SECTION 5 Amendment or Termination

5.1 Right to Terminate. The Board may, in its sole discretion, terminate this Plan at any time. If the Plan is terminated, each Participant, former Participant or Beneficiary whose benefits are not in pay status shall be entitled to (a) begin to receive installment payments as provided, in Section 4, or (b) receive a single lump sum payment equal to the balance in his Account (including the unpaid balance in the Account of a Participant whose benefits are in pay status), as determined by the Company. The single lump sum payment shall be made as soon as practicable (but not later than 60 days) following the date the Plan is terminated and shall be in lieu of any other benefit which may be payable to the Participant, former Participant or Beneficiary under the Plan.

5.2 Right to Amend. The Board may, in its sole discretion, amend this Plan in any way, provided no amendment shall adversely affect the rights of a Participant, former Participant or Beneficiary with respect to amounts credited to a Participant's, former Participant's or Beneficiary's Account as of the date of the amendment.

5.3 Assignment by Company. The Company has the unconditional right to assign its responsibilities and obligations under this Plan to a successor or other entity without notice to Participants, Beneficiaries or Alternate Payees.

SECTION 6 General Provisions

6.1 No Funding. Nothing contained in this Plan shall require an Employer to segregate any assets from their general funds, or to create any trusts, or to make any special deposits for any amounts to be paid to any Participant, former Participant or Beneficiary. Participants, former Participants and any Beneficiary of a Participant shall not have any right, title or interest in or to any specific funds or property of any Employer, and their interest shall be those of a general creditor.

6.2 ERISA Exemption. The Plan is an unfunded plan of deferred compensation covering a select group of management or highly compensated employees, intended to be exempt from the participation, vesting, funding and fiduciary provisions of ERISA pursuant to Sections 201(2), 301(a)(3) and 401(a)(1) of that statute.

6.3 No Contract of Employment. The existence of this Plan does not constitute a contract for continued employment between an Eligible Executive or a Participant and his Employer.

6.4 Withholding Taxes. All payments under this Plan shall be subject to and net of an amount sufficient to satisfy all federal, state or local withholding tax requirements.

6.5 Restrictions on Transfer. Any benefits to which a Participant, his Beneficiary or Alternate Payee may become entitled under this Plan are not subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, or encumbrance, and any attempt to do so is void. Benefits are not subject to attachment or legal process for the debts, contracts, liabilities, engagements or torts of a Participant, his Beneficiary or Alternate Payee. This Plan does not give a Participant, his Beneficiary or Alternate Payee any interest, lien, or claim against any specific assets of the Company. Participants and their Beneficiaries have only the rights of general creditors of the Company.

6.6 Domestic Relations Order/Alternate Payee.

(a) Notwithstanding the provisions of Section 6.5, an Alternate Payee shall be entitled to receive a benefit under the Plan, computed by reference to the Participant's benefit in accordance with the terms of the Domestic Relations Order, at the time and in

the manner benefits begin to be paid or are paid to the Participant. If the Alternate Payee predeceases the Participant before payments begin to be paid or are paid to the Participant, the Alternate Payee's interest in the Plan shall begin to be paid or shall be paid (i) at the time and in the manner the Alternate Payee would have received or began to receive payment had the Alternate Payee survived, and (ii) if not inconsistent with the terms of the Domestic Relations Order, to the person or persons designated by the Alternate Payee in a writing filed with and acknowledged by the Company, or, if no writing has been filed or if the person or persons designated predeceases the Alternate Payee, to the legal representative of the Alternate Payee.

(b) The Domestic Relations Order shall clearly specify (i) the name and last known mailing address of the Participant and the name and mailing address of each Alternate Payee covered by the order, (ii) the amount or percentage of the Participant's benefit to be paid by the Plan to each Alternate Payee, or the manner in which such amount or percentage is to be determined, and (iii) any limitation on the number of payments or period to which such order applies. The Company shall not be required to make payments to an Alternate Payee pursuant to a Domestic Relations Order that requires the Plan to (i) provide any type or form of benefit, or payment option, not otherwise provided under the Plan, (ii) provide increased benefits (determined on the basis of actuarial value), or (iii) pay benefits to an Alternate payee otherwise required to be paid to another Alternate Payee under an order previously determined to be a Domestic Relations Order.

(c) The Company shall have the right to delay any payment of a benefit under the Plan to an Alternate Payee for up to 180 days if necessary to determine whether the Domestic Relations Order complies with the provisions of this section.

(d) If an Alternate Payee cannot be located after a diligent search has been conducted, the interest of the Alternate Payee can be forfeited at the discretion of the Company at any time after a two-year period and restored to the Participant on such conditions and terms as the Company shall determine.

6.7 Administration.

(a) This Plan shall administered by the Committee. The Committee shall interpret the Plan, establish regulations to further the purposes of the Plan and take any other action necessary to the proper operation of the Plan. Prior to paying any benefit under the Plan, the Committee may require the Participant, former Participant or Beneficiary to provide such information or material as the Committee, in its sole discretion, shall deem necessary for it to make any determination it may be required to make under the Plan. The Committee may withhold payment of any benefit under the Plan until it receives all such information and material and is reasonably satisfied of its correctness and genuineness.

(b) The Committee shall provide adequate notice in writing to any Participant, former Participant, beneficiary or contingent beneficiary whose claim for benefits under

the Plan has been denied, setting forth the specific reasons for such denial. A reasonable opportunity shall be afforded to any such member, former Participant or Beneficiary for a full and fair review by the Committee of its decision denying the claim. The Committee's decision on any such review shall be final and binding on the Participant, former Participant or Beneficiary and all other interested persons.

(c) All acts and decisions of the Committee shall be final and binding upon each Participant, former Participant and Beneficiary and employees of the Employer.

(d) The committee may appoint an administrator and delegate its administrative and fiduciary responsibilities to such administrator.

6.8 Construction. For construction, one gender includes the other, and the singular and plural include each other where the meaning would be appropriate. This Plan is construed in accordance with the laws of the State of Delaware, except to the extent that the laws of the United States of America have superseded those laws. The headings in this Plan have been inserted for convenience of reference only and are to be ignored in any construction of the provision. If a provision of this Plan is not valid, that invalidity does not affect the remaining provisions.

6.9 Binding Upon Successors and Assigns. The provisions of the Plan shall be binding upon the Participant and the Company and their successors, assigns, heirs, executors and beneficiaries.

6.10 Life Insurance and Funding. The Company in its discretion may apply for and procure as owner and for its own benefit insurance of the life of the Participant, in such amounts and in such forms as the Company may choose. The Participant shall have no interest whatsoever in any such policy or policies, but, as a condition of participation and at the request of the Company, the Participant shall submit to medical examinations and supply such information and execute such documents as may be required by the insurance company or companies to whom the Company has applied for insurance.

6.11 Form of Communication. Any election, application, claim, notice or other communication required or permitted to be made by a Participant shall be in writing and in such form as the Committee shall prescribe. Such communication shall be effective upon mailing, if sent by first class mail, postage pre-paid, and addressed to the Company's office at 2980 Fairview Park Drive, Falls Church, Virginia 22043.

AMERICAN MANAGEMENT SYSTEMS, INCORPORATED
CONSULTING AGREEMENT

This is a document dated as of April 5, 1995, (the "Agreement"), by which we American Management Systems, Incorporated ("AMS", "we", or any similar pronoun), a Delaware corporation having our principle office at 1777 North Kent Street, Arlington, Virginia, 22209, agree to perform general consulting and other tasks for you, Capital One Financial Corporation, and your affiliates and subsidiaries, ("Client", "you", or any similar pronoun), a Delaware hold company having an office at 2980 Fairview Park Drive, Falls Church, Virginia 22042.

1. SCOPE OF WORK

A. We will perform the consulting and other tasks authorized by particular Scope of Work Exhibits. Separate Scope of Work Exhibits will be prepared and executed by you and AMS for each identifiable project. These Scope of Work Exhibits will include, as appropriate, specific provision on the services, work, and deliverables to be provided; the commencement date, termination date for such work and applicable professional services rates and will be in the format of the Scope of Work Exhibit 1 attached to this Agreement, the first of the Scope of Work Exhibits to become operable under this Agreement.

B. You will designate a project manager who will be both responsible and authorized to (i) make all decisions and give all approvals which we may need from you, and (ii) provide our personnel on a timely basis with all information and data, and support as defined in the applicable Scope of Work Exhibit, required for our performance under this Agreement. You also will make appropriate personnel available to work with us.

2. COMPENSATION

A. We will perform the services required by this Agreement as set forth in the particular Scope of Work Exhibit. You will pay us for professional services and out-of-pocket expenses in accordance with the terms of the applicable Scope of Work Exhibit.

3. TERMS OF PAYMENT

A. We will provide you with monthly invoices covering the work performed and our incidental expenses. These invoices will show the fees due for professional services work and appropriate detail for the incidental expenses. Our invoices are due and payable in full when they are presented to you.

B. If you do not pay an invoice within sixty (60) days after we have presented it to you, we may exercise our option to add an interest charge of one and one-half percent (1 1/2%) per month; this interest will begin to run on the sixty-first (61st) day and will accumulate on a daily basis thereafter.

C. You will pay any taxes arising out of this Agreement, except for taxes based on our net income.

4. WORK PRODUCT

You will own all computer programs, documentation and data produced under this Agreement, except as the Applicable Scope of Work Exhibit otherwise provides.

5. NONDISCLOSURE

A. We each agree to protect all Confidential Information provided by one of us to the other, and not to publish or disclose such information to any third party without the other's written permission by using those methods and procedures normally used to protect our own Confidential Information. By Confidential Information: a) AMS means materials, documents, data and other information which we have designated in writing as propriety and confidential and b) Client means all information and material with respect to its past or present customers, business practices, or plans which AMS acquires as a result of its contact with and efforts on behalf of Client and any other information designated in writing as confidential by Client.

B. The term Confidential Information includes all copies and reproductions, whether in whole or in part, of such data.

C. Both parties acknowledge that all Confidential Information furnished by the disclosing party is considered to be propriety and/or trade secrets. Both parties also acknowledge that the unauthorized use or disclosure of any Confidential Information could be detrimental to the disclosing party.

D. Both parties agree that neither they nor their officers, employees or agents will duplicate, distribute, disclose, convey or in any other manner make available to third parties, including but not limited to other banks and financial institutions, any Confidential Information. Both parties also agree that they shall not use Confidential Information for any purpose other than for requested services for the disclosing party.

E. Both parties agree that: (i) only their parties with a defined need to know shall be granted access to Confidential Information; (ii) Confidential Information shall not be distributed, disclosed or conveyed or in any other manner made available to any consultant, subcontractor or any other person retained by or associated with the receiving party; and (iii) no copies or reproductions shall be made of any Confidential Information received by either party for any reason or benefit except for the purpose of fulfilling any service agreement between Client and AMS.

F. Both parties agree that because of the unique nature of the Confidential Information, the disclosing party would suffer irreparable harm in the event the receiving party fails to comply with any of the terms of the nondisclosure provisions of this Agreement and that money damages and other remedies at law available to the disclosing

party in the event of a breach or a threatened breach of the nondisclosure provisions of this Agreement are not, and will not, be adequate to compensate the disclosing party for the harm caused by the breach or the threatened breach. Accordingly, the disclosing party will be entitled to such injunctive relief as a court of competent jurisdiction may deem appropriate.

G. Both parties agree that, should third parties request either party to submit Confidential Information to them pursuant to a subpoena, summons, search warrant, court or governmental order otherwise (collectively a "Lawful Order"), the receiving party will notify the disclosing party upon receipt of such request. The receiving party shall verify the disclosing party's receipt of the notice no later than the next business day. The receiving party will permit the disclosing party a reasonable opportunity to resist release of the Confidential Information prior to releasing any such Confidential Information pursuant to a Lawful Order. The disclosing party will pay the receiving party's reasonable attorney's fees incurred in resisting the release of the Confidential Information.

H. Both parties agree that all Confidential Information shall at all times remain the sole and exclusive property of the disclosing party and shall be returned to the disclosing party immediately upon request or termination of the service contract between the parties. If Confidential Information is contained in any computer data processing tape(s), AMS shall be responsible for returning the same tape(s) originally supplied by the disclosing party and deleting all related files upon request or within seven (7) days of the termination of the service contract between the parties.

I. Neither of us will be required to protect Confidential Information which (i) is or becomes publicly available, (ii) is independently developed by either of us outside the scope of this Agreement, (iii) is rightfully obtained from third parties or (iv) constitutes software development and data processing concepts, techniques and know-how which are retained as mental impressions by employees of the receiving party, where for the purposes of this Agreement, "software development and data processing concepts, techniques and know-how" shall mean generic concepts and shall not include specific applications of such concepts tailored to the business of the disclosing party or identifiable to disclosing party.

J. You understand and acknowledge that (i) we are performing services under this Agreement in conjunction with the licensing from us of certain software products under a Propriety Software License and Maintenance Agreement, and (ii) this provision does not modify or limit any of your obligations under that agreement.

6. AMS WARRANTIES AND DISCLAIMERS

A. We warrant that we will perform the services required under this Agreement in a manner consistent with industry standards reasonably applicable to the performance of such work and services.

B. We warrant that neither products, processes, computer software, software modules, media, documentation and other materials provided to you under this Agreement, nor their use by you, will infringe or constitute an infringement of any copyright, patent, trademark or other propriety right arising under the laws of the United States (including any claims which may be properly brought under the rules of the Berne Convention). Should any such items become the subject of an infringement claim or suit, we may obtain for you the right to continue using such items or may replace or modify them to make them noninfringing. If we do not find either of these alternatives available to us on commercially reasonable terms, we may require you to stop using such items, in which case you will receive a refund of the fees previously paid by you for the software or other materials you no longer may use.

C. As to our infringement warranty provided in paragraph 6.B., AMS will not be required to indemnify you if the claim of infringement is caused by (1) your misuse or modification not developed by us of the software or other materials; (2) your failure to use corrections or enhancements made available by AMS; (3) your use of the software or other materials in combinations with any product or information not owned or approved by AMS in writing; or (4) information or materials provided by you or any third party.

D. THESE WARRANTIES ARE IN LIEU OF ALL OTHER WARRANTIES, EXPRESS OR IMPLIED, INCLUDING, BUT NOT LIMITED TO, THE IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE AND ANY WARRANTIES ARISING FROM COUSE OF DEALING AND PERFORMANCE AND USAGE OF THE TRADE.

7. LIMITATION OF REMEDIES

A. We agree as follows:

1. Except as provided in paragraphs 7.B. and 7.C., our entire liability and your exclusive remedy for damages to you from our work under or breach of this Agreement, for any cause whatsoever, and regardless of the form of action, whether in contract or in tort, including negligence, shall be limited to money damages in an amount equal, in the aggregate, to the lesser of (a) actual damages or (b) 1.5 times the total cash amount paid by you to us under the particular Scope of Work Exhibit giving rise to such liability.
2. No proceeding, regardless of form, arising out of this Agreement may be brought by either of us more than two years after the party injured first knew, or should reasonably have had knowledge of, the facts giving rise to the cause of action; except that proceedings related to violation of any duty to protect Confidential Information may be brought at any time.

B. We will indemnify you and hold you harmless for any costs (including reasonable legal fees), which you may incur as a result of any claim or suit based on a violation of the warranty in paragraph 6.B., but only if you notify us promptly of any

such suit or claim and cooperate with us in defending or settling the claim or suit. We will control the defense of any such claim or suit including the selection of attorneys.

C. If as a result of AMS' negligence or willful misconduct you or your employees suffer personal injury or property damage, we will reimburse you to the extent of our liability for any claims you actually pay.

D. WE WILL NOT BE HELD TO HAVE FAILED TO MEET OUR OBLIGATIONS UNDER THIS AGREEMENT, IF WE EITHER DELAY PERFORMANCE OR FAIL TO PERFORM AS THE RESULT OF ANY CAUSE BEYOND OUR REASONABLE CONTROL. IN NO EVENT WILL WE BE LIABLE FOR ANY DAMAGES CAUSED BY YOUR FAILURE TO PERFORM YOUR RESPONSIBILITIES, OR FOR ANY INDIRECT, INCIDENTAL, SPECIAL OR CONSEQUENTIAL DAMAGES, SUCH AS LOST PROFITS, LOST OPPORTUNITIES, LOST SAVINGS, LOSS OF BUSINESS AND THE LIKE, OR PUNITIVE DAMAGES EVEN IF WE HAVE BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES.

8. ARBITRATION

We will settle all disputes, controversies or claims which relate in any way to this Agreement, subject to Section 9 of this Agreement, by arbitration according to the Rules of the American Arbitration Association; and we agree that the award by the arbitrators may be enforced in any court having jurisdiction.

9. DISPUTE RESOLUTION

In the event of any dispute, controversy or claim with respect to the interpretation of any provision of this Agreement or the performance by either of us, upon the written request of one of us, the parties will appoint representative ("Representative") who does not devote substantially all of his or her time to performance under this Agreement. The Representative of each party will meet in a timely manner for the purpose of attempting to resolve such dispute. The Representatives will negotiate in good faith to resolve such dispute without resort to formal proceedings. During the course of such negotiation, the parties will comply with all reasonable requests for access to relevant information (excluding materials which are subject to the attorney client privilege or materials which would otherwise be protected by any other privilege if sought to be obtained as evidence or otherwise introduced by an opposing party in a court of law). Formal proceedings for the arbitration of such dispute, controversy or claim in accordance with Section 8 (Arbitration) may not be commenced until the earlier of (i) the Representatives concluding in good faith that amicable resolution through continued negotiation of the matter in issue does not appear likely, or (ii) ninety (90) days after the initial written request of a party to negotiate such dispute. Both parties shall continue to perform their respective obligations hereunder during the negotiations referred to in this Section 9 (Dispute Resolution).

10. TERMINATION

A. Our Agreement will begin on the date first written above, and will continue in effect for the period of time we need to perform the services specified in the Agreement and the particular Scope of Work Exhibits and for you to complete payment for these services, unless either of us terminates the Agreement earlier pursuant to section 10.

B. Either of us may terminate this Agreement, in whole or in part, at any time for any reason if after thirty (30) days written notice the other party has failed to cure a material breach of this Agreement.

C. When the Agreement terminates, we will have no further responsibility under the Agreement, and you will pay us for:

- (i) for work being performed on a time and materials basis, you will pay us at the applicable rates set forth in the particular Scope of Work Exhibit being terminated for all hours of work actually performed through the effective date of termination;
- (ii) for work being performed on a fixed-price basis, you will pay us for all work performed through the effective date of termination, in an amount equal to the pro-rata portion of the specified fixed price for such work, determined on a percentage of completion basis;
- (iii) incidental expenses incurred, up to the date of termination plus any additional direct costs which we incur, such as costs of terminating lease or other contractual obligations which we made to meet our obligations under this Agreement.

D. When this Agreement terminates, both of us will continue to comply with all the terms of this Agreement which call for performance prior or subsequent to the termination date, including our respective obligations to protect Confidential Information as provided in paragraph 5.

11. GENERAL PROVISIONS

A. Without the prior written consent of the other, we each agree not to employ or solicit for employment any of the other's employees which, as to AMS, are in the FIG Business Unit, and which, as to Client are in the Capital One BankCard Division, (current employees or employees who were employed by such party during the preceding 12-month period) until at least six (6) months after this Agreement terminates.

B. You may not assign or otherwise transfer this Agreement without our prior written consent, which consent shall not be unreasonably withheld except that you may assign this Agreement to a purchaser of all or substantially all of your credit cards assets or to a majority-owned subsidiary of you or your parent company which will take over

that credit card operations currently conducted by you. This Agreement shall be binding upon our respective successors and assigns.

C. If either of us waives or modifies any term or condition of this Agreement, this will not be void, waive or change any other term or condition. If either of us waives a default by the other, this does not mean that we will waive future or other defaults.

D. Notices regarding this Agreement are to be in writing and delivered, or mailed by first-class mail postpaid or sent by overnight courier with a reliable tracking system, by one party to the other at our respective addresses given above, marked for the attention of our CreditLine Product Manager, with a copy to Deborah L. Hill, Contracts Manager, and Mark Tiltman at your offices. Notices which are mailed shall be deemed to have been given as of the second business day following the date of mailing and notices sent by overnight courier are deemed to be given the next business day.

E. If any part of this Agreement, for any reason, is declared to be invalid, it shall be deemed restated to reflect as nearly as possible in accordance with applicable law the original intentions of the parties, and the remaining provisions shall remain in full force and effect.

F. This Agreement will be governed by the laws of the Commonwealth of Virginia, exclusive of its choice of law rules.

G. This Agreement sets forth the full understanding between us and may only be changed in writing.

H. The parties are and shall be independent contractors to one another, and nothing herein shall be deemed to cause this Agreement to create an agency, partnership, or joint venture between the parties.

I. The Scope of Work Exhibits attached are made a part of this Agreement as if fully included in the text.

12. SUPERSEDING AGREEMENT

AMS and Client contemplate that a Consulting Agreement dated March 1, 1994 (the "Previous Agreement") between AMS and Signet Bank/Virginia ("Signet") will be assigned to Client by Signet and Client will assume any and all of Signet's rights, duties and obligations under the Previous Agreement. Upon assignment of the Previous Agreement by Signet to Client, AMS and Client agree that the Previous Agreement shall be deemed to have been merged into this Agreement and that any schedules, Scope of Work Exhibits or other attachments to the Previous Agreement shall become subject to and governed by the terms of this Agreement as if they had originally been executed as part of this Agreement.

Each of us has signed this Agreement as of the date indicated at the beginning of this document.

CAPITAL ONE
FINANCIAL CORPORATION ("Client")

AMERICAN MANAGEMENT SYSTEMS,
INCORPORATED ("AMS")

BY: /s/ Nigel Morris

(Signature)

BY: /s/ John Skeelee

(Signature)

Nigel Morris

(Print Name)

John Skeelee

(Print Name)

President

(Title)

Senior Principal

(Title)

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Dividends
0.11 0.11
0.11 0.11
0.11 Book
value as of
year-end
20.44 15.33
9.94 7.69
6.45 Average
common
shares
219,983,691
209,866,782
196,477,624
197,593,371
196,768,929
Average
common and
common
equivalent
shares
228,743,610
220,576,093
209,448,697
210,682,740
208,765,296

- SELECTED
AVERAGE
BALANCES:

Securities \$
3,873,186 \$
3,038,360 \$
1,764,257 \$
2,027,051 \$
1,877,276
18.59%
Allowance
for loan
losses
(1,178,243)
(637,789)
(402,208)
(269,375)
(214,333)

54.76% Total
assets
34,201,724
23,346,309
15,209,585
11,085,013
8,330,432
39.09%

Interest-
bearing
deposits
15,606,942
10,373,511
5,339,474
2,760,536
1,430,042
74.71%

Borrowings
11,381,062
8,056,665
6,870,038
6,078,480
5,261,588
20.71%

Stockholders'
equity
4,148,150
2,781,182
1,700,973
1,407,899
1,087,983
38.16% - - -

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 market a variety of financial products and services to consumers using its Information-Based Strategy ("IBS"). The Corporation's principal subsidiaries are Capital One Bank (the "Bank"), which offers credit card products, Capital One, F.S.B. (the "Savings Bank"), which offers consumer lending (including credit cards) and deposit products, and Capital One Auto Finance, Inc. ("COAF"), which offers auto lending products. The Corporation and its subsidiaries are hereafter collectively referred to as the "Company." As of December 31, 2002, the Company had 47.4 million accounts and \$59.7 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 generated on earning assets, consumer usage patterns, credit quality, levels of marketing expense and operating efficiency. The Company's revenues consist primarily of interest income on consumer loans (including past-due fees) and securities, and non-interest income consisting of servicing income on securitized loans, fees (such as annual membership, cash advance, cross-sell, interchange, overlimit and other fee income, collectively "fees") and gains on the securitizations of loans. Loan securitization transactions qualifying as sales under accounting principles generally accepted in the United States ("GAAP") remove the loan receivables from the consolidated balance sheet. However, the Company continues to own and service the account. The Company generates earnings from its managed loan portfolio that includes both on-balance sheet and off-balance sheet loans. Interest income, interchange income, fees, and recoveries in excess of the interest paid to investors and charge-offs generated from off-balance sheet loans are recognized as servicing and securitization income.

The Company's primary expenses are the costs of funding assets, provision for loan losses, operating expenses (including salaries and associate benefits), marketing expenses and income taxes. Significant marketing expenses (e.g., advertising, printing, credit bureau costs and postage) to implement the Company's new product strategies are incurred and expensed prior to the acquisition of new accounts while the resulting revenues are recognized over the life of the acquired accounts. Revenues recognized are a function of the response rate of the initial marketing program, usage and attrition patterns, credit quality of accounts, product pricing and effectiveness of account management programs.

SIGNIFICANT ACCOUNTING POLICIES

The Notes to the Consolidated Financial Statements contain a summary of the Company's significant accounting policies, including a discussion of recently issued accounting pronouncements. Several of these policies are considered to be important to the portrayal of the Company's financial condition, since they require management to make difficult, complex or subjective judgements, some of which may relate to matters that are inherently uncertain. These policies include determination of the level of allowance for loan losses, accounting for securitization transactions, and finance charge and fee revenue recognition.

Additional information about accounting policies can be found in Note A to the Consolidated Financial Statements.

ALLOWANCE FOR LOAN LOSSES

The allowance for loan losses is maintained at the amount estimated to be sufficient to absorb probable losses, net of principal recoveries (including recovery of collateral), inherent in the existing reported loan portfolio. The provision for loan losses is the periodic cost of maintaining an adequate allowance. The amount of allowance necessary is determined primarily based on a migration analysis of delinquent and current accounts and forward loss curves. The entire balance of an account is contractually delinquent if the minimum payment is not received by the payment due date. In evaluating the sufficiency of the allowance for loan losses, management takes into consideration the following factors: recent trends in delinquencies and charge-offs including bankrupt, deceased and recovered amounts; 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. To the extent credit experience is not indicative of future performance or other assumptions used by management do not prevail, loss experience could differ significantly, resulting in either higher or lower future provision for loan losses, as applicable.

ACCOUNTING FOR SECURITIZATION TRANSACTIONS

Loan securitization involves the sale, generally to a trust or other special purpose entity, of a pool of loan receivables and is accomplished primarily through the public and private issuance of asset-backed securities by the special purpose entity. The Company removes loan receivables from the consolidated balance sheet for those asset securitizations that qualify as sales in accordance with Statement of Financial Accounting Standards No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities - a Replacement of FASB Statement No. 125 ("SFAS 140"). The trusts are qualifying special purpose entities as defined by SFAS 140. For those asset securitizations that qualify as sales in accordance with SFAS 140, the trusts to which the loans were sold are not subsidiaries of the Company, and are not included in the Company's consolidated financial statements in accordance with GAAP. Gains on securitization transactions, fair value adjustments and earnings on the Company's securitizations are included in servicing and securitizations income in the consolidated statement of income and amounts due from the trusts are included in accounts receivable from securitizations on the

Gains on securitization transactions represent the present value of estimated excess cash flows the Company will receive over the estimated life of the receivables. This excess cash flow essentially represents an interest-only strip, consisting of the following estimates: interest rate movements on yields of receivables and securities issued to determine the excess of finance charges and past-due fees over the sum of the return paid to investors, contractual servicing fees and credit losses. To the extent assumptions used by management do not prevail, fair value estimates of the interest-only strip could differ significantly, resulting in either higher or lower future income from servicing and securitization non-interest income, as applicable.

FINANCE CHARGE AND FEE REVENUE RECOGNITION

Consistent with its practice since the fourth quarter of 1997, as a revenue recognition policy, the Company reduces reported revenue (including both interest and non-interest income components of reported revenue) for the portion of finance charge and fees billed to customers that it deems uncollectible. In addition, the Company reduces consumer loans outstanding for such uncollectible amounts. As discussed below, the 2002 change in recoveries estimate resulted in an \$82.7 million reduction of finance charges and fees deemed uncollectible for the year ended December 31, 2002.

CHANGE IN RECOVERIES CLASSIFICATION

During 2002, the Company changed its financial statement presentation of recoveries of charged-off loans. The change was made in response to guidelines that were published by the Federal Financial Institutions Examination Council ("FFIEC") with respect to credit card account management. Previously, the Company recognized all recoveries of charged-off loans in the allowance for loan losses and provision for loan losses. The Company now classifies the portion of recoveries related to finance charges and fees as revenue. All prior period recoveries have been reclassified to conform to the current financial statement presentation of recoveries. This reclassification had no impact on prior period earnings.

The change in the classification of recoveries resulted in a change to the recoveries estimate used as part of the calculation of the Company's allowance for loan losses and finance charge and fee revenue. The change in the recoveries estimate resulted in an increase to the allowance for loan losses and a reduction of the amount of finance charges and fees deemed uncollectible under the Company's revenue recognition policy for the year ended December 31, 2002. The change in estimate resulted in an increase of \$38.4 million (pre-tax) to interest income and \$44.4 million (pre-tax) to non-interest income offset by an increase in the provision for loan losses of \$133.4 million (pre-tax) for the year ended December 31, 2002. Therefore, net income for the year ended December 31, 2002, was negatively impacted by \$31.4 million or \$.14 per diluted share as a result of the change in estimate.

CONSOLIDATED EARNINGS SUMMARY

The following discussion provides a summary of 2002 results compared to 2001 results and 2001 results compared to 2000 results. Each component is discussed in further detail in subsequent sections of this analysis.

YEAR ENDED DECEMBER 31, 2002 COMPARED TO YEAR ENDED DECEMBER 31, 2001

Net income increased to \$899.6 million, or \$3.93 per share, for the year ended December 31, 2002, compared to net income of \$642.0 million, or \$2.91 per share, in 2001. This represents 40% net income growth and 35% earnings per share growth in 2002. The growth in earnings for 2002 was primarily attributable to the growth in the Company's managed loan portfolio, combined with gains on sale of securities and the repurchase of senior notes, offset by a reduction in the managed net interest margin, significant increases in the provision for loan losses, write-downs of interest-only strips, certain one-time charges, and the impact of the change in recoveries classification.

[BAR CHART]

Managed loans consist of the Company's reported loan portfolio combined with the off-balance sheet securitized loan portfolio. The Company has retained servicing rights for its securitized loans and receives servicing fees in addition to the excess spread generated from the securitized loan portfolio. Average managed loans increased 48% to \$52.8 billion for 2002 from \$35.6 billion for 2001. Total managed loans increased 32% to \$59.7 billion at December 31, 2002 from \$45.3 billion at December 31, 2001.

During 2002, the Company realized after-tax gains on the sale of securities totaling \$48.1 million, compared with similar after tax gains in 2001 of \$8.4 million. In addition, during 2002 the Company realized after-tax gains on the repurchase of senior notes of \$16.7 million.

The managed net interest margin for the year ended December 31, 2002, decreased to 9.23% from 9.40% for the year ended December 31, 2001. This decrease was primarily the result of a 124 basis point decrease in consumer loan yield to 14.64% for 2002, from 15.88% in 2001, largely offset by a decrease in the cost of funds. This decline in yield was due to a shift in the mix of the managed portfolio to lower yielding, higher credit quality loans, an increase in low introductory rate accounts as compared to the prior year and reduced pricing on many of the Company's new loans in response to lower funding costs and increased competitive pressure.

During 2002, the provision for loan losses increased by \$1.0 billion over 2001. The ratio of allowance for loan losses to reported loans increased to 6.18% at December 31, 2002, compared to 4.02% at December 31, 2001. The increase in the provision for loan losses and corresponding build in the allowance for loan losses reflects an increase in the reported loan portfolio of \$7.0 billion or

33% over 2001, the change in the treatment of recoveries of charged-off accounts, the adoption of a revised application of regulatory guidelines related to subprime loans, as well as an increase in forecasted charge-off rates.

During 2002, the fair value of the Company's interest-only strips decreased \$33.1 million, including both the impact of gains from securitization transactions and changes to key fair value assumptions. Comparatively, the fair value of the Company's interest-only strips increased \$150.0 million in 2001, including both the impact of gains associated with securitization transactions and changes to key fair value assumptions. The 2002 decrease in the fair value of the interest-only strips primarily relates to the addition of introductory rate loans to the trusts, the reduced interest rate environment, and increasing charge-off rates. (See Note R to the Consolidated Financial Statements)

During 2002, marketing expenses increased a modest 13% over 2001, reflecting a shift in strategy to reduce loan growth during the second half of the year. During 2002, operating expenses increased 18%, compared with managed loan growth of 32%, reflecting lower account growth and increased operating efficiencies, offset by \$110.0 million of one-time charges.

YEAR ENDED DECEMBER 31, 2001 COMPARED
TO YEAR ENDED DECEMBER 31, 2000

Net income of \$642.0 million, or \$2.91 per share, for the year ended December 31, 2001, compared to net income of \$469.6 million, or \$2.24 per share, in 2000. This represents 37% net income growth and 30% earnings per share growth in 2001. The growth in earnings for 2001 was primarily attributable to the growth in the Company's managed loan portfolio, offset by a reduction in the managed net interest margin, increases in the provision for loan losses, and higher non-interest expenses.

Average managed loans increased 58% to \$35.6 billion for 2001 from \$22.6 billion for 2000. Total managed loans increased 54% to \$45.3 billion at December 31, 2001 from \$29.5 billion at December 31, 2000.

The managed net interest margin for the year ended December 31, 2001, decreased to 9.40% from 11.11% for the year ended December 31, 2000. This decrease was primarily the result of a 237 basis point decrease in consumer loan yield to 15.88% for 2001, from 18.25% in 2000. The decrease in consumer loan yield was due to a shift in the mix of the managed portfolio to lower yielding, higher credit quality loans, as well as an increase in the amount of low introductory rate balances as compared to the prior year.

During 2001, the provision for loan losses increased by \$307.6 million or 38% over 2000. The ratio of allowance for loan losses to reported loans increased to 4.02% at December 31, 2001 compared to 3.49% at December 31, 2000. The increase in the provision for loan losses and corresponding build in the allowance for loan losses reflects the growth in the reported loan portfolio of \$5.8 billion or 38% over 2000, offset by a reduction in the reported net charge-off rate to 4.76% for 2001 compared to 5.46% in 2000.

Marketing expenses increased \$176.8 million, or 20%, to \$1.1 billion, reflecting the Company's increase in marketing investment in existing and new product opportunities. Salaries and associate benefits expense increased \$368.7 million, or 36%, to \$1.4 billion as a direct result of the cost of operations and expansion to manage the growth in the Company's accounts and products offered. In 2001, average accounts grew 39% over 2000 as a result of the continued success of the Company's marketing and account management strategies.

CONSOLIDATED STATEMENTS OF INCOME

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, borrowings from senior notes and other borrowings.

Reported net interest income for the year ended December 31, 2002, was \$2.7 billion compared to \$1.8 billion for 2001, representing an increase of \$968.9 million, or 55%. Net interest income increased primarily as a result of growth in the Company's earning assets. Average earning assets increased 50% for the year ended December 31, 2002, to \$31.1 billion from \$20.7 billion for the year ended December 31, 2001. The reported net interest margin increased to 8.73% in 2002, from 8.45% in 2001. The increase is primarily due to a 93 basis point decrease in the cost of funds, offset by a 64 basis point decrease in the yield on consumer loans to 15.15% for the year ended December 31, 2002, from 15.79% for the year ended December 31, 2001. The yield on consumer loans decreased primarily due to a shift in the mix of the reported portfolio toward a greater composition of lower yielding, higher credit quality loans as compared to the prior year. \$38.4 million of the increase in net interest income, representing a 12 basis point increase in the net interest margin in 2002, relates to the one-time impact of the change in recoveries estimate (see "Change in Recoveries Classification" above).

Reported net interest income for the year ended December 31, 2001, was \$1.8 billion compared to \$1.7 billion for 2000, representing an increase of \$97.2 million, or 6%. Net interest income increased as a result of the growth in earning assets. Average earning assets increased 56% for the year ended December 31, 2001, to \$20.7 billion from \$13.3 billion for the year ended December 31, 2000. The reported net interest margin decreased to 8.45% in 2001, from 12.47% in 2000, and was primarily attributable to a 467 basis point decrease in the yield on consumer loans to 15.79% for the year ended December 31, 2001, from 20.46% for the year ended December 31, 2000. The yield on consumer loans decreased primarily due to a shift in the mix of the reported portfolio toward a greater composition of lower yielding, higher credit quality loans, a decrease in the frequency of past-due fees and a selective increase in the use of low introductory rates as compared to the prior year.

loans(1)
Domestic \$
9,320,165 \$
2,060,349
22.11%
Foreign
2,167,611
290,422
13.40% -----

---- Total
11,487,776
2,350,771
20.46% -----

Securities
available for
sale
1,611,582
96,554 5.99%
Other
Domestic
107,416 5,993
5.58% Foreign
45,259 581
1.28% -----

--- Total
152,675 6,574
4.31% -----

--- Total
earning
assets
13,252,033 \$
2,453,899
18.52% Cash
and due from
banks 103,390
Allowance for
loan losses
(402,208)
Premises and
equipment,
net 549,133
Other
1,707,237 ---

----- Total
assets \$
15,209,585
=====

=====

LIABILITIES
AND EQUITY:
Interest-
bearing
liabilities
Deposits
Domestic \$
5,313,178 \$
322,497 6.07%
Foreign
26,296 1,511
5.75% -----

--- Total
5,339,474
324,008 6.07%

Senior notes
3,976,623
274,975 6.91%
Other
borrowings
Domestic
2,011,295
142,355 7.08%
Foreign
882,120
59,679 6.77%

Total
2,893,415
202,034 6.98%


```

Total
interest-
bearing
liabilities
12,209,512 $
801,017 6.56%
Other
1,299,100
Total
liabilities
13,508,612 --
-----
Equity
1,700,973 ---
-----
Total
liabilities
and equity $
15,209,585
=====
=====
===== Net
interest
spread 11.96%
-----
-----
-----
Interest
income to
average
earning
assets 18.52%
Interest
expense to
average
earning
assets 6.05%
-----
-----
-----
Net interest
margin 12.47%
=====
=====
=====
=====

```

(1) Interest income includes past-due fees on loans of approximately \$955.8 million, \$769.5 million and \$824.9 million for the years ended December 31, 2002, 2001 and 2000, respectively. Interest income includes \$38.4 million related to the one-time impact of the change in recoveries assumption for the year ended December 31, 2002. This resulted in a 12 basis point increase in the net interest margin.

Domestic
71,013
70,320 693
39,884
36,743
3,141
Foreign
3,240
(1,633)
4,873 6,984
5,984 1,000

Total
74,253
59,445
14,808
46,868
43,420
3,448 -----

-- Total
interest
income
1,259,617
1,397,242
(176,001)
467,250
1,149,366
(682,116)

INTEREST
EXPENSE:
Deposits
Domestic
154,626
265,326
(110,700)
271,686
268,697
2,989
Foreign
16,793
18,734
(1,941)
44,776
44,422 354

Total
171,419
284,347
(112,928)
316,462
310,709
5,753 -----

-- Senior
notes
65,034
44,260
20,774
82,520
76,672
5,848 Other

borrowings
Domestic
80,890
135,364
(54,474)
2,961
33,938
(30,977)
Foreign
(26,696)
(20,282)
(6,414)
(31,953)
(28,072)
(3,881) ---

SERVICING AND SECURITIZATION INCOME

In accordance with SFAS 140, the Company records gains or losses on the off-balance sheet securitizations of consumer loan receivables on the date of sale based on the estimated fair value of assets sold and retained and liabilities incurred in the sale. Retained interests in securitized assets include interest-only strips, retained subordinated interests in the transferred pool of receivables, cash collateral accounts and accrued interest and fees on the investors' share of the pool of receivables. Gains represent the present value of estimated excess cash flows the Company will receive over the estimated life of the receivables and are included in servicing and securitizations income. This excess cash flow essentially represents an interest-only strip, consisting of the following estimates: the excess of finance charges and past-due fees over the sum of the return paid to investors, contractual servicing fees and credit losses. The credit risk exposure on retained interests exceeds the pro rata share of the Company's interest in the pool of receivables. However, exposure to credit losses on the securitized loans is contractually limited to the retained interests.

Servicing and securitizations income represents servicing fees, excess spread and other fees relating to consumer loan receivables sold through securitization and other sale transactions, as well as gains and losses recognized as a result of the securitization transactions, and fair value adjustments to the interest-only strips. Servicing and securitizations income increased \$364.4 million, or 15%, to \$2.8 billion for the year ended December 31, 2002, from \$2.4 billion in 2001. This increase was primarily due to a 49% increase in the average off-balance sheet loan portfolio offset in part by a reduction in the excess spread generated by the securitized loan portfolio and a \$33.1 million decrease in the fair value of interest-only strips.

Servicing and securitizations income increased \$1.3 billion, or 112%, to \$2.4 billion for the year ended December 31, 2001, from \$1.2 billion in 2000. This increase was primarily due to a 64% increase in the average off-balance sheet loan portfolio and a shift in the mix of that portfolio towards higher yielding, lower credit quality loans to more closely reflect the composition of the managed portfolio.

Certain estimates inherent in the determination of the fair value of the retained interests are influenced by factors outside the Company's control, and as a result, such estimates could materially change in the near term. Any future gains that will be recognized in accordance with SFAS 140 will be dependent on the timing and amount of future securitizations. The Company intends to continuously assess the performance of new and existing securitization transactions, and therefore the valuation of retained interests, as estimates of future cash flows change.

SERVICE CHARGES AND OTHER CUSTOMER-RELATED FEES

Service charges and other customer-related fees increased by \$401.4 million, or 26%, to \$1.9 billion for the year ended December 31, 2002. The increase primarily reflects an increase in the reported loan portfolio of \$7.0 billion or 33% over 2001 and a \$44.4 million increase related to the one-time impact of the 2002 change in the recoveries estimate (see "Change in Recoveries Classification" above) offset by a shift in the mix of the reported loan portfolio toward a greater composition of lower fee-generating loans.

Service charges and other customer-related fees decreased by \$110.3 million, or 7%, to \$1.5 billion for the year ended December 31, 2001. This decrease was primarily due to the shift in the mix of the reported loan portfolio toward a greater composition of lower fee-generating loans, offset by a 39% increase in the average number of accounts in 2001.

INTERCHANGE INCOME

Interchange income increased \$68.0 million, or 18%, to \$447.8 million for the year ended December 31, 2002, from \$379.8 million in 2001. This increase is primarily attributable to an increase in annual purchase volume. Total interchange income is net of \$104.9 million of costs related to the Company's rewards programs for the year ended December 31, 2002.

Interchange income increased \$142.0 million, or 60%, to \$379.8 million for the year ended December 31, 2001, from \$237.8 million in 2000. This increase was a result of increased annual purchase volume and new account growth for the year ended December 31, 2001. Total interchange income was net of \$110.9 of costs related to the Company's rewards programs for the year ended December 31, 2001.

OTHER NON-INTEREST INCOME

Other non-interest income includes gains on sale of securities, gains related to the repurchase of senior notes, gains or losses associated with hedging transactions, service provider revenue generated by the Company's medical procedures lending business and income earned related to the reaffirmation of purchased charged-off loan portfolios.

Other non-interest income increased \$169.4 million or 159% to \$275.9 million for 2002 compared to \$106.5 million for 2001. The increase in other non-interest income was primarily due to \$77.5 million of gains on sales of securities realized in 2002 in connection with the Company's rebalancing of its liquidity portfolio compared to \$13.5 million realized in 2001. Other factors in the increase included gains related to senior note repurchases of \$27.0 million realized during 2002, an increase in service provider revenue of \$9.4 million and an increase in income earned from reaffirmed purchased charged-off loans of \$24.1 million during the year ended December 31, 2002.

Other non-interest income increased \$78.1 million or 275% to \$106.5 million for 2001 compared to \$28.4 million in 2000. The increase was primarily due to an increase in income earned on reaffirmed purchased charged-off loans of \$26.2

million, gains on sales of securities earned in 2001 of \$13.5 million compared with no gains in 2000 and a \$16.3 million increase in service provider revenue generated by the Company's medical procedures lending business.

NON-INTEREST EXPENSE

Non-interest expense for the year ended December 31, 2002, increased \$527.6 million, or 13%, to \$4.6 billion from \$4.1 billion for the year ended December 31, 2001. Contributing to the increase was salaries and associate benefits, which increased \$165.8 million, or 12%, to \$1.6 billion in 2002, from an increase of \$368.7 million, or 36%, to \$1.4 billion in 2001. The decrease in the salaries and associate benefit growth rate as well as a decrease in marketing expenses of \$12.4 million compared to 2001, was the result of the Company's efforts to slow loan growth to more historical levels. All other non-interest expenses increased \$374.1 million, or 24%, to \$2.0 billion for the year ended December 31, 2002, from \$1.6 billion in 2001. This increase was the result of a 23% increase in the average number of accounts as compared to the prior year and \$110.0 million of one-time charges incurred in 2002. Of the \$110.0 million: \$38.8 million related to unused facility capacity, early termination of facility leases, and the accelerated depreciation of fixed assets; \$14.5 million related to the accelerated vesting of restricted stock issued in connection with the PeopleFirst, Inc. ("PeopleFirst") acquisition; and \$12.5 million related to the realignment of certain aspects of its European operations. The remaining amounts related to investment company valuation adjustments, increases in associate related costs and accruals for contingent liabilities.

Non-interest expense for the year ended December 31, 2001, increased \$910.4 million, or 29%, to \$4.1 billion from \$3.1 billion for the year ended December 31, 2000. Contributing to the increase in non-interest expense were marketing expenses, which increased \$176.8 million, or 20%, to \$1.1 billion in 2001, from \$906.1 million in 2000. The increase in marketing expenses during 2001 reflected the Company's continued identification of and investments in opportunities for growth, as well as its marketing extension into television advertisements. Salaries and associate benefits increased \$368.7 million, or 36%, to \$1.4 billion in 2001, from \$1.0 billion in 2000, as the Company added approximately 2,400 net new associates to its staffing levels to manage the growth in the Company's accounts. All other non-interest expenses increased \$364.8 million, or 30%, to \$1.6 billion for the year ended December 31, 2001, from \$1.2 billion in 2000. The increase in other non-interest expenses was primarily composed of increased depreciation expense due to premises and equipment growth, increased collections costs as a result of increased collection and recovery efforts, and non-recurring expenses such as the write-off of an investment in an ancillary business as well as costs associated with the mailing of amendments to customer account agreements. The increase was also driven by the 39% increase in average accounts.

INCOME TAXES

The Company's income tax rate was 38% for the years ended December 31, 2002, 2001 and 2000, respectively. The effective rate includes both state and federal income tax components.

MANAGED CONSUMER LOAN PORTFOLIO

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 SFAS 140, and are not assets of the Company.

The Company analyzes its financial performance on a managed consumer loan portfolio basis. Managed consumer loan data adds back the effect of off-balance sheet consumer loans. The managed consumer loan portfolio includes securitized loans for which the Company has retained significant risks and rewards.

Table 3 summarizes the Company's managed consumer loan portfolio.

TABLE 3: MANAGED CONSUMER LOAN PORTFOLIO

Year Ended
December 31 ---

----- (In
Thousands) 2002
2001 2000 1999
1998 -----

----- YEAR-END

BALANCES:

Reported

consumer loans:

Domestic \$

25,044,101 \$

18,546,426 \$

12,591,561 \$

7,783,535 \$

4,569,664

International

2,809,551

2,374,588

2,521,151

2,130,014

1,587,447 -----

----- Total

27,853,652

20,921,014

15,112,712

9,913,549

6,157,111 -----

----- Off-

balance sheet

consumer loans:

Domestic

29,371,895

22,747,293

13,961,714

10,013,424

10,933,984

International

2,520,990

1,595,656

449,600 309,615

304,031 -----

----- Total

31,892,885

24,342,949

14,411,314

10,323,039

11,238,015 -----

----- Managed

consumer loan

portfolio:

Domestic

54,415,996

41,293,719

26,553,275

17,796,959

15,503,648

International

5,330,541

3,970,244

2,970,751

2,439,629

1,891,478 -----

Total \$
59,746,537 \$
45,263,963 \$
29,524,026 \$
20,236,588 \$
17,395,126
=====

AVERAGE
BALANCES:
Reported
consumer loans:
Domestic \$
22,711,141 \$
14,648,298 \$
9,320,165 \$
5,784,662 \$
4,336,757
International
2,828,855
2,636,008
2,167,611
1,882,693
1,011,802 -----

Total
25,539,996
17,284,306
11,487,776
7,667,355
5,348,559 -----

----- Off-
balance sheet
consumer loans:
Domestic
25,348,865
17,718,683
10,804,845
10,062,771
9,773,284
International
1,910,705
609,328 342,241
316,787 87,694

Total
27,259,570
18,328,011
11,147,086
10,379,558
9,860,978 -----

Managed
consumer loan
portfolio:
Domestic
48,060,006
32,366,981
20,125,010
15,847,433
14,110,041
International
4,739,560
3,245,336
2,509,852
2,199,480
1,099,496 -----

Total \$
52,799,566 \$
35,612,317 \$
22,634,862 \$
18,046,913 \$
15,209,537
=====

=====
=====
=====
=====

The Company actively engages in off-balance sheet consumer loan securitization transactions. Securitizations involve the transfer of a pool of loan receivables by the Company to an entity created for securitizations, generally a trust or other special purpose entity ("the trusts"). The credit quality of the receivables is supported by credit enhancements, which may be in various forms including interest-only strips, subordinated interests in the pool of receivables, cash collateral accounts, and accrued interest and fees on the investor's share of the pool of receivables. Securities (\$31.9 billion outstanding as of December 31, 2002) representing undivided interests in the pool of consumer loan receivables are sold to the public through an underwritten offering or to private investors in private placement transactions. The Company receives the proceeds of the sale as payment for the receivables transferred. In certain securitizations, the Company retains an interest in the entity to which it transferred receivables ("seller's interest") equal to the amount of the outstanding receivables transferred to the trust in excess of the principal balance of the securities outstanding. For securitizations backed by a revolving pool of assets, the Company's seller's interest varies as the amount of the excess receivables in the trusts fluctuates as the accountholders make principal payments and incur new charges on the selected accounts. A securitization backed by non-revolving amortizing assets, such as auto loans, generally does not include a seller's interest, as obligor principal payments are generally paid to investors on a monthly basis. A securitization accounted for as a sale in accordance with SFAS 140 results in the removal of the receivables, other than any applicable seller's interest, from the Company's balance sheet for financial and regulatory accounting purposes and recording of any additional retained interests.

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

Investors in the Company's revolving securitization program are generally entitled to receive principal payments either in one lump sum after an accumulation period or through monthly payments during an amortization period. Amortization may begin sooner in certain circumstances, including the possibility of the annualized portfolio yield (generally consisting of interest and fees) for a three-month period dropping below the sum of the security rate payable to investors, loan servicing fees and net credit losses during the period. Increases in net credit losses and payment rates could significantly decrease the spread and cause early amortization. This early amortization would have a significant effect on the ability of the Bank and the Savings Bank to meet the capital adequacy requirements as all off-balance sheet loans experiencing such early amortization would have to be recorded on the balance sheet. At December 31, 2002, the annualized portfolio yields on the Company's off-balance sheet securitizations sufficiently exceeded the sum of the related security rates payable to investors, loan servicing fees and net credit losses, and as such, early amortizations of its off-balance sheet securitizations was not indicated or expected.

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

[BAR CHART]

[BAR CHART]

Table 4 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 4: COMPARISON OF MANAGED AND REPORTED OPERATING DATA AND RATIOS

Year Ended December 31
(Dollars in Thousands)

2002	2001
2000	-----
-----	-----
-----	-----
-----	-----
REPORTED:	
Average	
earning	
assets \$	
31,147,599	
\$	
20,706,172	
\$	
13,252,033	
Net	
interest	
margin(1)	
8.73%	
8.45%	
12.47%	
Loan	
yield(2)	
15.15	
15.79	
20.46	
MANAGED:	
Average	
earning	
assets \$	
57,266,637	
\$	
38,650,677	
\$	
24,399,119	
Net	
interest	
margin(1)	
9.23%	
9.40%	
11.11%	
Loan	
yield(2)	

14.64
15.88
18.25

- (1) Reported and managed net interest margin increased 12 basis points and 7 basis points, respectively as a result of the one-time impact of the change in recoveries assumption for the year ended December 31, 2002.
- (2) Reported and managed loan yield increased 15 basis points and 7 basis points, respectively as a result of the one-time impact of the change in recoveries assumption for the year ended December 31, 2002.

RISK ADJUSTED REVENUE MARGIN

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

[BAR CHART]

The Company markets its card products to specific consumer populations. The terms of each card product are actively managed to achieve a balance between risk and expected performance, while obtaining the expected return. For example, card product terms 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 placed, and will continue to place, pressure on the Company's pricing strategies.

[BAR CHART]

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

Table 5 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 sections previous to this analysis.

TABLE 5: MANAGED RISK ADJUSTED REVENUE

Year Ended
December 31

(Dollars in
Thousands)
2002 2001
2000 -----

MANAGED
INCOME

STATEMENT:

Net interest
income(2) \$
5,284,338 \$
3,633,817 \$
2,710,859

Non-interest
income(2)
4,411,174
3,413,777
2,411,496

Net charge-
offs
(2,769,249)
(1,655,947)
(1,031,590)

----- Risk
adjusted
revenue \$

6,926,263 \$
5,391,647 \$
4,090,765

=====
=====

RATIOS(1):

Net interest
margin(2)
9.23% 9.40%

11.11% Non-
interest
income(2)
7.70 8.83
9.89 Net

charge-offs
(4.84)
(4.28)
(4.23) -----

Risk

adjusted
margin(2)
12.09%
13.95%
16.77%
=====
=====
=====

- (1) As a percentage of average managed earning assets.
- (2) Net interest income and non-interest income include \$38.4 million and \$44.4 million, respectively, related to the one-time impact of the change in recoveries assumption. This resulted in a 7 basis point increase in the managed net interest margin, a 7 basis point increase in non-interest income and a 14 basis point increase in the risk adjusted margin.

ASSET QUALITY

The asset quality of a portfolio is generally a function of the initial underwriting criteria used, levels of competition, account management activities and demographic concentration, as well as general economic conditions. The seasoning of the accounts is also an important factor in the delinquency and loss levels of the portfolio. Accounts tend to exhibit a rising trend of delinquency and credit losses as they season. As of December 31, 2002 and 2001, 45% and 58% of managed accounts, respectively, each representing 51% of the total managed loan balance, were less than eighteen months old. Accordingly, it is likely that the Company's managed loan portfolio could experience increased levels of delinquency and credit losses as the average age of the Company's accounts increases during 2003.

Changes in the rates of delinquency and credit losses can also result from a shift in the product mix. As discussed in "Risk Adjusted Revenue and Margin," certain customized card products have, in some cases, higher delinquency and higher charge-off rates. In the case of secured card loans, collateral, in the form of cash deposits, reduces any ultimate charge-offs. The costs associated with higher delinquency and charge-off rates are considered in the pricing of individual products.


```

-----
- -----
- -----
---
REPORTED:
Loans
outstanding
$
9,913,549
100.00% $
6,157,111
100.00%
Loans
delinquent:
30-59 days
236,868
2.39%
123,162
2.00% 60-
89 days
129,251
1.30%
67,504
1.10% 90
or more
days
220,513
2.23%
98,798
1.60% ----
-----
-----
-----
---- Total
$ 586,632
5.92% $
289,464
4.70% ----
-----
-----
-----
---- Loans
delinquent
by
geographic
area:
Domestic
533,081
6.85%
264,966
5.80%
Foreign
53,551
2.51%
24,498
1.54%
MANAGED:
Loans
outstanding
$20,236,588
100.00%
$17,395,126
100.00%
Loans
delinquent:
30-59 days
416,829
2.06%
329,239
1.89% 60-
89 days
238,476
1.18%
182,982
1.05% 90
or more
days
403,464
1.99%
305,589
1.76% ----
-----
-----
-----
---- Total
$
1,058,769
5.23% $
817,810
4.70% ----
-----
-----
-----
-----

```

Reported and managed delinquency rates include 28 basis point and 13 basis point increases, respectively, related to the one-time impact of the 2002 change in recoveries assumption.

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 principal recoveries. The Company charges off credit card loans (net of any collateral) at 180 days past the due date and generally charges off other consumer loans at 120 days past the due date. Costs to recover previously charged-off accounts are recorded as collection expenses in non-interest expense. During the year, the Company changed its financial statement presentation of recoveries of charged-off loan balances in accordance with the guidelines that were published by the FFIEC. Under the new presentation, principal amounts collected on previously charged-off accounts reduce current period charge-offs and recoveries of finance charges and fees are treated as revenue and are reflected in the appropriate income statement line item. All periods in the accompanying consolidated financial statements have been adjusted to properly account for this change in presentation.

[BAR CHART]

For the year ended December 31, 2002, the managed net charge-off rate increased 59 basis points to 5.24% compared to the prior year. For the year ended December 31, 2002, the reported net charge-off rate increased 17 basis points to 4.93%. The increase in both the managed and reported net charge-off rates was the result of a seasoning of subprime loans added in the fourth quarter 2001 and early 2002 to the Company's portfolio and slower loan growth. Table 7 shows the Company's net charge-offs for the years presented on a reported and managed basis.

The Company takes measures as necessary, including requiring collateral on certain accounts and other marketing and account management techniques, to maintain the Company's credit quality standards and to manage the risk of loss on existing accounts. See "Risk Adjusted Revenue and Margin" for further discussion.

TABLE 7: NET CHARGE-OFFS

Year Ended	December 31 -	December 31 -
2002	2001	1999
-- (Dollars in Thousands)		
2002	2001	1999
2000	1999	1998
- REPORTED:		
Average loans outstanding \$		
25,539,996	\$ 17,284,306	\$ 11,487,776
7,667,355	\$ 5,348,559	Net charge-offs
1,259,684	822,257	627,312
318,992	248,344	Net charge-offs
as a percentage of average loans outstanding		
4.93%	4.76%	5.46%
4.16%	4.64%	
=====		
MANAGED:		
Average loans outstanding \$		
52,799,566	\$ 35,612,617	\$ 22,634,862
18,046,913	\$ 15,209,537	Net charge-offs
2,769,249	1,655,947	1,031,590
782,537	858,955	Net charge-offs
as a percentage of average loans outstanding		
5.24%	4.65%	4.56%
4.34%	5.65%	
=====		

PROVISION FOR LOAN LOSSES

The allowance for loan losses is maintained at an amount estimated to be

sufficient to absorb probable losses, net of principal 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, for all relevant periods, the allowance for loan losses was adequate to cover anticipated losses in the total reported consumer loan portfolio under then current conditions, met applicable legal and regulatory guidance and was consistent with GAAP. 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 and forward loss curves. 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; forecasting uncertainties and size of credit risks; the degree of risk inherent in the composition of the loan portfolio; economic conditions; legal and regulatory guidance (including the "Expanded Guidance for Subprime Lending Programs" ("Subprime Guidelines") issued by the four federal banking agencies); credit evaluations and underwriting policies.

[BAR CHART]

For the year ended December 31, 2002, the provision for loan losses increased to \$2.1 billion, or 92%, from the 2001 provision for loan losses of \$1.1 billion. This increase is primarily a result of the 48% increase in average reported loans, a rise in net charge-offs, the revised application of the Subprime Guidelines, and the aforementioned one-time impact of the \$133.4 million change in recoveries estimate (see "Change in Recoveries Classification" above). The Company applied its allowance models, including these factors, and increased the allowance for loan losses by a total of \$880.0 million during 2002.

For the year ended December 31, 2001, the provision for loan losses increased to \$1.1 billion, or 38%, from the 2000 provision for loan losses of \$812.9 million. This increase is primarily a result of the 50% increase in average reported loans, offset by a 70 basis point, or 13%, decrease in the reported net charge-off rates as a result of the shift in the mix of the composition of the reported portfolio. As a result of these factors, the Company increased the allowance for loan losses by \$313.0 million during 2001.

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

Year Ended	2001	2000	1999
December 31 -----			

(Dollars in Thousands)			
2001 2000 1999			
1998 -----			

Balance at beginning of year	\$ 840,000	\$ 527,000	\$ 342,000
	\$ 231,000		
183,000 Provision for loan losses:			
Domestic	2,025,885	1,048,972	705,195
	364,086	252,612	
Foreign	123,443	71,485	107,666
	62,384	36,229	---

----- Total provision for loan losses	2,149,328	1,120,457	812,861
	426,470	288,841	-

Acquisitions/other	(9,644)	14,800	
	(549)	3,522	7,503

----- Charge-offs: Domestic	(1,363,565)	(908,065)	(693,106)
	(344,679)	(282,455)	Foreign
	(127,276)	(110,285)	(79,296)
	(11,840)	(55,464)	-----

Total charge-offs	(1,490,841)	(1,018,350)	(772,402)
	(400,143)	(294,295)	-----

- Principal recoveries:			
Domestic	203,412	176,102	136,334
	79,150	45,892	
Foreign	27,745	19,991	8,756
	2,001	59	-----

Total principal recoveries	231,157	196,093	145,090
	45,951	81,151	-----

Net charge-offs			

3.84

=====
=====
=====
=====
=====
=====
=====
=====
=====

CONSUMER LENDING SEGMENT

The Consumer Lending segment consists primarily of domestic credit card and installment lending activities. Total Consumer Lending segment loans increased 27% to \$47.3 billion at December 31, 2002, compared to \$37.3 billion at December 31, 2001. The achieved loan growth in this segment reflects the Company's substantial opportunity to grow loans using IBS.

Net charge-offs of Consumer Lending segment loans increased \$875.8 million, or 60%, while average Consumer Lending segment loans for the year ended December 31, 2002 grew 41% compared to the same period in the prior year. For the year ended December 31, 2002, the Consumer Lending segment's net charge-offs as a percentage of average Consumer Lending segment loans outstanding were 5.54%, compared to 4.87% for the prior year. This increase was consistent with management's expectations and was driven by the seasoning of loans in the portfolio and the relatively lower loan growth experienced in the second half of 2002.

The 30-plus day delinquency rate for the Consumer Lending segment was 5.54% as of December 31, 2002, up 54 basis points from 5.00% as of December 31, 2001. The increase in delinquencies is due to the seasoning of the portfolio in addition to the recent downturn in the U.S. economy and increased unemployment rates.

During the third quarter of 2002, the Company expensed \$38.8 million related to the early termination of leases, unused facility capacity, and accelerated depreciation of related fixed assets. The Company allocated \$35.5 million of these expenses to the Consumer Lending segment.

AUTO FINANCE SEGMENT

The Auto Finance segment consists of automobile lending activities. Total Auto Finance segment loans outstanding increased 77% to \$7.0 billion at December 31, 2002, compared to \$4.0 billion at December 31, 2001. The increase in auto loans outstanding was the result of expanded organizational capabilities and increased reliance on proven IBS concepts, which attracted new dealer-sourced and direct loan volume.

Net charge-offs of Auto Finance segment loans increased \$132.9 million, or 154%, while average Auto Finance loans for the year ended December 31, 2002 grew 183%, compared to the same period in the prior year. For the year ended December 31, 2002, the Auto Finance segment's net charge-offs as a percentage of average Auto Finance segment loans outstanding were 3.82% compared to 4.25% for the prior year. The decrease is primarily the result of improved credit quality on the Company's average loan portfolio for 2003. The decrease occurred despite deterioration in used car values, which caused higher loss severity.

The 30-plus day delinquency rate for the Auto Finance segment was 7.15% as of December 31, 2002, up 156 basis points from 5.59% as of December 31, 2001. The increase in delinquencies was primarily the result of an increase in higher yielding, lower credit quality loans and higher unemployment.

During the year, the Company sold \$1.5 billion of auto loans to multiple buyers. These transactions resulted in gains of \$28.2 million for the Auto Finance segment. These gains were offset in part by compensation expense of \$14.5 million (\$9.0 million after taxes) that was recognized and allocated to the Auto Finance segment for the accelerated vesting provisions of certain restricted stock issued in connection with the acquisition of PeopleFirst.

INTERNATIONAL SEGMENT

The International segment consists of all non-domestic consumer lending activities. Total International segment loans outstanding increased 34% to \$5.3 billion at December 31, 2002, compared to \$4.0 billion at December 31, 2001. The increase in total outstandings was principally the result of the successful application of its IBS to originate loans in the United Kingdom and Canada.

Net charge-offs of International segment loans increased \$61.3 million, or 53% while average International segment loans for the year ended December 31, 2002 grew 46%, compared to the same period in the prior year. For the year ended December 31, 2002, the International segment's net charge-offs as a percentage of average International segment loans outstanding were 3.76% compared to 3.59% for the prior year. The increase was driven primarily by greater charge-offs compared to loan growth for the Canadian market.

The 30-plus day delinquency rate for the International segment was 4.18% as of December 31, 2002, up 34 basis points from 3.84% as of December 31, 2001. International delinquencies increased primarily as a result of the seasoning of the Canadian credit portfolio and slower Canadian loan growth.

During 2002, the Company realigned certain aspects of its European operations. Charges related to the realignment of \$12.5 million were recognized and allocated to the International segment.

FUNDING

FUNDING AVAILABILITY

The Company has established access to a variety of funding alternatives in addition to securitization of its consumer loans. Table 10 illustrates the Company's unsecured funding sources.

TABLE 10: FUNDING AVAILABILITY

Effective/ (dollars or dollar equivalents in millions)	Issue Date	Total Capacity	Availability(1) Final	Maturity(5) - -
Senior and Subordinated Global Bank Note Program(2)	6/00	\$ 5,000	\$ 2,263	-- Senior
Domestic Bank Note Program(3)	4/97	\$ 1,261	--	-- Domestic Revolving Credit Facility
Multicurrency Facility(4)	5/99	\$ 1,200	\$ 1,200	5/03
Collateralized Revolving Credit Facility	8/00	\$ 315	\$ 315	8/04
Corporation shelf registration	--	\$ 2,200	\$ 1,306	--
	3/02	--	\$ 2,248	--

- (1) All funding sources are non-revolving except for the Multicurrency Credit Facility, the Domestic Revolving Credit Facility and the Collateralized Revolving Credit Facility. 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) The global senior and subordinated bank note program has original terms of three to five years.
- (3) The senior domestic bank note program has original terms of one to ten years.
- (4) US dollar equivalent based on the USD/Euro exchange rate as of December 31, 2002.
- (5) Maturity date refers to the date the facility terminates, where applicable. The Senior and Subordinated Global Bank Note Program gives the Bank the ability to issue securities to both U.S. and non-U.S. lenders and to raise funds in foreign currencies.

[PIE CHART]

The Senior and Subordinated Global Bank Note Program gives the Bank the ability to issue securities to both U.S. and non-U.S. lenders and to raise funds in foreign currencies. The Senior and Subordinated Global Bank Note Program had \$2.7 billion outstanding at December 31, 2002. In January 2003, the Bank increased its capacity under the Senior and Subordinated Global Bank Note Program to \$8.0 billion. Prior to the establishment of the Senior and Subordinated Global Bank Note Program, the Bank issued senior unsecured debt through its \$8.0 billion Senior Domestic Bank Note Program, of which \$1.3 billion was outstanding at December 31, 2002. The Bank did not renew the Senior Domestic Bank Note Program for future issuances.

In July 2002, the Company repurchased senior bank notes in the amount of \$230.4 million, resulting in a pre-tax gain of \$27.0 million.

The Domestic Revolving Credit Facility (the "Credit Facility") is available for general corporate purposes of the Company. The Credit Facility is comprised of two tranches: a \$810.0 million Tranche A facility available to the Bank and the Savings Bank, including an option for up to \$250.0 million in multicurrency availability; and a \$390.0 Tranche B facility available to the Corporation, the Bank and the Savings Bank, including an option for up to \$150.0 million in multicurrency availability. 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.

The Multicurrency Facility is available for general Company purposes of the Bank's business in the United Kingdom. The Corporation and the Bank serve as guarantors of all borrowings by Capital One Bank (Europe), plc under the Multicurrency Facility. Internationally, the Company has funding programs designed for foreign investors or to raise funds in foreign currencies allowing the Company to borrow from U.S. and non-U.S. lenders, including foreign currency funding options under the Credit Facility discussed above. 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 translations.

In April 2002, COAF entered into a \$2.2 billion collateralized revolving warehouse credit facility collateralized by a security interest in certain consumer loan assets. The collateralized revolving warehouse credit facility has several participants each with a separate renewal date. The facility does not have a final maturity date. Instead, each participant may elect to renew the commitment for another set period of time. All participants have renewal dates occurring in 2003. Interest on the facility is based on commercial paper rates. At December 31, 2002, \$894.0 million was outstanding under the facility.

As of December 31, 2002, the Corporation had two effective shelf registration statements under which the Corporation from time to time may offer and sell senior or subordinated debt securities, preferred stock, common stock, common equity units and stock purchase contracts.

On November 11, 2002, the Corporation issued shares of its common stock having an aggregate value of \$54.9 million to certain former shareholders of AmeriFee Corporation ("AmeriFee") in connection with the termination of the stock purchase agreement relating to the Corporation's acquisition of AmeriFee. Of this amount, \$43.9 million of the Corporation's common stock was issued through its shelf registration statement and \$11.0 million was issued in an unregistered offering.

In April 2002, the Corporation completed a public offering of mandatory convertible debt securities (the "Upper Decs(R)"), that resulted in net proceeds of approximately \$725.0 million. The net proceeds were used for general corporate purposes. Each Upper Dec(R) initially consists of and represents (i) a senior note due May 17, 2007 with a principal amount of \$50, on which the Company will pay interest quarterly at the initial annual rate of 6.25%, and (ii) a forward purchase contract pursuant to which the holder has agreed to purchase, for \$50, shares of the Company's common stock on May 17, 2005 (or earlier under certain conditions), with such number of shares to be determined based upon the average closing price per share of the Company's common stock for 20 consecutive trading days ending on the third trading day immediately preceding the stock purchase date at a minimum per share price of \$63.91 and a maximum per share price of \$78.61.

In January 2002, the Corporation issued \$300.0 million of five-year senior notes with a coupon rate of 8.75%.

The Company continues to expand its retail deposit gathering efforts through both direct and broker marketing channels. The Company uses its IBS capabilities to test and market a variety of retail deposit origination strategies, including via the Internet, as well as to develop customized account management programs. As of December 31, 2002, the Company had \$17.3 billion in interest-bearing deposits of which \$7.2 billion represents large denomination certificates of \$100 thousand or more, with original maturities up to ten years. The use of these deposits to fund the Company's asset growth may be limited based upon whether such deposits originated at the Bank or the Savings Bank.

Table 11 shows the maturities of domestic time certificates of deposit in denominations of \$100 thousand or greater (large denomination CDs) as of December 31, 2002.

TABLE 11: MATURITIES OF DOMESTIC LARGE DENOMINATION CERTIFICATES -- \$100,000 OR MORE.

December 31, 2002 (dollars in thousands)	Balance	Percent - -
-----		-----
-----		-----
--- Three months or less \$	636,008	8.87%
Over 3 through 6 months	649,391	9.06%
Over 6 through 12 months	1,369,984	19.11%
Over 12 months through 10 years	4,514,784	62.96%
-----		-----

Total \$
7,170,167
100.00%
=====
=====

\$ 1,303,714
 \$ 1,010,693
 \$ 1,173,267
 6.26% 6.58%
 Other
 371,020
 43,359
 129,700
 11.52 6.17

 Total \$
 1,054,052 \$
 1,302,967
 6.79% 6.56%
 =====
 =====
 =====
 =====
 =====

Additional information regarding funding can be found in Note F to the Consolidated Financial Statements.

FUNDING OBLIGATIONS

Table 13 summarizes the amounts and maturities of the contractual funding obligations of the Company, including off-balance sheet funding.

TABLE 13: FUNDING OBLIGATIONS

As of
 December 31,
 2002 Total Up
 to 1 year 1-3
 years 4-5
 years After 5
 years - -----

Interest-bearing
 deposits \$
 17,325,965 \$
 4,880,378 \$
 6,682,686 \$
 5,508,154 \$
 254,747
 Senior notes
 5,565,615
 1,059,917
 2,562,107
 1,544,194
 399,397 Other
 borrowings
 6,365,075
 2,747,137
 2,416,139
 1,195,976
 5,823
 Operating
 leases
 292,927
 53,165 84,873
 70,420 84,469
 Off-balance
 sheet
 securitization
 amortization
 31,841,923
 8,966,743
 8,859,607
 9,733,705
 4,281,868 ---

 Total
 obligations \$
 61,391,505 \$
 17,707,340 \$
 20,605,412 \$
 18,052,449 \$
 5,026,304
 =====
 =====
 =====

=====
=====

The terms of the lease and credit facility agreements related to certain other borrowings and operating leases in Table 13 require several financial covenants (including performance measures and equity ratios) to be met. If these covenants are not met, there may be an acceleration of the payment due dates noted above. As of December 31, 2002, the Company was not in default of any such covenants.

DERIVATIVE INSTRUMENTS

The Company enters into interest rate swap agreements in order to manage interest rate exposure. In most cases, this exposure is related to the funding of fixed rate assets with floating rate obligations, including off-balance sheet securitizations. The Company also enters into forward foreign currency exchange contracts and cross currency swaps to reduce sensitivity to changing foreign currency exchange rates. The hedging of foreign currency exchange rates is limited to certain intercompany obligations related to international operations. These derivatives expose the Company to certain credit risks. The Company has established policies and limits, as well as collateral agreements, to manage credit risk related to derivative instruments.

Additional information regarding derivative instruments can be found in Note S to the Consolidated Financial Statements.

RISK MANAGEMENT

Risk is an inherent part of the Company's business and activities. The Company's ability to properly and effectively identify, assess, monitor and manage risk in its business activities is critical to its safe and sound operation and profitability. The Company's business activities generate credit risk, liquidity risk, interest rate risk and operational risk, each of which is described below.

CREDIT RISK

Credit risk is one of the Company's most important risk categories. Consequently, as part of the Company's risk management process, stronger central control of credit policies and programs has been established, while maintaining the ability of the Company's operating units to respond flexibly to changing market and competitive conditions. In 2002, the Company appointed a dedicated Chief Credit Officer, expanded its central Credit Risk Management staff and strengthened its Credit Policy Committee. The credit committee and staff group ensure that the Company's credit decisions are made on a conservative basis, that each of its operating units apply best practices in measuring and managing credit risk, and that all relevant factors, including credit outlook, profitability, and the competitive, economic and regulatory environment are considered in making credit decisions.

In addition to strong governance, another key element in the Company's management of credit risk is its use of IBS. In its credit policy, the Company has identified six key principles which govern the use of IBS in credit management. These principles are: (1) Empirical Evidence - that all decisions shall be made on the basis of the best available data; (2) Inseparability - that it is impossible to separate credit decisions from product terms and marketing channels; (3) Expectation of Volatility - that the expectation that future credit performance could be worse than past credit performance should be explicitly factored into underwriting decisions; (4) Positive Net Present Value - that all prospective and existing pools of accounts need to have a positive net present value when solicited or when the terms of the loans are adjusted; (5) Earnings Stability - that a loan shall only be booked if the Company will be satisfied with the loan's performance during each discrete period of the loan's life; and (6) Constrained Optimization - that individual credit programs will sometimes be limited to insure that the overall portfolio and specific individual account characteristics conform to limits established by the Company and its Board of Directors.

These principles are the foundation of the Company's credit decision making approach. They govern the selection of customers, and the approach to pricing, credit line management, customer management, collections and recoveries. They provide a framework in which the Company can apply a very high degree of analytical rigor to decision making while preserving the flexibility to respond quickly to changing market and economic conditions.

The Company's credit risk profile is managed to maintain better than average credit quality, strong risk-adjusted returns and increased diversification. This is accomplished by increasing growth in the prime and superprime card business, while reducing growth in the subprime card business, by customizing credit lines and product terms to each consumer segment to ensure appropriate returns, by diversification into consumer lending, products such as automobile financing and unsecured installment lending and by international expansion. The centralized Credit Risk Management group monitors overall composition and quality of the credit portfolio. The Company takes into consideration potential future economic conditions when monitoring and assessing its credit portfolio to understand its credit risk profile under various stressful conditions.

The Company's guiding principles, strengthened central governance and Board-directed risk tolerances, ensure that senior executives are well-informed of credit trends and can make appropriate credit and business decisions for the Company. The Company ensures day-to-day market responsiveness and flexibility by empowering its business line managers to develop credit strategies and programs aligned with the objective of long-term business profitability. The credit program development process considers the evolving needs of the target market, the competitive environment and the economic outlook. It is highly analytical and uses the Company's extensive database of past test results. Senior Credit Officers, who are appointed by the Credit Policy Committee, oversee all credit program development. Large new programs or program changes are reviewed by the Credit Policy Committee or its subcommittee.

Most of the Company's credit strategies rely heavily on the use of sophisticated proprietary scoring models. These models consider many variables, including credit scores developed by nationally recognized scoring firms. The models are validated, monitored and maintained in accordance with detailed policies and procedures to ensure their continued validity.

INTEREST RATE RISK

Interest rate risk refers to changes in earnings or the net present value of assets and off-balance sheet positions less liabilities (termed "economic value of equity") due to interest rate changes. 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 and economic value of equity could be affected. The Company's managed net interest income is affected primarily by changes in LIBOR, as variable rate card receivables, securitization bonds and corporate debts are repriced. The Company manages and mitigates its interest rate sensitivity through several techniques, which include, but are not limited to, changing the maturity, repricing and distribution of assets and liabilities and by entering into interest rate swaps.

The Company measures interest rate risk through the use of a simulation model. The model generates a distribution of 12-month managed net interest income outcomes based on a plausible set of interest rate paths, which are generated from an industry-accepted term structure model. The consolidated balance sheet and all off-balance sheet positions are included in the analysis. The Company's Asset/Liability Management Policy requires that based on this distribution there be no more than a 5% probability of a reduction in 12-month net interest income of more than 3% of base net interest income. The interest rate scenarios evaluated as of December 31, 2002 included scenarios in which short-term interest rates rose by over 300 basis points or fell by as much as 140 basis points over the 12 months.

The Asset/Liability Management Policy also limits the change in 12-month net interest income and economic value of equity, due to instantaneous parallel rate shocks.

As of December 31, 2002, the Company was in compliance with all interest rate risk management policies. The measurement of interest rate sensitivity does not consider the effects of changes in the overall level of economic activity associated with various interest rate scenarios or reflect the ability of management to take action to further mitigate exposure to changes in interest rates. This action may include, within legal and competitive constraints, the repricing of interest rates on outstanding credit card loans.

Table 14 reflects the interest rate repricing schedule for earning assets and interest-bearing liabilities as of December 31, 2002.

TABLE 14: INTEREST RATE SENSITIVITY

As of December
31, 2002 -
Subject to
Repricing
(Dollars in
Millions)

Within 180 Days
180 Days-1 Year
1 Year-5 Years
Over 5 Years --

EARNING ASSETS:

Federal funds
sold and resale
agreements \$
374 \$ -- \$ -- \$
-- Interest-
bearing
deposits at
other banks 267

Securities
available for
sale 548 561
2,606 709
Consumer loans
8,135 1,200
8,956 9,563 ---

--- Total
earning assets
9,324 1,761
11,562 10,272

INTEREST-
BEARING
LIABILITIES:
Interest-
bearing
deposits 3,180
2,773 11,118
255 Senior
notes 714 326
4,127 399 Other
borrowings
3,631 657 2,072
5 -----

----- Total
interest-
bearing
liabilities
7,525 3,756

17,317 659 Non-
rate related
net assets -- -
- -- (3,662) --

----- Interest
sensitivity gap

1,799 (1,995)
 (5,755) 5,951
 Impact of swaps
 1,060 (361)
 (699) -- Impact
 of consumer
 loan
 securitizations
 (4,758) (427)
 (2,789) 7,974 -

 ----- Interest
 sensitivity gap
 adjusted for
 impact of
 securitizations
 and swaps \$
 (1,899) \$
 (2,783) \$
 (9,243) \$
 13,925 Adjusted
 gap as a
 percentage of
 managed assets
 -2.78% -4.08%
 -13.53% 20.39%

 ----- Adjusted
 cumulative gap
 \$ (1,899) \$
 (4,682) \$
 (13,925) \$ --
 Adjusted
 cumulative gap
 as a percentage
 of managed
 assets -2.78%
 -6.86% -20.39%
 0.00%
 =====
 =====
 =====
 =====

LIQUIDITY RISK

Liquidity risk refers to the Company's inability to meet its cash needs. The Company meets its cash requirements by securitizing assets, gathering deposits and issuing debt and equity. 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 2003 to 2008, and for revolving securitizations have accumulation periods during which principal payments are aggregated to make payments to investors. As payments on the loans are accumulated and are no longer reinvested in new loans, the Company's funding requirements for such new loans increase accordingly. The occurrence of certain events may cause the securitization transactions to amortize earlier than scheduled, which would accelerate the need for funding. Additionally, this early amortization would have a significant effect on the ability of the Bank and the Savings Bank to meet the capital adequacy requirements as all off-balance sheet loans experiencing such early amortization would have to be recorded on the balance sheet.

The amounts of investor principal from off-balance sheet consumer loans that are expected to amortize into the Company's consumer loans, or be otherwise paid over the periods indicated, based on outstanding off-balance sheet consumer loans as of January 1, 2003 are summarized in Table 13. As of December 31, 2002 and 2001, 53% and 54%, respectively, of the Company's total managed loans were included in off-balance sheet securitizations.

As such amounts amortize or are otherwise paid, the Company believes it can securitize additional consumer loans, gather deposits, purchase federal funds and establish other funding sources to fund new loan growth, 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 December 31, 2002, the Company had \$5.3 billion of such securities.

Liability liquidity is measured by the Company's ability to obtain borrowed funds in the financial markets in adequate amounts and at favorable rates. As of December 31, 2002, the Company, the Bank and the Savings Bank collectively had over \$2.8 billion in unused commitments under various credit facilities available for liquidity needs.

OPERATIONAL RISK

The Company is exposed to numerous types of operational risk. Operational risk generally refers to the risk of loss resulting from the Company's operations, including, but not limited to, the risk of fraud by employees or persons outside the Company, the execution of unauthorized transactions by employees, errors relating to transaction processing and systems, and breaches of the internal control, system and compliance requirements. This risk of loss also includes the potential legal actions that could arise as a result of the operational deficiency or as result of noncompliance with applicable regulatory standards.

The Company operates in a number of different businesses and markets and places reliance on the ability of its employees and systems to process a high number of transactions. In the event of a breakdown in the internal control systems, improper operation of systems or improper employee actions, the Company could suffer financial loss, face regulatory action and suffer damage to its reputation. In order to address this risk, management maintains a system of internal controls with the objective of providing proper transaction authorization and execution, safeguarding of assets from misuse or theft, and ensuring the reliability of financial and other data.

The Company maintains systems of control that provide management with timely and accurate information about the operations of the Company. These systems have been designed to manage operational risk at appropriate levels given the Company's financial strength, the environment in which it operates, and considering factors such as competition and regulation. The Company has also established procedures that are designed to ensure that policies relating to conduct, ethics and business practices are followed on a uniform basis. Management continually monitors and improves its internal controls systems and Company-wide processes and procedures to reduce the likelihood of losses related to operational risk.

CAPITAL ADEQUACY

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

The most recent notifications received from the regulators categorized the Bank and the Savings Bank as "well-capitalized." As of December 31, 2002, there were no conditions or events since these notifications that management believes would have changed either the Bank or the Savings Bank's capital category.

Since early 2001, the Bank and Savings Bank have treated a portion of their loans as "subprime" under the Subprime Guidelines and have assessed their capital and allowance for loan losses accordingly. In the second quarter of 2002, the Company adopted a revised application of the Subprime Guidelines, the result of which was to require more capital and allowance for loan losses to be held against subprime loans. Under the revised application of the Subprime Guidelines, the Company has, for purposes of calculating capital ratios, risk weighted subprime loans in targeted programs at 200%, rather than the 100% risk weighting applied to loans not in targeted subprime programs. The company has addressed the additional capital requirements with available resources. Under the revised application of the Subprime Guidelines, each of the Bank and Savings Bank exceeds the requirements for a "well-capitalized" institution as of December 31, 2002.

For purposes of the Subprime Guidelines, the Company has treated as "subprime" all loans in the Bank's and the Savings Bank's targeted subprime programs to customers either with a FICO score of 660 or below or with no FICO score. The Bank and the Savings Bank hold on average 200% of the total risk-based capital charge that would otherwise apply to such assets. This results in higher levels of regulatory capital at the Bank and the Savings Bank. As of December 31, 2002, approximately \$5.3 billion or 28.0% of the Bank's, and \$3.8 billion or 32.4% of the Savings Bank's, on-balance sheet assets were treated as "subprime" for purposes of the Subprime Guidelines.

In November 2001, the Agencies adopted an amendment to the regulatory capital standards regarding the treatment of certain recourse obligations, direct credit substitutes (i.e., guarantees on third-party assets), residual interests in asset securitizations, and certain other securitized transactions. Effective January 1, 2002, this rule amended the Agencies' regulatory capital standards to create greater differentiation in the capital treatment of residual interests. On May 17, 2002, the Agencies issued an advisory interpreting the application of this rule to a residual interest commonly referred to as an accrued interest receivable (the "AIR Advisory"). The effect of this AIR Advisory is to require

all insured depository institutions, including the Bank and the Savings Bank, to hold significantly higher levels of regulatory capital against accrued interest receivables beginning December 31, 2002. The Bank and the Savings Bank have met this capital requirement and remain well capitalized as the AIR Advisory became effective as of December 31, 2002.

The Company currently expects to operate each of the Bank and Savings Bank in the future with a total capital ratio of at least 12%. The Corporation has a number of alternatives available to meet any additional regulatory capital needs of the Bank and the Savings Bank, including substantial liquidity held at the Corporation and available for contribution.

In August 2000, the Bank received regulatory approval and established a subsidiary bank in the United Kingdom. In connection with the approval of its former branch office in the United Kingdom, the Company committed to the Federal Reserve that, for so long as the Bank maintains a branch or subsidiary bank in the United Kingdom, the Company will maintain a minimum Tier 1 Leverage ratio of 3.0%. As of December 31, 2002 and 2001, the Company's Tier 1 Leverage ratio was 11.95% and 11.93%, respectively.

Additionally, federal banking law limits the ability of the Bank and Savings Bank to transfer funds to the Corporation. As of December 31, 2002, retained earnings of the Bank and the Savings Bank of \$924.4 million and \$408.4 million, respectively, were available for payment of dividends to the Corporation without prior approval by the regulators. The Savings Bank, however, is required to give the OTS at least 30 days advance notice of any proposed dividend and the OTS, in its discretion, may object to such dividend.

Additional information regarding capital adequacy can be found in Note 0 to the Consolidated Financial Statements.

DIVIDEND POLICY

Although the Company expects to reinvest a substantial portion of its earnings in its business, the Company also intends to continue to pay regular quarterly cash dividends on its common stock. The declaration and payment of dividends, as well as the amount thereof, are subject to the discretion of the Board of Directors of the Company and will depend upon the Company's results of operations, financial condition, cash requirements, future prospects and other factors deemed relevant by the Board of Directors. Accordingly, there can be no assurance that the Corporation will declare and pay any dividends. As a holding company, the ability of the Corporation to pay dividends is dependent upon the receipt of dividends or other payments from its subsidiaries. Applicable banking regulations and provisions that may be contained in borrowing agreements of the Corporation or its subsidiaries may restrict the ability of the Corporation's subsidiaries to pay dividends to the Corporation or the ability of the Corporation to pay dividends to its stockholders.

LEGISLATIVE AND REGULATORY MATTERS

INFORMAL MEMORANDUM OF UNDERSTANDING

As described in the Company's report on Form 10-Q, dated August 13, 2002, the Company has entered into an informal memorandum of understanding with the bank regulatory authorities with respect to certain issues, including capital, allowance for loan losses, finance charge and fee reserves and policies, procedures, systems and controls. A memorandum of understanding is characterized by regulatory authorities as an informal action, that is not published or publicly available. The Company has implemented levels of capital, reserves and allowances that it believes satisfy the memorandum of understanding.

In addition, as required under the memorandum of understanding, the Company has continued to take actions, among others, to enhance its enterprise risk management framework and legal entity business plans. As part of the ongoing supervision of the Bank and the Savings Bank, the Company will periodically report to, and consult with, the regulators on all the matters addressed under the informal memorandum of understanding. While the Company has delivered on the principal requirements of the informal memorandum of understanding, it expects its regulators to monitor its ongoing execution for some period of time. Hence, the Company is unable to predict the exact timing for conclusion or termination of the informal memorandum of understanding.

FFIEC

On January 8, 2003 the FFIEC released Account Management and Loss Allowance Guidance (the "Guidance"). The Guidance applies to all credit lending of regulated financial institutions and generally requires that banks properly manage several elements of their credit-card lending programs, including line assignments, over-limit practices, minimum payment and negative amortization, workout and settlement programs and the accounting methodology used for various assets and income items related to credit card loans.

The Company believes that its credit card account management and loss allowance practices are prudent and appropriate and, therefore, consistent with the Guidance. Based on this review and these discussions, the Company believes the Guidance will not have a material adverse effect on its financial condition or results of operations. The Company cautions, however, that similar to the Subprime Guidelines, the Guidance provides wide discretion to bank regulatory agencies in the application of the Guidance to any particular institution and its account management and loss allowance practices. Accordingly, under the Guidance, bank examiners could require changes in the Company's account management or loss allowance practices in the future.

SARBANES-OXLEY

On July 30, 2002, the Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act") was passed into law. The Sarbanes-Oxley Act applies to all companies that are required to file periodic reports with the Securities Exchange Commission ("SEC") and contains a number of significant changes relating to the responsibilities of directors and officers and reporting and governance obligations of SEC reporting companies. Certain provisions of the Sarbanes-Oxley Act were effective immediately without action by the SEC; however many provisions became effective over the months following its passage and required the SEC to issue implementing rules. Following the passage of the Sarbanes-Oxley Act, the Company has taken steps which it believes places it in substantial compliance with the effective provisions of the Sarbanes-Oxley Act and it continues to monitor SEC rulemaking to determine if additional changes are needed to comply with provisions that will become effective over the following

months. During the course of its compliance efforts, the Company has identified no significant changes which must be made to its organizational and control structures or existing processes as a result of this legislation and the currently effective rules issued by the SEC and other regulatory bodies.

BUSINESS OUTLOOK

This business outlook section summarizes the Company's expectations for earnings for 2003, and its primary goals and strategies for continued growth. The statements contained in this section are based on management's current expectations. Certain statements are forward looking, and therefore actual results could differ materially. Factors that could materially influence results are set forth throughout this section and in the Company's Annual Report on Form 10-K for the year ended December 31, 2002 (Part I, Item 1, Risk Factors).

EARNINGS GOALS

The Company has historically targeted an annual growth in earnings per share of at least 20%, with 2002 marking the eighth consecutive year that this goal has been achieved. Looking forward, the Company anticipates earnings per share results of approximately \$4.55 in 2003, which is approximately 16% growth over the \$3.93 earnings per share achieved in 2002. The Company continues to target long-term earnings per share growth of 20%.

The Company's 2003 earnings per share growth target results from our decision in mid-2002 to moderate the growth of our managed loans outstanding to 20-25% in 2003 from 32%, 53% and 46% in 2002, 2001 and 2000, respectively. To slow the growth of the Company's managed loans outstandings, it reduced marketing spending from \$674.0 million in the first half of 2002 to \$396.6 million in the second half of 2002. This reduction in spending led to an increase in earnings per share growth in 2002 to 35% from the 20% growth originally forecasted. In 2003, the Company expects marketing spending to increase to approximately \$300.0 million per quarter.

The Company expects to achieve these results based on the continued success of its business strategies and its current assessment of the competitive, regulatory and funding market environments that it faces (each of which is discussed elsewhere in this Annual Report), as well as the expectation that the geographies in which the Company competes will not experience significant consumer credit quality erosion, as might be the case in an economic downturn or recession.

The Company's earnings are a function of our revenues (net interest income and non-interest income), consumer usage, payment and attrition patterns, credit quality of our earning assets (which affects fees and chargeoffs) and the Company's marketing and operating expenses. An overview of trends in these metrics, as well as a discussion of our core IBS and the competitive dynamics of the Company's three operating segments follow.

REVENUE

Revenues are expected to grow approximately 14-16% in 2003. Net interest margin is expected to fluctuate somewhat due to the scheduled repricings of certain introductory rate credit card products and a gradual shift towards superprime assets, but is expected to stabilize at approximately 9-10% in 2003. Non-interest income is expected to remain stable in 2003 compared to 2002, consistent with a gradual shift towards higher credit quality assets, which generate less fee income than assets generated by customers at the lower end of the credit spectrum. Risk adjusted margin should also fluctuate as a result of underlying revenue and charge-off dynamics, but is expected to stabilize at approximately 10% in 2003.

MARKETING INVESTMENT

As stated previously, marketing expense is expected to be on average approximately \$300.0 million per quarter in 2003. A portion of this marketing spending will continue to support our efforts to build a strong brand for the Company. Our "What's in Your Wallet?" campaign has resulted in the Company achieving brand awareness and brand equity scores among the highest in the credit card industry, as measured by third-party firms. The Company believes the branded franchise that it is building strengthens and enables its IBS and mass customization strategies across product lines. The Company cautions however, that an increase or decrease in marketing expense or brand awareness does not necessarily correlate to a comparable increase or decrease in outstandings balances or accounts due to, among other factors, the long-term nature of brand building, consumer attrition and utilization patterns, and shifts over time in targeting customers and/or products that have varying marketing acquisition costs.

Management expects to vary its marketing across its credit card, installment lending and auto lending products depending on the competitive dynamics of the various markets in which it participates. Currently, among the Company's various product lines, U.S. credit cards marketed to consumers with the most favorable credit profiles are facing the highest degree of intensity of competition. Accordingly, the Company expects to focus a larger proportion of its marketing expenditures on other products marketed to similar consumer bases, such as installment loans and U.K. credit cards, in the short term. The Company expects to adjust its marketing allocations, however, to target specific product lines that it believes offer the highest response rates and opportunities from time to time.

As a result of overall marketing spending increasing over levels realized in the second half of 2002, the Company expects account growth to resume in 2003, and to result in annual growth of approximately 5-10%. The Company also expects managed loans outstanding to increase by approximately 20-25% in 2003, comprising approximately 25% growth in prime and superprime assets, and approximately 10-15% growth in subprime assets.

OPERATING COST TRENDS

Management believes one of its competitive advantages is its low operating cost structure, and we measure operating efficiency using a variety of metrics which vary by specific department or business unit. The Company believes that overall operating cost per account (defined as all non-interest expense less marketing, divided by the average annual number of accounts) is an appropriate gauge of the operating efficiency of the enterprise as a whole. Operating cost per account is expected to rise slightly but remain in the mid to high \$70's in 2003.

IMPACT OF DELINQUENCIES, CHARGE-OFFS AND ATTRITION

The Company's earnings are particularly sensitive to delinquencies and charge-offs in our portfolio. As delinquency levels fluctuate, the resulting amount of past due and overlimit fees (which are significant sources of revenue) will also fluctuate. Furthermore, the timing of revenues from increasing or decreasing delinquencies precedes the related impact of higher or lower charge-offs that can ultimately result from these varying levels of delinquencies. Delinquencies and charge-offs are impacted by a number of factors such as general economic trends affecting consumer credit performance, regulatory and legislative developments affecting bankruptcy and fee assessment or recognition policies, the degree of seasoning of the portfolio, the product mix and the success of the Company's collections efforts.

The Company's earnings are also sensitive to the level of customer and/or balance attrition that it experiences. Fluctuation in attrition levels can occur due to the level of competition within the industries in which the Company competes, as well as competition from outside of the Company's industries, such as consumer debt consolidation that may occur during a mortgage refinancing.

OUR CORE STRATEGY: IBS

The Company's core strategy has been, and is expected to continue to be, to apply its proprietary IBS to the businesses in which it competes, principally focused on consumer lending products. The Company continues to seek to identify new product and new market opportunities, and to make investment decisions that are informed by the Company's intensive testing and analysis to be profitable, for the enterprise to pursue.

At its core, IBS is an organizational culture, a pool of analytically oriented employees, a flexible information technology and a series of scientific testing processes followed by rigorous analysis and optimization. The Company applies IBS to all aspects of our business, including marketing copy and response optimization, underwriting and risk management and modeling, and servicing, cross-sell, and collections and recoveries optimization. The result is a series of mass customized products and services delivered to customers based on their individual needs, but also intended to drive profitability for the Company.

Additionally, the Company believes it garners additional competitive advantage by competing across the full credit spectrum in the industries and geographies in which it competes. Some of the benefits of competing across the full credit spectrum are economies of scale and scope in marketing and servicing, cross-fertilization of risk modeling and risk management insights derived by testing and analyzing risk strategies for customers of different credit quality, and the flexibility to divert marketing spending away from products experiencing heavy competition and towards those products with moderate competitive intensity in order to maximize returns over time, as described above.

The Company's lending products and other products are subject to intense competitive pressures which management anticipates will continue to increase as our markets mature, which could affect the economics of decisions that the Company has made or will make in the future in ways which it did not anticipate, test or analyze.

CONSUMER LENDING SEGMENT

This segment consists of \$47.4 billion of U.S. credit card and installment loan receivables, marketed to customers across the full credit spectrum.

The competitive environment is currently intense for credit card products marketed to consumers with the best credit profiles. The Federal Reserve's recent lowering of interest rates has allowed many issuers to enter the market with fixed annual percentage rate ("APR") credit cards below 10%. Prior to these interest rate reductions, the Company was the only major issuer to be heavily marketing fixed rates cards below 10%. As interest rates have fallen, the Company has offered 0% introductory rates, followed by low long-term fixed rates. At the same time, industry mail volume increased substantially in mid-2002, putting downward pressure on response rates to our new customer solicitations. Additionally, competition has increased the attrition levels in our existing superprime portfolio, although they still remain well below the attrition levels realized in the prime and subprime segments.

The Company markets six principal superprime products across a variety of segments and geographies. Four of these are managed within the U.S. Consumer Lending Segment: "No-Hassle" credit cards, Lifestyle credit cards, Rewards credit cards, and Installment loans. The remaining two superprime products, auto loans and credit cards in the United Kingdom ("U.K.") are discussed elsewhere. Overall, management expects to grow its prime and superprime assets, across all products and geographies, at an annual rate of 20% to 25%.

Likewise, the Company's credit card products marketed to consumers with less established or higher risk credit profiles continue to experience steady competition. These products generally feature higher annual percentage rates, lower credit lines, and annual membership fees. Additionally, since these borrowers are viewed by issuers as higher risk, they tend to be more likely to pay late or exceed their credit limit, which results in additional fees assessed to their accounts. The Company's strategy has been, and is expected to continue to be, to offer APRs and annual membership, late and overlimit fees on these accounts that are below those of its competition.

AUTO FINANCE SEGMENT

This segment consists of \$7.0 billion of U.S. auto loan receivables, marketed to both superprime and subprime customers, via direct and indirect marketing channels. The Company originated approximately two-thirds of our 2002 auto loan growth via direct channels such as the Internet and direct mail, and the remaining one-third via the indirect auto dealer channel. The Company is also testing the auto lending prime market and have an immaterial amount of receivables in this portion of the credit spectrum at this time. It is the Company's goal to become a full spectrum auto finance lender, much like it has achieved in the U.S. credit card industry. In addition to the competitive advantages of being a full credit spectrum lender discussed above, the scale sensitive nature of the auto finance business generates additional economic leverage for full spectrum competitors. Additionally in 2002, the Company sold \$1.5 billion of superprime auto assets in whole loan sale transactions to multiple buyers. The high credit quality of these borrowers leads to very low loss rates on these assets (averaging 15-20 basis points per annum). Additionally, the Company is continuing to service these assets for a fee.

In the fourth quarter of 2002, the Company entered into a forward flow agreement with a purchaser to sell subprime auto loans originated via our subprime auto dealer network. These assets are sold at a premium, servicing released, no recourse, and have an additional performance payment in the future depending on asset performance over time. These assets are originated using the Company's underwriting policies, and allow for the sale of \$65.0 million to \$110.0 million of assets per month. The Company expects to sell between \$500.0 million and \$900.0 million of subprime auto loans under this agreement in 2003.

Going forward, the Company anticipates that it will continue to sell auto loans. The benefits of selling our excess origination volume are twofold. First, the Company continues to generate more scale economies from the additional volume. Second, the Company is able to sell loans for a price that exceed the cost of origination, thus whole loan sales have become a profit center for Capital One.

Credit quality in the superprime auto finance segment has remained strong, with net chargeoffs in the 15-20bp range in 2003. Net chargeoffs in the sub-prime auto segment have continued to improve, on a static pool basis, in each year that Capital One has participated in the sector. This steady improvement is in spite of the weakness in the U.S. economy over the last few years, as well as softness in the prices of used cars the company has been able to garner in the wholesale used car market when selling repossessed vehicles. However, U.S. unemployment statistics have been rising recently, which could have an adverse impact on our default rates going forward. Despite these pressures, Capital One remains cautiously optimistic that it can continue to steadily and profitably grow market share and profits in the auto finance segment.

INTERNATIONAL SEGMENT

This segment consists of \$5.4 billion of credit card receivables, principally originated and operated in the U.K. and Canada. Additionally, the Company has been testing and plans to continue to test new geographic markets.

The improvement in the Company's financial performance over the past twelve months is due to the maturation of the Company's businesses in the U.K. and Canada. Both of these businesses are generating profitable portfolio growth, realizing lower operating expenses and steadily improving risk management. Additionally, price competition in the superprime card business in 2002 appears to have subsided somewhat from the intense levels experienced in 2001 and 2000.

In 2002, the Company also launched its "What's in Your Wallet?" and "No-Hassle" brand campaigns in the U.K. This strong focus on brand marketing activity, combined with industry leading rates and products, has enabled our U.K. business to continually rank among the top three issuers of new credit cards in the U.K. market in terms of managed loans outstanding.

The Company is highly committed to diversifying into new geographies and sees the continued success of our International segment as an indication of the global potential of our core IBS strategy.

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. The Company cautions readers that any forward-looking information is not a guarantee of future performance and that actual results could differ materially. In addition to the factors discussed above, among the other factors that could cause actual results to differ materially are the following:

- o continued intense competition from numerous providers of products and services that compete with our businesses;
- o an increase in credit losses (including increases due to a worsening of general economic conditions);
- o our ability to continue to securitize our credit cards and consumer loans consistent with current accounting and other practices and to otherwise access the capital markets at attractive rates and terms to capitalize and fund our operations and future growth;
- o financial, legal, regulatory, accounting or other changes that may affect investment in, or the overall performance of, a product or business, including changes in existing law and regulation affecting the credit card and consumer loan industry, in particular (including any further federal bank examiner guidance affecting credit card and/or subprime lending) and the financial services industry, in general (including the ability of financial services companies to obtain, use and share consumer data);
- o 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;
- o 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;
- o our ability to build the operational and organizational infrastructure necessary to engage in new businesses or to expand internationally;
- o our ability to recruit experienced personnel to assist in the management and operations of new products and services;
- o any significant disruption of, or loss of public confidence in, the U.S. mail system affecting response rates or customer payments; and
- o other factors listed from time to time in the our SEC reports, including, but not limited to, the Annual Report on Form 10-K for the year ended December 31, 2002 (Part I, Item 1, Risk Factors).

SELECTED QUARTERLY FINANCIAL DATA

(Unaudited)	2002			
	Fourth Quarter	Third Quarter	Second Quarter	First Quarter
SUMMARY OF OPERATIONS: (In Thousands)				
Interest income	\$ 1,113,664	\$ 1,108,079	\$ 1,024,661	\$ 934,361
Interest expense	382,632	385,650	370,249	323,123
Net interest income	731,032	722,429	654,412	611,238
Provision for loan losses	543,758	674,111	541,841	389,617
Net interest income after provision for loan losses	187,274	48,318	112,571	221,621
Non-interest income	1,320,322	1,520,178	1,384,812	1,241,524
Non-interest expense	1,121,020	1,151,020	1,153,646	1,159,895
Income before income taxes	386,576	417,476	343,737	303,250
Income taxes	146,899	158,641	130,620	115,235
Net income	\$ 239,677	\$ 258,835	\$ 213,117	\$ 188,015
PER COMMON SHARE:				
Basic earnings	\$ 1.08	\$ 1.17	\$ 0.97	\$ 0.86
Diluted earnings	1.05	1.13	0.92	0.83
Dividends	0.03	0.03	0.03	0.03
Market prices				
High	36.50	61.10	66.50	64.91
Low	25.49	24.05	52.00	43.01
Average common shares (000s)	221,807	220,564	219,961	217,548
Average common shares and common equivalent shares (000s)	228,214	228,418	231,684	226,605
AVERAGE BALANCE SHEET DATA: (In Millions)				
Consumer loans	\$ 27,766	\$ 26,566	\$ 25,353	\$ 22,405
Allowance for loan losses	(1,596)	(1,241)	(994)	(873)
Securities	5,120	4,666	4,216	3,850
Other assets	5,918	5,479	5,465	4,614
Total assets	\$ 37,208	\$ 35,470	\$ 34,040	\$ 29,996
Interest-bearing deposits	\$ 17,077	\$ 16,520	\$ 15,277	\$ 13,505
Other borrowings	6,332	5,631	5,947	4,926
Senior and deposit notes	5,564	5,719	5,959	5,430
Other liabilities	3,667	3,182	2,836	2,563
Stockholder's equity	4,568	4,418	4,021	3,572
Total liabilities and stockholders' equity	\$ 37,208	\$ 35,470	\$ 34,040	\$ 29,996

(Unaudited)	2001			
	Fourth Quarter	Third Quarter	Second Quarter	First Quarter
SUMMARY OF OPERATIONS: (In Thousands)				
Interest income	\$ 826,606	\$ 743,927	\$ 679,154	\$ 671,462
Interest expense	314,838	294,869	287,146	274,154
Net interest income	511,768	449,058	392,008	397,308
Provision for loan losses	339,641	262,901	235,417	282,498
Net interest income after provision for loan losses	172,127	186,157	156,591	114,810
Non-interest income	1,189,015	1,155,421	1,084,255	1,035,071
Non-interest expense	1,074,567	1,074,897	990,316	918,247
Income before income taxes	286,575	266,681	250,530	231,634
Income taxes	108,894	101,337	95,203	88,021
Net income	\$ 177,681	\$ 165,344	\$ 155,327	\$ 143,613
PER COMMON SHARE:				
Basic earnings	\$ 0.83	\$ 0.78	\$ 0.74	\$ 0.70
Diluted earnings	0.80	0.75	0.70	0.66
Dividends	0.03	0.03	0.03	0.03
Market prices				
High	55.60	67.25	72.58	70.44
Low	41.00	36.41	51.61	46.90
Average common shares (000s)	214,718	210,763	209,076	204,792
Average common shares and common equivalent shares (000s)	223,350	219,897	221,183	217,755
AVERAGE BALANCE SHEET DATA: (In Millions)				

Consumer loans	\$ 19,402	\$ 17,515	\$ 16,666	\$ 15,509
Allowance for loan losses	(747)	(660)	(605)	(539)
Securities	3,943	2,977	2,741	2,478
Other assets	4,382	4,059	3,277	2,907
	-----	-----	-----	-----
Total assets	\$ 26,980	\$ 23,891	\$ 22,079	\$ 20,355
	=====	=====	=====	=====
Interest-bearing deposits	\$ 12,237	\$ 10,537	\$ 9,686	\$ 8,996
Other borrowings	3,496	3,103	2,915	2,442
Senior and deposit notes	5,389	5,281	4,899	4,679
Other liabilities	2,635	2,035	1,971	1,891
Stockholder's equity	3,223	2,935	2,608	2,347
	-----	-----	-----	-----
Total liabilities and stockholders' equity	\$ 26,980	\$ 23,891	\$ 22,079	\$ 20,355
	=====	=====	=====	=====

The above schedule is a tabulation of the Company's unaudited quarterly results for the years ended December 31, 2002 and 2001. The Company's common shares are traded on the New York Stock Exchange under the symbol COF. In addition, shares may be traded in the over-the-counter stock market. There were 10,227 and 10,065 common stockholders of record as of December 31, 2002 and 2001, respectively.

MANAGEMENT'S REPORT ON CONSOLIDATED
FINANCIAL STATEMENTS AND INTERNAL CONTROLS
OVER FINANCIAL REPORTING

The Management of Capital One Financial Corporation is responsible for the preparation, integrity and fair presentation of the financial statements and footnotes contained in this Annual Report. The Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States and are free of material misstatement. The Company also prepared other information included in this Annual Report and is responsible for its accuracy and consistency with the financial statements. In situations where financial information must be based upon estimates and judgments, they represent the best estimates and judgments of Management.

The Consolidated Financial Statements have been audited by the Company's independent auditors, Ernst & Young LLP, whose independent professional opinion appears separately. Their audit provides an objective assessment of the degree to which the Company's Management meets its responsibility for financial reporting. Their opinion on the financial statements is based on auditing procedures, which include reviewing accounting systems and internal controls and performing selected tests of transactions and records as they deem appropriate. These auditing procedures are designed to provide reasonable assurance that the financial statements are free of material misstatement.

Management depends on its accounting systems and internal controls in meeting its responsibilities for reliable financial statements. In Management's opinion, these systems and controls provide reasonable assurance that assets are safeguarded and that transactions are properly recorded and executed in accordance with Management's authorizations. As an integral part of these systems and controls, the Company maintains a professional staff of internal auditors that conducts operational and special audits and coordinates audit coverage with the independent auditors.

The Audit Committee of the Board of Directors, composed solely of outside directors, meets periodically with the internal auditors, the independent auditors and Management to review the work of each and ensure that each is properly discharging its responsibilities. The independent auditors have free access to the Committee to discuss the results of their audit work and their evaluations of the adequacy of accounting systems and internal controls and the quality of financial reporting.

There are inherent limitations in the effectiveness of internal controls, including the possibility of human error or the circumvention or overriding of controls. Accordingly, even effective internal controls can provide only reasonable assurance with respect to reliability of financial statements and safeguarding of assets. Furthermore, because of changes in conditions, internal control effectiveness may vary over time.

The Company assessed its internal controls over financial reporting as of December 31, 2002, in relation to the criteria described in the "Internal Control-Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, the Company believes that as of December 31, 2002, in all material respects, the Company maintained effective internal controls over financial reporting.

/s/ RICHARD D. FAIRBANK	/s/ NIGEL W. MORRIS	/s/ DAVID R. LAWSON
RICHARD D. FAIRBANK	NIGEL W. MORRIS	DAVID R. LAWSON
Chairman and	President and	Senior Vice President and
Chief Executive Officer	Chief Operating Officer	Chief Financial Officer

REPORT OF INDEPENDENT AUDITORS

THE BOARD OF DIRECTORS AND STOCKHOLDERS
CAPITAL ONE FINANCIAL CORPORATION

We have audited the accompanying consolidated balance sheets of Capital One Financial Corporation as of December 31, 2002 and 2001, and the related consolidated statements of income, changes in stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2002. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Capital One Financial Corporation at December 31, 2002 and 2001, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2002, in conformity with accounting principles generally accepted in the United States.

/s/ ERNST & YOUNG LLP

McLean, Virginia
January 16, 2003

CONSOLIDATED BALANCE SHEETS

December 31 (In Thousands, Except Per Share Data)

2002

2001

ASSETS:

Cash and due from banks	\$ 277,509	\$ 355,680
Federal funds sold and resale agreements	373,828	19,802
Interest-bearing deposits at other banks	267,441	331,756

Cash and cash equivalents	918,778	707,238
Securities available for sale	4,423,677	3,115,891
Consumer loans	27,853,652	20,921,014
Less: Allowance for loan losses	(1,720,000)	(840,000)

Net loans	26,133,652	20,081,014
Accounts receivable from securitizations	3,096,827	2,452,548
Premises and equipment, net	770,326	759,683
Interest receivable	217,512	105,459
Other	1,821,608	962,214

Total assets	\$ 37,382,380	\$ 28,184,047

LIABILITIES:

Interest-bearing deposits	\$ 17,325,965	\$ 12,838,968
Senior notes	5,565,615	5,335,229
Other borrowings	6,365,075	3,995,528
Interest payable	236,081	188,160
Other	3,266,473	2,502,684

Total liabilities	32,759,209	24,860,569

COMMITMENTS AND CONTINGENCIES

STOCKHOLDERS' EQUITY:

Preferred stock, par value \$.01 per share; authorized 50,000,000 shares, none issued or outstanding	--	--
Common stock, par value \$.01 per share; authorized 1,000,000,000 shares, 227,073,162 and 217,656,985 issued as of December 31, 2002 and 2001, respectively	2,271	2,177
Paid-in capital, net	1,704,470	1,350,108
Retained earnings	2,966,948	2,090,761
Cumulative other comprehensive loss	(15,566)	(84,598)
Less: Treasury stock, at cost; 878,206 and 878,720 shares as of December 31, 2002 and 2001, respectively	(34,952)	(34,970)

Total stockholders' equity	4,623,171	3,323,478

Total liabilities and stockholders' equity	\$ 37,382,380	\$ 28,184,047

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF INCOME

Year Ended December 31 (In Thousands, Except Per Share Data)	2002	2001	2000
INTEREST INCOME:			
Consumer loans, including past-due fees	\$ 3,868,664	\$ 2,729,519	\$ 2,350,771
Securities available for sale	184,407	138,188	96,554
Other	127,695	53,442	6,574
Total interest income	4,180,766	2,921,149	2,453,899
INTEREST EXPENSE:			
Deposits	811,889	640,470	324,008
Senior notes	422,529	357,495	274,975
Other borrowings	227,236	173,042	202,034
Total interest expense	1,461,654	1,171,007	801,017
Net interest income	2,719,112	1,750,142	1,652,882
Provision for loan losses	2,149,328	1,120,457	812,861
Net interest income after provision for loan losses	569,784	629,685	840,021
NON-INTEREST INCOME:			
Servicing and securitizations	2,805,501	2,441,144	1,152,375
Service charges and other customer-related fees	1,937,735	1,536,338	1,646,588
Interchange	447,747	379,797	237,777
Other	275,853	106,483	28,370
Total non-interest income	5,466,836	4,463,762	3,065,110
NON-INTEREST EXPENSE:			
Salaries and associate benefits	1,557,887	1,392,072	1,023,367
Marketing	1,070,624	1,082,979	906,147
Communications and data processing	406,071	327,743	296,255
Supplies and equipment	357,953	310,310	252,937
Occupancy	205,531	136,974	112,667
Other	987,515	807,949	556,284
Total non-interest expense	4,585,581	4,058,027	3,147,657
Income before income taxes	1,451,039	1,035,420	757,474
Income taxes	551,395	393,455	287,840
Net income	\$ 899,644	\$ 641,965	\$ 469,634
Basic earnings per share	\$ 4.09	\$ 3.06	\$ 2.39
Diluted earnings per share	\$ 3.93	\$ 2.91	\$ 2.24
Dividends paid per share	\$ 0.11	\$ 0.11	\$ 0.11

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

(In Thousands, Except Per Share Data)	Common Stock		Paid-In Capital, Net	Deferred Compensation	Retained Earnings
	Shares	Amount			
BALANCE, DECEMBER 31, 1999	199,670,421	\$ 1,997	\$ 613,590	\$ --	\$ 1,022,296
Comprehensive income:					
Net income	--	--	--	--	469,634
Other comprehensive income, net of income tax:					
Unrealized gains on securities, net of income taxes of \$19,510	--	--	--	--	--
Foreign currency translation adjustments	--	--	--	--	--
Other comprehensive income	--	--	--	--	--
Comprehensive income	--	--	--	--	--
Cash dividends -- \$.11 per share	--	--	--	--	(20,824)
Purchase of treasury stock	--	--	--	--	--
Issuances of common and restricted stock	--	--	1,441	--	--
Exercise of stock options	--	--	(61,261)	--	--
Common stock issuable under incentive plan	--	--	17,976	--	--
Other items, net	--	--	3,433	--	--
BALANCE, DECEMBER 31, 2000	199,670,421	1,997	575,179	--	1,471,106
Comprehensive income:					
Net income	--	--	--	--	641,965
Other comprehensive income, net of income tax:					
Unrealized gains on securities, net of income taxes of \$5,927	--	--	--	--	--
Foreign currency translation adjustments	--	--	--	--	--
Cumulative effect of change in accounting principle, net of income tax benefit of \$16,685	--	--	--	--	--
Loss on cash flow hedging instruments, net of income tax benefit of \$28,686	--	--	--	--	--
Other comprehensive loss	--	--	--	--	--
Comprehensive income	--	--	--	--	--
Cash dividends -- \$.11 per share	--	--	--	--	(22,310)
Issuances of common and restricted stock	12,453,961	125	687,828	(45,472)	--
Exercise of stock options	5,532,603	55	141,178	--	--
Amortization of deferred compensation	--	--	--	984	--
Common stock issuable under incentive plan	--	--	(11,134)	--	--
Other items, net	--	--	1,545	--	--
BALANCE, DECEMBER 31, 2001	217,656,985	2,177	1,394,596	(44,488)	2,090,761
Comprehensive income:					
Net income	--	--	--	--	899,644
Other comprehensive income, net of income tax:					
Unrealized gains on securities, net of income taxes of \$28,619	--	--	--	--	--
Foreign currency translation adjustments	--	--	--	--	--
Loss on cash flow hedging instruments, net of income tax benefit of \$11,938	--	--	--	--	--
Other comprehensive income	--	--	--	--	--
Comprehensive income	--	--	--	--	--
Cash dividends -- \$.11 per share	--	--	--	--	(23,457)
Issuance of mandatory convertible securities	--	--	36,616	--	--
Issuances of common and restricted stock	7,968,831	80	317,454	(85,231)	--
Exercise of stock options	1,447,346	14	55,585	--	--
Amortization of deferred compensation	--	--	--	27,749	--
Other items, net	--	--	2,189	--	--
BALANCE, DECEMBER 31, 2002	227,073,162	\$ 2,271	\$ 1,806,440	\$ (101,970)	\$ 2,966,948

(In Thousands, Except Per Share Data)	Cumulative Other Comprehensive Income (Loss)	Treasury Stock	Total Stockholders' Equity
BALANCE, DECEMBER 31, 1999	\$ (31,262)	\$ (91,014)	\$ 1,515,607
Comprehensive income:			
Net income	--	--	469,634
Other comprehensive income, net of income tax:			
Unrealized gains on securities, net of income taxes of \$19,510	31,831	--	31,831
Foreign currency translation adjustments	2,349	--	2,349
Other comprehensive income	34,180	--	34,180
Comprehensive income	--	--	503,814
Cash dividends -- \$.11 per share	--	--	(20,824)
Purchase of treasury stock	--	(134,619)	(134,619)
Issuances of common and restricted stock	--	17,436	18,877

Exercise of stock options	--	119,511	58,250
Common stock issuable under incentive plan	--	--	17,976
Other items, net	--	--	3,433
<hr/>			
BALANCE, DECEMBER 31, 2000	2,918	(88,686)	1,962,514
Comprehensive income:			
Net income	--	--	641,965
Other comprehensive income, net of income tax:			
Unrealized gains on securities, net of income taxes of \$5,927	9,671	--	9,671
Foreign currency translation adjustments	(23,161)	--	(23,161)
Cumulative effect of change in accounting principle, net of income tax benefit of \$16,685	(27,222)	--	(27,222)
Loss on cash flow hedging instruments, net of income tax benefit of \$28,686	(46,804)	--	(46,804)
<hr/>			
Other comprehensive loss	(87,516)	--	(87,516)
<hr/>			
Comprehensive income	--	--	554,449
Cash dividends -- \$.11 per share	--	--	(22,310)
Issuances of common and restricted stock	--	18,647	661,128
Exercise of stock options	--	35,069	176,302
Amortization of deferred compensation	--	--	984
Common stock issuable under incentive plan	--	--	(11,134)
Other items, net	--	--	1,545
<hr/>			
BALANCE, DECEMBER 31, 2001	(84,598)	(34,970)	3,323,478
Comprehensive income:			
Net income	--	--	899,644
Other comprehensive income, net of income tax:			
Unrealized gains on securities, net of income taxes of \$28,619	46,694	--	46,694
Foreign currency translation adjustments	41,816	--	41,816
Loss on cash flow hedging instruments, net of income tax benefit of \$11,938	(19,478)	--	(19,478)
<hr/>			
Other comprehensive income	69,032	--	69,032
<hr/>			
Comprehensive income	--	--	968,676
Cash dividends -- \$.11 per share	--	--	(23,457)
Issuance of mandatory convertible securities	--	--	36,616
Issuances of common and restricted stock	--	18	232,321
Exercise of stock options	--	--	55,599
Amortization of deferred compensation	--	--	27,749
Other items, net	--	--	2,189
<hr/>			
BALANCE, DECEMBER 31, 2002	\$ (15,566)	\$ (34,952)	\$ 4,623,171

Consolidated Statements of Cash Flows

Year Ended December 31 (In Thousands)	2002	2001	2000
OPERATING ACTIVITIES:			
Net Income	\$ 899,644	\$ 641,965	\$ 469,634
Adjustments to reconcile net income to cash provided by operating activities:			
Provision for loan losses	2,149,328	1,120,457	812,861
Depreciation and amortization	374,613	332,264	245,171
(Accretion) amortization of securities available for sale	(250,541)	5,298	(348)
Gain on sales of securities available for sale	(77,515)	(13,495)	--
Gain on repurchase of senior notes	(26,969)	--	--
Stock plan compensation expense	27,749	(11,134)	17,976
Increase in interest receivable	(112,053)	(20,087)	(18,038)
Increase in accounts receivable from securitizations	(645,775)	(1,266,268)	(468,205)
Increase in other assets	(857,116)	(323,758)	(16,513)
Increase in interest payable	47,921	55,060	6,253
Increase in other liabilities	746,501	864,573	489,001
Net cash provided by operating activities	2,275,787	1,384,875	1,537,792
INVESTING ACTIVITIES:			
Purchases of securities available for sale	(5,748,073)	(4,268,527)	(407,572)
Proceeds from maturities of securities available for sale	1,589,449	1,481,390	172,889
Proceeds from sales of securities available for sale	3,255,488	1,370,466	432,203
Proceeds from securitizations of consumer loans	12,533,886	11,915,990	6,142,709
Net increase in consumer loans	(21,008,535)	(18,057,529)	(12,145,055)
Principal recoveries of loans previously charged off	231,157	196,093	145,090
Additions of premises and equipment, net	(275,436)	(326,594)	(374,018)
Net cash used in investing activities	(9,422,064)	(7,688,711)	(6,033,754)
FINANCING ACTIVITIES:			
Net increase in interest-bearing deposits	4,486,997	4,459,943	4,595,216
Net increase in other borrowings	2,369,290	515,121	145,214
Issuances of senior notes	300,000	1,987,833	994,176
Maturities of senior notes	(562,605)	(706,916)	(1,125,292)
Repurchases of senior notes	(203,453)	--	--
Issuance of mandatory convertible securities	725,075	--	--
Dividends paid	(23,457)	(22,310)	(20,824)
Purchases of treasury stock	--	--	(134,619)
Net proceeds from issuances of common stock	232,321	477,892	21,076
Proceeds from exercise of stock options	33,649	62,804	11,225
Net cash provided by financing activities	7,357,817	6,774,367	4,486,172
Increase (decrease) in cash and cash equivalents	211,540	470,531	(9,790)
Cash and cash equivalents at beginning of year	707,238	236,707	246,497
Cash and cash equivalents at end of year	\$ 918,778	\$ 707,238	\$ 236,707

up front. The provisions of SFAS 146 are effective for exit or disposal activities that are initiated after December 31, 2002. The adoption of SFAS 146 is not expected to have a material impact on the consolidated earnings or financial position of the Company.

In April of 2002, the FASB issued SFAS No. 145, Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections ("SFAS 145"). SFAS No. 145 rescinds SFAS No. 4, Reporting Gains and Losses from Extinguishment of Debt, and an amendment of that Statement, SFAS No. 64, Extinguishments of Debt Made to Satisfy Sinking-Fund Requirements. This Statement also amends other existing authoritative pronouncements to make various technical corrections, clarify meanings, or describe their applicability under changed conditions. SFAS 145 became effective and was adopted by the Company in May of 2002 and did not have an impact on the consolidated earnings or financial position of the Company.

In August 2001, the FASB issued SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets ("SFAS 144"). SFAS 144 supersedes SFAS No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of ("SFAS 121"), but retains the requirements of SFAS 121 to test long-lived assets for impairment and removes goodwill from its scope. In addition, the changes presented in SFAS 144 require that one accounting model be used for long-lived assets to be disposed of by sale and broadens the presentation of discontinued operations to include more disposal transactions. Under SFAS 144, discontinued operations are no longer measured on a net realizable value basis, and future operating losses are no longer recognized before they occur. The provisions of this Statement are effective for financial statements issued for fiscal years beginning after December 15, 2001. The implementation of SFAS 144 did not have a material impact on the consolidated earnings or financial position of the Company.

In June 2001, the FASB issued SFAS No. 141, Business Combinations ("SFAS 141"), effective for business combinations initiated after June 30, 2001, and SFAS No. 142, Goodwill and Other Intangible Assets ("SFAS 142"), effective for fiscal years beginning after December 15, 2001. Under SFAS 141, the pooling of interests method of accounting for business combinations is eliminated. Under SFAS 142, goodwill and intangible assets deemed to have indefinite lives will no longer be amortized but will be subject to annual impairment tests in accordance with the pronouncement. Other intangible assets will continue to be amortized over their useful lives. Under the transitional provisions of SFAS 142, the Company identified its reporting units and performed the first of the required impairment tests of net goodwill and indefinite-lived intangible assets during 2002. The testing resulted in no impairment losses to any recorded goodwill of the Company.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes cash and due from banks, federal funds sold and resale agreements and interest-bearing deposits at other banks. Cash paid for interest for the years ended December 31, 2002, 2001 and 2000 was \$1.4 billion, \$1.1 billion and \$.8 billion, respectively. Cash paid for income taxes for the years ended December 31, 2002, 2001 and 2000 was \$585.8 million, \$70.8 million and \$237.2 million, respectively.

SECURITIES AVAILABLE FOR SALE

The Company classifies all debt securities as securities available for sale. These securities are stated at fair value, with the unrealized gains and losses, net of tax, reported as a component of cumulative other comprehensive income. The amortized cost of debt securities is adjusted for amortization of premiums and accretion of discounts to maturity. Such amortization or accretion is included in interest income. Realized gains and losses on sales of securities are determined using the specific identification method.

REVENUE RECOGNITION

The Company recognizes earned finance charges and fee income on loans according to the contractual provisions of the credit agreements. When, based on historic performance of the portfolio, payment in full of finance charge and fee income is not expected, the estimated uncollectible portion is not accrued as income. As discussed below, the 2002 change in recoveries estimate resulted in an \$82.7 million reduction of finance charges and fees deemed uncollectible for the year ended December 31, 2002. Amounts collected on previously charged-off accounts related to finance charges and fees are recognized as income. Costs to recover previously charged-off accounts are recorded as collection expense in non-interest expenses.

Interchange income is a fee paid by a merchant bank to the card-issuing bank through the interchange network. Interchange fees are set by MasterCard International Inc. and Visa U.S.A. Inc. and are based on cardholder purchase volumes. The Company recognizes interchange income as earned. The Company offers to its customers certain rewards programs based on purchase volumes. The provision for the cost of the rewards programs is based upon points awarded in the current year which are ultimately expected to be redeemed by program members and the current average cost per point of redemption. The cost of these rewards programs is deducted from interchange income. The cost of the rewards programs related to securitized loans is deducted from servicing and securitizations income.

Annual membership fees and direct loan origination costs are deferred and amortized over one year on a straight-line basis. Direct loan origination costs consist of both internal and external costs associated with the origination of a loan. Deferred fees (net of deferred costs of \$45.2 million and \$55.1 million in 2002 and 2001, respectively) were \$325.9 million and \$291.6 million as of December 31, 2002 and 2001, respectively.

LOAN SECURITIZATIONS

Loan securitization involves the sale, generally to a trust or other special purpose entity, of a pool of loan receivables and is accomplished primarily through the public and private issuance of asset-backed securities by the special purpose entity. The Company removes loan receivables from the consolidated balance sheet for those asset securitizations that qualify as sales

in accordance with SFAS 140. The trusts are qualifying special purpose entities as defined by SFAS 140. For those asset securitizations that qualify as sales in accordance with SFAS 140, the trusts to which the loans were sold are not subsidiaries of the Company, and are not included in the Company's consolidated financial statements in accordance with GAAP. Gains on securitization transactions, fair value adjustments and servicing and other income on the Company's securitizations are included in servicing and securitizations non-interest income in the consolidated statements of income and amounts due from the trusts are included in accounts receivable from securitizations on the consolidated balance sheets.

ALLOWANCE FOR LOAN LOSSES

The allowance for loan losses is maintained at the amount estimated to be sufficient to absorb probable losses, net of principal recoveries (including recovery of collateral), inherent in the existing reported loan portfolio. The provision for loan losses is the periodic cost of maintaining an adequate allowance. The amount of allowance necessary is determined primarily based on a migration analysis of delinquent and current accounts and forward loss curves. The entire balance of an account is contractually delinquent if the minimum payment is not received by the payment due date. In evaluating the sufficiency of the allowance for loan losses, management takes into consideration the following factors: recent trends in delinquencies and charge-offs including bankrupt, deceased and recovered amounts; 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.

The Company charges off credit card loans (net of any collateral) at 180 days past the due date, and generally charges off other consumer loans at 120 days past the due date. Bankrupt consumers' accounts are generally charged-off within 30 days of receipt of the bankruptcy petition. Amounts collected on previously charged-off accounts related to principal are included in recoveries for the determination of net charge-offs. Costs to recover previously charged-off accounts are recorded as collection expense in non-interest expenses.

PREMISES AND EQUIPMENT

Premises and equipment are stated at cost less accumulated depreciation and amortization. The Company capitalizes direct costs (including external costs for purchased software, contractors, consultants and internal staff costs) for internally developed software projects that have been identified as being in the application development stage. Depreciation and amortization expenses are computed generally by the straight-line method over the estimated useful lives of the assets. Useful lives for premises and equipment are as follows: buildings and improvements -- 5-39 years; furniture and equipment -- 3-10 years; computers and software -- 3 years.

MARKETING

The Company expenses marketing costs as incurred. Television advertising costs are expensed during the period in which the advertisements are aired.

CREDIT CARD FRAUD LOSSES

The Company experiences fraud losses from the unauthorized use of credit cards. Transactions suspected of being fraudulent are charged to non-interest expense after a sixty-day investigation period.

INCOME TAXES

Deferred tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities, and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse.

SEGMENTS

The Company maintains three distinct operating segments: Consumer Lending, Auto Finance and International. The Consumer Lending segment primarily consists of domestic credit card and installment lending activities. The Auto Finance segment consists of automobile lending activities. The International segment is comprised primarily of credit card lending activities outside the United States. The Consumer Lending, Auto Finance and International segments are considered reportable segments based on quantitative thresholds applied to the managed loan portfolio for reportable segments provided by SFAS No. 131, Disclosures about Segments of an Enterprise and Related Information.

The accounting policies of these segments are the same as those described above. Management measures the performance of and resource allocation to each line of business within each reportable segment based on a wide range of indicators to include both historical and forecasted operating results. All revenue considered for the quantitative thresholds is generated from external customers.

DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

The Company adopted SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities, as amended by SFAS No. 137, Accounting for Derivative Instruments and Hedging Activities - Deferral of Effective Date of FASB Statement No. 133, and SFAS No. 138, Accounting for Certain Derivative Instruments and Certain Hedging Activities, (collectively, "SFAS 133") on January 1, 2001. SFAS 133 required the Company to recognize all of its derivative instruments as either assets or liabilities in the balance sheet at fair value. The accounting for changes in the fair value (i.e., gains and losses) of a derivative instrument depends on whether it has been designated and qualifies as part of a hedging relationship and, further, on the type of hedging relationship. For those derivative instruments that are designated and qualify as hedging instruments, a company must designate the hedging instrument, based upon the exposure being hedged, as a fair value hedge, a cash flow hedge or a hedge of a net investment in a foreign operation. The adoption of SFAS 133 resulted in a 2001 cumulative-effect adjustment decreasing other comprehensive income by \$27.2 million, net of an income tax benefit of \$16.7 million.

For derivative instruments that are designated and qualify as fair value hedges (i.e., hedging the exposure to changes in the fair value of an asset or a liability or an identified portion thereof that is attributable to a particular risk), the gain or loss on the derivative instrument as well as the offsetting loss or gain on the hedged item attributable to the hedged risk is recognized in

current earnings during the period of the change in fair values. For derivative instruments that are designated and qualify as cash flow hedges (i.e., hedging the exposure to variability in expected future cash flows that is attributable to a particular risk), the effective portion of the gain or loss on the derivative instrument is reported as a component of other comprehensive income and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. The remaining gain or loss on the derivative instrument in excess of the cumulative change in the present value of future cash flows of the hedged item, if any, is recognized in current

earnings during the period of change. For derivative instruments that are designated and qualify as hedges of a net investment in a foreign operation, the gain or loss is reported in other comprehensive income as part of the cumulative translation adjustment to the extent that it is effective. For derivative instruments not designated as hedging instruments, the gain or loss is recognized in current earnings during the period of change.

The Company formally documents all hedging relationships, as well as its risk management objective and strategy for undertaking the hedge transaction. At inception and at least quarterly, the Company also formally assesses whether the derivatives that are used in hedging transactions have been highly effective in offsetting changes in the hedged items to which they are designated and whether those derivatives may be expected to remain highly effective in future periods. The Company will discontinue hedge accounting prospectively when it is determined that a derivative has ceased to be highly effective as a hedge.

STOCK-BASED COMPENSATION

The Company applies Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees ("APB 25") and related Interpretations in accounting for its stock-based compensation plans. In accordance with APB 25, no compensation cost has been recognized for the Company's fixed stock options, since the exercise price of all such options equals or exceeds the market price of the underlying stock on the date of grant.

SFAS 123 requires for companies electing to continue to follow the recognition provisions of APB 25, pro forma information regarding net income and earnings per share, as if the recognition provisions of SFAS 123 were adopted for all stock compensation granted. For purposes of pro forma disclosure, the fair value of the options was estimated at the date of grant using the Black-Scholes option-pricing model and is amortized into expense over the options' vesting period.

Pro Forma Information	For the Years Ended December 31		
	2002	2001	2000
Net income, as reported	\$ 899,644	\$641,965	\$469,634
Stock-based employee compensation expense included in reported net income	27,749	984	11,145
Stock-based employee compensation expense determined under fair value based method(1)	(184,984)	(97,705)	(79,490)
Pro forma net income	\$ 742,409	\$545,244	\$401,289
Earnings per share:			
Basic -- as reported	\$ 4.09	\$ 3.06	\$ 2.39
Basic -- pro forma	\$ 3.37	\$ 2.60	\$ 2.04
Diluted -- as reported	\$ 3.93	\$ 2.91	\$ 2.24
Diluted -- pro forma	\$ 3.37	\$ 2.55	\$ 1.95

(1) Includes amortization of compensation expense for current year grants and prior year grants over the options' vesting period.

CHANGE IN RECOVERIES CLASSIFICATION

During 2002, the Company changed its financial statement presentation of recoveries of charged-off loans. The change was made in response to guidelines that were published by the Federal Financial Institutions Examination Council ("FFIEC") with respect to credit card account management. Previously, the Company recognized all recoveries of charged-off loans in the allowance for loan losses and provision for loan losses. The Company now classifies the portion of recoveries related to finance charges and fees as revenue. All prior period recoveries have been reclassified to conform to the current financial statement presentation of recoveries. This reclassification had no impact on prior period earnings.

The change in the classification of recoveries resulted in a change to the recoveries estimate used as part of the calculation of the Company's allowance for loan losses and finance charge and fee revenue. The change in the recoveries estimate resulted in an increase to the allowance for loan losses and a reduction of the amount of finance charges and fees deemed uncollectible under the Company's revenue recognition policy for the year ended December 31, 2002. The change in estimate resulted in an increase of \$38.4 million to interest income and \$44.4 million to non-interest income offset by an increase in the provision for loan losses of \$133.4 million for the year ended December 31, 2002. Therefore, net income for the year ended December 31, 2002, was negatively impacted by \$31.4 million or \$.14 per diluted share as a result of the change in estimate.

The Company manages its business by three distinct operating segments: Consumer Lending, Auto Finance and International. The Consumer Lending segment primarily consists of domestic credit card and installment lending activities. The Auto Finance segment consists of automobile lending activities. The International segment consists primarily of credit card lending activities outside the United States. The Consumer Lending, Auto Finance and International segments are disclosed separately. The "Other" caption includes the Company's liquidity portfolio, new business initiatives, investments in external companies, and various non-lending activities. The "Other" caption also includes the net impact of transfer pricing, certain unallocated expenses, and gains/losses related to the securitization of assets.

The accounting policies of the reportable segments are the same as those described in the summary of significant accounting policies. Revenue for all segments is derived from external parties. Performance evaluation of and resource allocation to each line of business within each reportable segment is based on a wide range of indicators to include both historical and forecasted operating results.

Management decision making is performed on a managed portfolio basis. An adjustment to reconcile the managed financial information to the reported financial information in the consolidated financial statements is provided. This adjustment reclassifies a portion of net interest income, non-interest income and provision for loan losses into non-interest income from servicing and securitization.

The Company maintains its books and records on a legal entity basis for the preparation of financial statements in conformity with GAAP. The following tables present information prepared from the Company's internal management information system, which is maintained on a line of business level through allocations from legal entities.

	Consumer Lending	Auto Finance	International	Other	Total Managed	Securitization Adjustments	Total Reported
FOR THE YEAR ENDED DECEMBER 31, 2002							
Net interest income	\$ 4,277,298	\$ 544,501	\$ 397,452	\$ 65,087	\$ 5,284,338	\$ (2,565,226)	\$ 2,719,112
Non-interest income	4,076,925	65,509	276,696	(7,956)	4,411,174	1,055,662	5,466,836
Provision for loan losses	2,992,579	361,717	230,345	74,251	3,658,892	(1,509,564)	2,149,328
Non-interest expenses	3,679,342	231,741	501,068	173,430	4,585,581	--	4,585,581
Income tax provision (benefit)	639,275	6,290	(21,699)	(72,471)	551,395	--	551,395
Net income (loss)	\$ 1,043,027	\$ 10,262	\$ (35,566)	\$ (118,079)	\$ 899,644	\$ --	\$ 899,644
Loans receivable	\$47,290,100	\$6,992,541	\$5,330,541	\$ 133,355	\$59,746,537	\$(31,892,885)	\$27,853,652
FOR THE YEAR ENDED DECEMBER 31, 2001							
Net interest income	\$ 3,189,207	\$ 215,838	\$ 282,226	\$ (53,454)	\$ 3,633,817	\$ (1,883,675)	\$ 1,750,142
Non-interest income	3,131,868	19,879	183,973	78,057	3,413,777	1,049,985	4,463,762
Provision for loan losses	1,711,164	174,897	129,412	(61,326)	1,954,147	(833,690)	1,120,457
Non-interest expenses	3,350,595	117,853	422,420	167,159	4,058,027	--	4,058,027
Income tax provision (benefit)	478,540	(21,672)	(35,179)	(28,234)	393,455	--	393,455
Net income (loss)	\$ 780,776	\$ (35,361)	\$ (50,454)	\$ (52,996)	\$ 641,965	\$ --	\$ 641,965
Loans receivable	\$37,324,079	\$3,957,729	\$3,970,244	\$ 11,911	\$45,263,963	\$(24,342,949)	\$20,921,014
FOR THE YEAR ENDED DECEMBER 31, 2000							
Net interest income	\$ 2,431,111	\$ 88,933	\$ 186,639	\$ 4,176	\$ 2,710,859	\$ (1,057,977)	\$ 1,652,882
Non-interest income	2,277,806	6,609	113,726	13,355	2,411,496	653,614	3,065,110
Provision for loan losses	1,107,246	64,774	101,046	(55,842)	1,217,224	(404,363)	812,861
Non-interest expenses	2,525,612	64,626	344,577	212,842	3,147,657	--	3,147,657
Income tax provision (benefit)	408,903	(12,866)	(57,998)	(50,199)	287,840	--	287,840
Net income (loss)	\$ 667,156	\$ (20,992)	\$ (87,260)	\$ (89,270)	\$ 469,634	\$ --	\$ 469,634
Loans receivable	\$25,449,167	\$1,173,782	\$2,970,751	\$ (69,674)	\$29,524,026	\$(14,411,314)	\$15,112,712

During the year, the Company realigned certain aspects of its European operations. Charges related to the realignment of \$12.5 million (\$7.8 million after taxes) were recognized and allocated to the International segment.

During the year, the Company sold \$1.5 billion of auto loans to multiple buyers. These transactions resulted in gains of \$28.2 million for the Auto Finance segment. These gains were offset in part by compensation expense of \$14.5 million (\$9.0 million after taxes) that was recognized and allocated to the Auto Finance segment for the accelerated vesting provisions of certain restricted stock issued in connection with the acquisition of PeopleFirst, Inc. ("PeopleFirst").

During the third quarter, the Company expensed \$38.8 million (\$24.1 million after taxes) related to the early termination of leases, unused facility capacity, and accelerated depreciation of related fixed assets. The Company allocated \$35.3 million of these expenses to the Consumer Lending segment, \$1.5 million to the other caption, \$1.1 million to the Auto Finance segment, and \$9 million to the International segment.

NOTE C SECURITIES AVAILABLE FOR SALE

Securities available for sale as of December 31, 2002, 2001 and 2000 were as follows:

	Maturity Schedule				Market Value Totals	Amortized Cost Totals
	1 Year or Less	1-5 Years	5-10 Years	Over 10 Years		

DECEMBER 31, 2002						
U.S. Treasury and other U.S. government agency obligations	\$ 613,404	\$1,287,246	\$ 669,339	\$ --	\$2,569,989	\$2,522,429
Collateralized mortgage obligations	492,163	897,547	10,929	--	1,400,639	1,373,759
Mortgage backed securities	--	420,726	--	--	420,726	414,822
Other	3,180	540	1,976	26,627	32,323	32,452

Total	\$1,108,747	\$2,606,059	\$ 682,244	\$ 26,627	\$4,423,677	\$4,343,462
=====						
DECEMBER 31, 2001						
U.S. Treasury and other U.S. government agency obligations	\$ 256,548	\$ 748,224	\$ 800,184	\$ --	\$1,804,956	\$1,796,033
Collateralized mortgage obligations	--	--	19,814	616,863	636,677	628,897
Mortgage backed securities	--	--	8,536	640,171	648,707	662,098
Other	1,092	424	244	23,791	25,551	25,678

Total	\$ 257,640	\$ 748,648	\$ 828,778	\$1,280,825	\$3,115,891	\$3,112,706
=====						
DECEMBER 31, 2000						
U.S. Treasury and other U.S. government agency obligations	\$ 283,607	\$ 893,745	\$ 10,702	\$ --	\$1,188,054	\$1,178,386
Collateralized mortgage obligations	--	--	20,867	391,240	412,107	414,770
Mortgage backed securities	3,752	--	11,420	61,648	76,820	74,695
Other	16,260	1,380	343	1,851	19,834	19,986

Total	\$ 303,619	\$ 895,125	\$ 43,332	\$ 454,739	\$1,696,815	\$1,687,837
=====						

	Weighted Average Yields			
	1 Year or Less	1-5 Years	5-10 Years	Over 10 Years

DECEMBER 31, 2002				
U.S. Treasury and other U.S. government agency obligations	2.82%	3.46%	4.37%	--
Collateralized mortgage obligations	5.72	5.48	4.93	--
Mortgage backed securities	--	5.65	--	--
Other	2.76	6.39	6.87	6.04%

Total	4.10%	4.51%	4.39%	6.04%
=====				

The distribution of mortgage-backed securities and collateralized mortgage obligations is based on average expected maturities. Actual maturities could differ because issuers may have the right to call or prepay obligations.

Weighted average yields were determined based on amortized cost. Gross realized gains on sales of securities were \$96.9 million and \$19.1 million for the years ended December 31, 2002 and 2001, respectively. Gross realized losses were \$19.4 million and \$5.6 million for the years ended December 31, 2002 and 2001, respectively. Substantially no gains or losses on sales of securities were realized for December 31, 2000.

NOTE D ALLOWANCE FOR LOAN LOSSES

The following is a summary of changes in the allowance for loan losses:

	Year Ended December 31		
	2002	2001	2000
Balance at beginning of year	\$ 840,000	\$ 527,000	\$ 342,000
Provision for loan losses	2,149,328	1,120,457	812,861
Acquisitions/other	(9,644)	14,800	(549)
Charge-offs	(1,490,841)	(1,018,350)	(772,402)
Principal recoveries	231,157	196,093	145,090
Net charge-offs	(1,259,684)	(822,257)	(627,312)
Balance at end of year	\$ 1,720,000	\$ 840,000	\$ 527,000

The \$880.0 million increase in allowance for loan losses for the year ended December 31, 2002, reflects an increase in average reported loans, a rise in net charge-offs, the revised application of Subprime Guidelines (see Note O), and the \$133.4 million one-time impact resulting from a change in recoveries estimate.

Loans totaling approximately \$567.4 million and \$284.5 million, representing amounts which were greater than 90 days past due, were included in the Company's reported loan portfolio as of December 31, 2002 and 2001, respectively.

NOTE E PREMISES AND EQUIPMENT

Premises and equipment were as follows:

December 31	2002	2001
Land	\$ 103,954	\$ 90,377
Buildings and improvements	437,023	305,312
Furniture and equipment	773,092	680,942
Computer software	298,208	216,361
In process	92,550	144,527
	1,704,827	1,437,519
Less: Accumulated depreciation and amortization	(934,501)	(677,836)
Total premises and equipment, net	\$ 770,326	\$ 759,683

Depreciation and amortization expense was \$264.8 million, \$236.0 million and \$180.3 million, for the years ended December 31, 2002, 2001 and 2000, respectively.

NOTE F BORROWINGS

Borrowings as of December 31, 2002 and 2001 were as follows:

	2002		2001	
	Outstanding	Weighted Average Rate	Outstanding	Weighted Average Rate
Interest-bearing deposits	\$17,325,965	4.65%	\$12,838,968	5.34%
Senior notes				
Bank -- fixed rate	\$ 3,723,200	7.00%	\$ 4,454,041	6.96%
Bank -- variable rate	275,000	2.31	332,000	3.45
Mandatory convertible securities Corporation	718,278	6.25	--	--
	849,137	7.75	549,188	7.20
Total	\$ 5,565,615		\$ 5,335,229	
=====				
OTHER BORROWINGS				
Secured borrowings	\$ 4,814,030	3.41%	\$ 3,013,418	4.62%
Junior subordinated capital income securities	98,950	3.26	98,693	3.78
Federal funds purchased and resale agreements	554,887	1.26	434,024	1.91
Other short-term borrowings	897,208	2.09	449,393	2.29
Total	\$ 6,365,075		\$ 3,995,528	
=====				

INTEREST-BEARING DEPOSITS

As of December 31, 2002, the Company had \$17.3 billion in interest-bearing deposits of which \$7.2 billion represents large denomination certificates of \$100 thousand or more, with original maturities of up to ten years.

SENIOR NOTES

BANK NOTES

SENIOR AND SUBORDINATED GLOBAL BANK NOTE PROGRAM

The Senior and Subordinated Global Bank Note Program gives the Bank the ability to issue securities to both U.S. and non-U.S. lenders and to raise funds in foreign currencies. The Senior and Subordinated Global Bank Note Program has a total capacity of \$5.0 billion of which \$2.7 billion and \$3.0 billion was outstanding at December 31, 2002 and 2001, respectively. In January 2003, the Bank increased its capacity under the Senior and Subordinated Global Bank Note Program to \$8.0 billion. Prior to the establishment of the Senior and Subordinated Global Bank Note Program, the Bank issued senior unsecured debt through its \$8.0 billion Senior Domestic Bank Note Program, of which \$1.3 billion and \$1.8 billion was outstanding at December 31, 2002 and 2001, respectively. During 2001, the Bank did not renew the Senior Domestic Bank Note Program for future issuances.

In July 2002, the Company repurchased senior bank notes in the amount of \$230.4 million, which resulted in a pre-tax gain of \$27.0 million.

During 2001, the Bank issued a \$1.3 billion five-year fixed rate bank note and a \$750.0 million three-year fixed rate senior note under the Senior and Subordinated Global Bank Note Program.

MANDATORY CONVERTIBLE SECURITIES

In April 2002, the Company completed a public offering of mandatory convertible debt securities (the "Upper Decs(R)"), that resulted in net proceeds of approximately \$725.1 million. The net proceeds were used for general corporate purposes. Each Upper Dec(R) initially consists of and represents (i) a senior note due May 17, 2007 with a principal amount of \$50, on which the Company will pay interest quarterly at the initial annual rate of 6.25%, and (ii) a forward purchase contract pursuant to which the holder has agreed to purchase, for \$50, shares of the Company's common stock on May 17, 2005 (or earlier under certain conditions), with such number of shares to be determined based upon the average closing price per share of the Company's common stock for 20 consecutive trading days ending on the third trading day immediately preceding the stock purchase date at a minimum per share price of \$63.91 and a maximum per share price of \$78.61.

The senior notes will initially be pledged to secure the holder's obligations under the forward purchase contracts. Each holder of an Upper Dec(R) may elect to withdraw the pledged senior notes or treasury securities underlying

the Upper Decs(R) by substituting, as pledged securities, specifically identified treasury securities that will pay \$50 on the relevant stock purchase date, which is the amount due on that date under each forward purchase contract. In February 2005, the senior notes will be remarketed, and the interest rate will be reset based on interest rates in effect at the time of remarketing. The holders will use the proceeds of the remarketing to fund their obligations to purchase shares of the Company's common stock under the forward purchase contract, with such number of shares to be determined based upon the average closing price per share of the Company's common stock for 20 consecutive trading days ending on the third trading day immediately preceding the stock purchase date at a minimum per share price of \$63.91 and a maximum per share price of \$78.61.

CORPORATION SHELF REGISTRATION STATEMENTS

As of December 31, 2002, the Corporation had two effective shelf registration statements under which the Corporation from time to time may offer and sell senior or subordinated debt securities, preferred stock, common stock, common equity units and stock purchase contracts. The Corporation Shelf Registration statements had a total capacity of \$2.2 billion all of which was available at December 31, 2002. There was \$587.2 million available at December 31, 2001.

On November 11, 2002, the Corporation issued shares of its common stock having an aggregate value of \$54.9 million to certain former shareholders of AmeriFee Corporation ("AmeriFee") in connection with the termination of the stock purchase agreement relating to the Corporation's acquisition of AmeriFee. Of this amount, \$43.9 million of the Corporation's common stock was issued through its shelf registration statement and \$11.0 million was issued in an unregistered offering.

In January 2002, the Company issued \$300.0 million of five-year senior notes with a coupon rate of 8.75%.

During 2001, the Corporation issued 6,750,390 shares of common stock in a public offering under the shelf registration statement that resulted in proceeds of \$412.8 million.

OTHER BORROWINGS

SECURED BORROWINGS

COAF, a subsidiary of the Company, currently maintains seven agreements to transfer pools of consumer loans accounted for as secured borrowings. The agreements were entered into between 1999 and 2002, relating to the transfers of pools of consumer loans totaling \$6.2 billion. Principal payments on the borrowings are based on principal collections, net of losses, on the transferred consumer loans. The secured borrowings accrue interest predominantly at fixed rates and mature between June 2006 and September 2008, or earlier depending upon the repayment of the underlying consumer loans. At December 31, 2002 and 2001, \$4.6 billion and \$2.5 billion, respectively, of the secured borrowings were outstanding.

PeopleFirst, a subsidiary of COAF, currently maintains four agreements to transfer pools of consumer loans accounted for as secured borrowings. The agreements were entered into between 1999 and 2000 relating to the transfer of pools of consumer loans totaling approximately \$886.0 million. Principal payments on the borrowings are based on principal collections, net of losses, on the transferred consumer loans. The secured borrowings accrue interest at fixed rates and mature between September 2003 and September 2007, or earlier depending upon the repayment of the underlying consumer loans. At December 31, 2002 and 2001, \$243.0 million and \$477.3 million of the secured borrowings were outstanding.

JUNIOR SUBORDINATED CAPITAL INCOME SECURITIES

In January 1997, Capital One Capital I, a subsidiary of the Bank created as a Delaware statutory business trust, issued \$100.0 million aggregate amount of Floating Rate Junior Subordinated Capital Income Securities that mature on February 1, 2027. The securities represent a preferred beneficial interest in the assets of the trust.

OTHER SHORT-TERM BORROWINGS

DOMESTIC REVOLVING CREDIT FACILITY

The Domestic Revolving Credit Facility (the "Credit Facility") is available for general corporate purposes of the Company. The Credit Facility is comprised of two tranches: a \$810.0 million Tranche A facility available to the Bank and the Savings Bank, including an option for up to \$250.0 million in multicurrency availability; and a \$390.0 Tranche B facility available to the Corporation, the Bank and the Savings Bank, including an option for up to \$150.0 million in multicurrency availability. 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. The Credit Facility has a total capacity of \$1.2 billion all of which was available at December 31, 2002. The Credit Facility expires in May of 2003.

MULTICURRENCY FACILITY

The Multicurrency Facility is intended to finance the Bank's business in Europe and was initially comprised of two Tranches, each in the amount of Euro 300.0 million. The Tranche A facility terminated August of 2001. The Tranche B facility terminates August 2004. The Corporation serves as guarantor of all borrowings by Capital One Bank (Europe), plc under the Multicurrency Facility. Internationally, the Company has funding programs designed for foreign investors or to raise funds in foreign currencies allowing the Company to borrow from the

U.S. and non-U.S. lenders, including foreign currency funding options under the Credit Facility discussed above. 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 translations. The Multicurrency Facility has a total capacity of Euro 300.0 million (\$315.0 million equivalent based on the exchange rate at closing) all of which was available at December 31, 2002.

COLLATERALIZED REVOLVING CREDIT FACILITIES

In April 2002, COAF entered into a \$2.2 billion revolving warehouse credit facility collateralized by a security interest in certain consumer loan assets. The warehouse credit facility has several participants each with a separate renewal date. The facility does not have a final maturity date. Instead, each participant may elect to renew the commitment for another set period of time. All participants have renewal dates occurring in 2003. Interest on the facility is based on commercial paper rates. At December 31, 2002, \$894.0 million was outstanding under the facility.

In October 2001, PeopleFirst entered into a \$500.0 million revolving credit facility collateralized by a security interest in certain consumer loan assets. Interest on the facility is based on London InterBank Offering Rates ("LIBOR"). The facility matured in March 2002. At December 31, 2001, \$.4 million was outstanding under the facility.

Interest-bearing deposits, senior notes and other borrowings as of December 31, 2002, mature as follows:

	Interest-Bearing Deposits	Senior Notes	Other Borrowings	Total
2003	\$ 4,880,378	\$1,059,917	\$2,747,137	\$ 8,687,432
2004	3,498,878	1,030,198	1,423,781	5,952,857
2005	3,183,808	1,531,909	992,358	5,708,075
2006	2,398,802	1,244,389	717,988	4,361,179
2007	3,109,352	299,805	477,988	3,887,145
Thereafter	254,747	399,397	5,823	659,967
Total	\$17,325,965	\$5,565,615	\$6,365,075	\$29,256,655

NOTE G STOCK PLANS

STOCK-BASED COMPENSATION PLANS

The Company has five stock-based compensation plans, three employee plans and two non-employee directors plans. Under the plans, the Company reserves common shares for the issuance in various forms to include incentive stock options, nonstatutory stock options, stock appreciation rights, restricted stock awards and incentive stock awards. The form of stock compensation is specific to each plan. Generally the exercise price of each stock option will equal or exceed the market price of the Company's stock on the date of grant, the maximum term will be ten years, and vesting is determined at the time of grant, typically either 33 1/3 percent per year beginning with the first anniversary of the grant date for options, three years from the time of grant for restricted stock or accelerated vesting option grants as described below.

The following table provides the number of reserved common shares and the number of common shares available for future issuance for each of the Company's stock-based compensation plans as of December 31, 2002, 2001 and 2000:

Plan Name	Shares Reserved	Available For Issuance		
		2002	2001	2000
2002 Non-Executive Officer Stock Incentive Plan	8,500,000	2,167,450	--	--
1999 Stock Incentive Plan	600,000	322,300	305,350	294,800
1994 Stock Incentive Plan	67,112,640	2,186,615	2,770,459	1,221,281
1999 Non-Employee Directors Stock Incentive Plan	825,000	220,000	22,510	27,510
1995 Non-Employee Directors Stock Incentive Plan(1)	600,000	--	--	--

(1) The plan's ability to issue grants was terminated in 1999. There are currently 457,500 options outstanding under the plan.

A summary of the status of the Company's options as of December 31, 2002, 2001 and 2000, and changes for the years then ended is presented below:

	2002		2001		2000	
	Options (000s)	Weighted- Average Exercise Price Per Share	Options (000s)	Weighted- Average Exercise Price Per Share	Options (000s)	Weighted- Average Exercise Price Per Share
Outstanding at beginning of year	49,180	\$40.74	36,689	\$30.57	37,058	\$27.24
Granted	6,631	36.52	20,148	49.84	4,063	51.14
Exercised	(1,623)	27.19	(6,950)	12.29	(3,330)	12.20
Cancelled	(2,080)	53.31	(707)	55.89	(1,102)	49.79
Outstanding at end of year	52,108	\$40.06	49,180	\$40.74	36,689	\$30.57
Exercisable at end of year	23,340	\$30.20	18,714	\$23.25	22,108	\$16.48
Weighted-average fair value of options granted during the year		\$16.53		\$29.73		\$23.41

The fair value of the options granted during 2002, 2001 and 2000 was estimated at the date of grant using a Black-Scholes option-pricing model with the weighted average assumptions described below:

Assumptions	For the Years Ended December 31		
	2002	2001	2000
Dividend yield	.25%	.19%	.21%
Volatility factors of expected market price of stock	55%	50%	49%
Risk-free interest rate	3.15%	4.15%	6.09%
Expected option lives (in years)	5.0	8.5	4.5

The following table summarizes information about options outstanding as of December 31, 2002:

Range of Exercise Prices	Options Outstanding			Options Exercisable	
	Number Outstanding (000s)	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price Per Share	Number Exercisable (000s)	Weighted-Average Exercise Price Per Share
\$ 4.31-\$ 6.46	139	2.1 years	\$ 6.15	139	\$ 6.15
\$ 6.47-\$ 9.70	223	2.9	8.00	223	8.00
\$ 9.71-\$14.56	7,659	2.9	9.99	7,659	9.99
\$14.57-\$21.85	2,318	5.0	16.16	2,318	16.16
\$21.86-\$32.79	1,016	6.7	31.66	689	31.63
\$32.80-\$49.20	30,731	7.0	44.29	9,880	43.05
\$49.21-\$73.82	10,005	6.6	57.58	2,419	57.88
\$73.83-\$76.37	17	5.2	76.37	13	76.37

The Company recognized \$22.0 million, \$113.5 million and \$47.0 million of tax benefits from the exercise of stock options by its associates during 2002, 2001 and 2000, respectively.

The Company granted 2.5 million and .9 million restricted stock awards with a weighted average grant date value of \$34.58 and \$47.07 per share for 2002 and 2001, respectively. Restrictions generally expire in three years from the date of grant. The compensation cost that has been charged against income for the Company's restricted stock awards was \$27.7 million and \$1.0 million for 2002 and 2001, respectively.

ACCELERATED VESTING OPTION GRANTS

ENTREPRENEURGRANT V

In October 2001, the Company's Board of Directors approved a stock options grant to senior management ("EntrepreneurGrant V"). This grant was composed of 6,502,318 options to certain key managers (including 3,535,000 performance-based options to the Company's Chief Executive Officer ("CEO") and Chief Operating Officer ("COO")) at the fair market value on the date of grant. The CEO and COO gave up their salaries, annual cash incentives, annual option grants and Senior Executive Retirement Plan contributions for the years 2002 and 2003 in exchange for their EntrepreneurGrant V options. Other members of senior management had the opportunity to forego up to 50 percent of their expected annual cash incentives for 2002 through 2004 in exchange for performance-based options. All performance-based options under this grant will vest on October 18, 2007. Vesting will be accelerated if the Company's common stock's fair market value is at or above \$83.87 per share, \$100.64 per share, \$120.77 per share or \$144.92 per share in any five trading days during the performance period on or before October 18, 2004, 2005, 2006 or 2007, respectively. In addition, the performance-based options under this grant will also vest upon the achievement of at least \$5.03 cumulative diluted earnings per share in any four consecutive quarters ending in the fourth quarter of 2004, or upon a change of control of the Company. Options under this grant qualify as fixed as defined by APB 25, accordingly no compensation expense is recognized.

ENTREPRENEURGRANT IV

In April 1999, the Company's Board of Directors approved a stock option grant to senior management ("Entrepreneur Grant IV"). This grant was composed of 7,636,107 options to certain key managers (including 1,884,435 options to the Company's CEO and COO) with an exercise price equal to the fair market value on the date of grant. The CEO and COO gave up their salaries for the year 2001 and their annual cash incentives, annual option grants and Senior Executive Retirement Plan contributions for the years 2000 and 2001 in exchange for their Entrepreneur Grant IV options. Other members of senior management had the opportunity to give up all potential annual stock option grants for 1999 and 2000 in exchange for this one-time grant. Under the original terms, all options under this grant would have vested on April 29, 2008, or earlier if the common stock's fair market value was at or above \$100 per share for at least ten trading days in any 30 consecutive calendar day period on or before June 15, 2002, or upon a change of control of the Company. In May 2001, the Company's Board of Directors approved an amendment to EntrepreneurGrant IV that provides additional vesting criteria. As amended, EntrepreneurGrant IV will continue to vest under its original terms, and will also vest if the Company's common stock price reaches a fair market value of at least \$120 per share or \$144 per share for ten trading days within 30 calendar days prior to June 15, 2003 or June 15, 2004, respectively. In addition, 50% of the EntrepreneurGrant IV stock options held by middle management as of the grant date will vest on April 29, 2005, regardless of stock performance. Options under this grant qualify as fixed as defined by APB 25, accordingly no compensation expense is recognized.

DIRECTOR ACCELERATED VESTING OPTION GRANTS

In October 2001, the Company granted 305,000 options to the non-executive members of the Board of Directors for director compensation for the years 2002, 2003 and 2004. These options were granted at the fair market value on the date of grant and vest on October 18, 2010. Vesting will be accelerated if the stock's fair market value is at or above \$83.87 per share, \$100.64 per share, \$120.77 per share, \$144.92 per share, \$173.91 per share, \$208.70 per share or \$250.43 per share for at least five days during the performance period on or before October 18, 2004, 2005, 2006, 2007, 2008, 2009 or 2010, respectively. In addition, the options under this grant will vest upon the achievement of at least \$5.03 cumulative diluted earnings per share for any four consecutive quarters ending in the fourth quarter 2004, or upon a change in control of the Company. Options under this grant qualify as fixed, as defined by APB 25, accordingly no compensation expense is recognized.

In April 1999, all non-employee directors of the Company were given the option to receive performance-based options under this plan in lieu of their annual cash retainer and their time-vesting options for each of 1999, 2000 and 2001. As a result, 497,490 performance-based options were granted to certain non-employee directors of the Company. The options would have vested in full if, on or before June 15, 2002, the market value of the Company's stock would have equaled or exceeded \$100 per share for ten trading days in a 30 consecutive calendar day period or upon change of control of the Company on or before June 15, 2002. The vesting provisions were not achieved and as such the unvested options were cancelled during 2002.

ASSOCIATE STOCK PURCHASE PLAN

The Company maintains an Associate Stock Purchase Plan (the "Purchase Plan"). The Purchase Plan qualifies as a noncompensatory plan, accordingly no compensation expense is recognized.

Under the Purchase Plan, associates of the Company are eligible to purchase common stock through monthly salary deductions of a maximum of 15% and a minimum

of 1% of monthly base pay. To date, the amounts deducted are applied to the purchase of unissued common or treasury stock of the Company at 85% of the current market price. Shares may also be acquired on the market. The Company terminated its 1995 Associate Stock Purchase Plan in October 2002 when shares available for issuance under such plan were exhausted, and implemented in substitution its 2002 Associate Stock Purchase Plan under substantially similar terms. An aggregate of 3.0 million common shares has been authorized for issuance under the 2002 Associate Stock Purchase Plan, of which 2.7 million shares were available for issuance as of December 31, 2002.

DIVIDEND REINVESTMENT AND STOCK PURCHASE PLAN

In 1997, the Company implemented its dividend reinvestment and stock purchase plan ("1997 DRP"), which allows participating stockholders to purchase additional shares of the Company's common stock through automatic reinvestment of dividends or optional cash investments. The Company issued 3.0 million and .7 million shares of new common stock in 2002 and 2001, respectively, under the 1997 DRP. The Company also instituted an additional dividend reinvestment and stock purchase plan in 2002 ("2002 DRP") with an additional 7.5 million shares reserved, all of which were available for issuance at December 31, 2002.

 NOTE H COMMON AND PREFERRED SHARES

SHARE REPURCHASE PROGRAM

In July 1997, the Company's Board of Directors voted to repurchase up to 6.0 million shares of the Company's common stock to mitigate the dilutive impact of shares issuable under its benefit plans, including the Purchase Plan, dividend reinvestment plan and stock incentive plans. In July 1998 and February 2000, the Company's Board of Directors voted to increase this amount by 4,500,000 and 10,000,000 shares, respectively, of the Company's common stock. For the years ended December 31, 2002 and 2001, the Company did not repurchase shares under this program. For the years ended December 31, 2000 and 1999, the Company repurchased 3,028,600 and 2,250,000 shares, respectively, under this program. Certain treasury shares have been reissued in connection with the Company's benefit plans.

CUMULATIVE PARTICIPATING JUNIOR PREFERRED STOCK

On November 16, 1995, the Board of Directors of the Company declared a dividend distribution of one Right for each outstanding share of common stock. As amended, each Right entitles a registered holder to purchase from the Company 1/300th of a share of the Company's authorized Cumulative Participating Junior Preferred Stock (the "Junior Preferred Shares") at a price of \$200 per 1/300th of a share, subject to adjustment. The Company has reserved one million shares of its authorized preferred stock for the Junior Preferred Shares. Because of the nature of the Junior Preferred Shares' dividend and liquidation rights, the value of the 1/300th interest in a Junior Preferred Share purchasable upon exercise of each Right should approximate the value of one share of common stock. Initially, the Rights are not exercisable and trade automatically with the common stock. However, the Rights generally become exercisable and separate certificates representing the Rights will be distributed, if any person or group acquires 15% or more of the Company's outstanding common stock or a tender offer or exchange offer is announced for the Company's common stock. Upon such event, provisions would also be made so that each holder of a Right, other than the acquiring person or group, may exercise the Right and buy common stock with a market value of twice the \$200 exercise price. The Rights expire on November 29, 2005, unless earlier redeemed by the Company at \$0.01 per Right prior to the time any person or group acquires 15% of the outstanding common stock. Until the Rights become exercisable, the Rights have no dilutive effect on earnings per share.

 NOTE I RETIREMENT PLANS

ASSOCIATE SAVINGS PLAN

The Company sponsors a contributory Associate Savings Plan in which substantially all full-time and certain part-time associates are eligible to participate. The Company makes contributions to each eligible employee's account, matches a portion of associate contributions and makes discretionary contributions based upon the Company meeting a certain earnings per share target. The Company's contributions to this plan, all of which were in cash, amounted to \$65.9 million, \$64.3 million and \$44.5 million for the years ended December 31, 2002, 2001 and 2000, respectively.

OTHER POSTRETIREMENT BENEFITS

The Company sponsors postretirement benefit plans to provide health care and life insurance to retired employees. Net periodic postretirement benefit expense was \$6.8 million, \$3.1 million and \$2.5 million in 2002, 2001 and 2000, respectively. The liabilities recognized on the consolidated balance sheets for the Company's defined postretirement benefit plan at December 31, 2002, 2001 and 2000 were \$17.4 million, \$10.6 million and \$7.7 million, respectively.

 NOTE J OTHER NON-INTEREST EXPENSE

	Year Ended December 31		
	2002	2001	2000
Professional services	\$308,593	\$230,502	\$163,905
Collections	360,437	253,728	156,592
Fraud losses	78,733	65,707	53,929
Bankcard association assessments	107,185	83,255	51,726
Other	132,567	174,757	130,132
Total	\$987,515	\$807,949	\$556,284

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax assets and liabilities as of December 31, 2002 and 2001 were as follows:

December 31	2002	2001
DEFERRED TAX ASSETS:		
Allowance for loan losses	\$ 442,393	\$ 107,389
Unearned income	323,404	260,208
Stock incentive plan	49,585	48,117
Foreign	17,469	4,203
Net operating losses	19,165	23,119
State taxes, net of federal benefit	61,649	50,786
Derivative instruments	61,491	45,371
Other	142,033	89,831
Subtotal	1,117,189	629,024
Valuation allowance	(60,368)	(52,933)
Total deferred tax assets	1,056,821	576,091
DEFERRED TAX LIABILITIES:		
Securitized	57,962	75,084
Deferred revenue	915,953	624,254
Securities available for sale	33,735	5,453
Other	53,964	44,322
Total deferred tax liabilities	1,061,614	749,113
Net deferred tax liabilities	\$ (4,793)	\$(173,022)

During 2002, the Company increased its valuation allowance by \$7.4 million for certain state and international loss carryforwards generated during the year.

At December 31, 2002, the Company had net operating losses available for federal income taxes purposes of \$55.0 million which are subject to certain annual limitations under the Internal Revenue Code, and expire at various dates from 2018 to 2020. Also, foreign net operating losses of \$56.7 million (net of related valuation allowances) were available, of which \$55.7 million expires at various dates from 2005 to 2008.

Significant components of the provision for income taxes attributable to continuing operations were as follows:

	Year Ended December 31		
	2002	2001	2000
Federal taxes	\$708,667	\$ 138	\$284,661
State taxes	5,485	2,214	578
International taxes	2,654	555	1,156
Deferred income taxes	(165,411)	390,548	1,445
Income taxes	\$551,395	\$393,455	\$287,840

The reconciliation of income tax attributable to continuing operations computed at the U.S. federal statutory tax rate to income tax expense was:

	Year Ended December 31		
	2002	2001	2000
Income tax at statutory federal tax rate	35.00%	35.00%	35.00%
Other, including state taxes	3.00	3.00	3.00
Income taxes	38.00%	38.00%	38.00%

NOTE L EARNINGS PER SHARE

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

	Year Ended December 31		
	2002	2001	2000
NUMERATOR:			
Net income	\$899,644	\$641,965	\$469,634

Denominator:			
Denominator for basic earnings per share-			
Weighted-average shares	219,984	209,867	196,478
Effect of dilutive securities:			
Stock options	8,224	10,709	12,971
Restricted stock	37	--	--
Contingently issuable shares	499	--	--
Dilutive potential common shares	8,760	10,709	12,971
Denominator for diluted earnings per share-			
Adjusted weighted-average shares	228,744	220,576	209,449
Basic earnings per share	\$ 4.09	\$ 3.06	\$ 2.39
Diluted earnings per share	\$ 3.93	\$ 2.91	\$ 2.24

Securities of approximately 23,000,000, 5,217,000 and 5,496,000 during 2002, 2001 and 2000, respectively, were not included in the computation of diluted earnings per share because their inclusion would be antidilutive.

NOTE M CUMULATIVE OTHER
COMPREHENSIVE INCOME

The following table presents the cumulative balances of the components of other comprehensive income, net of tax of \$27.8 million, \$39.9 million and \$.5 million as of December 31, 2002, 2001 and 2000, respectively:

As of December 31	2002	2001	2000
Unrealized gains (losses) on securities	\$ 55,588	\$ 8,894	\$ (777)
Foreign currency translation adjustments	22,350	(19,466)	3,695
Unrealized losses on cash flow hedging instruments	(93,504)	(74,026)	--
Total cumulative other comprehensive income (loss)	\$(15,566)	\$(84,598)	\$2,918

Unrealized gains (losses) on securities included gross unrealized gains of \$80.6 million, \$44.6 million and \$17.1 million, and gross unrealized losses of \$.4 million, \$30.2 million and \$18.3 million, as of December 31, 2002, 2001 and 2000, respectively.

During 2002, the Company reclassified \$101.5 million of net losses, after tax, on derivative instruments from cumulative other comprehensive income into earnings.

During 2002, the Company reclassified \$4.2 million of net gains on sales of securities, after tax, from cumulative other comprehensive income into earnings.

NOTE N GOODWILL

SUMMARY OF ACQUISITION GOODWILL

	Auto Finance	International	Other	Total
Balance at December 31, 2001	\$218,818	\$5,273	\$ 78,326	\$302,417
Additions	139	--	54,874	55,013
Other	--	1,545	--	1,545
Balance at December 31, 2002	\$218,957	\$6,818	\$133,200	\$358,975

In October 2001, the Company acquired PeopleFirst. Based in San Diego, California, PeopleFirst is the largest online provider of direct motor vehicle loans. The acquisition price for PeopleFirst was \$174.0 million, paid through the issuance of approximately 3,746,000 shares of the Company's common stock. This purchase combination created approximately \$166.0 million in goodwill, as approximately \$763.0 million of assets were acquired and \$755.0 million of liabilities were assumed.

In May 2001, the Company acquired AmeriFee. AmeriFee is a financial services firm based in Southborough, Massachusetts that provides financing solutions for consumers seeking elective medical and dental procedures. The acquisition was accounted for as a purchase business combination. The initial acquisition price for AmeriFee was \$81.5 million, paid through approximately \$64.5 million of cash and approximately 257,000 shares of the Company's common stock. This purchase combination created approximately \$80.0 million in goodwill. The goodwill prior to December 31, 2001 was amortized on a straight-line basis over 20 years. After December 31, 2001, the Company ceased amortization and performed impairment tests on the book value of the remaining goodwill in accordance with SFAS 142.

In July 2002 the Company's Board of Directors voted to adopt a Termination Agreement and Mutual Release with prior owners of AmeriFee, ending the original acquisition agreement and settling all contingent consideration provisions. The Company agreed to terms that would provide a one-time payment of up to \$55.0 million, payable in common shares or cash at the Company's discretion, to prior owners of AmeriFee. On November 11, 2002, the Corporation issued shares of its common stock having an aggregate value of \$54.9 million to the prior owners of AmeriFee in accordance with the terms of the Termination Agreement. Of this amount, \$43.9 million in common stock was issued under the Corporation's existing shelf registration statement and \$11.0 million in common stock was issued in an unregistered offering. The full \$54.9 million was accounted for as additional acquisition goodwill.

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 the following table. As of December 31, 2002, 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.

	Call Report Basis Ratios	Applying Subprime Guidance Ratios	Minimum for Capital Adequacy Purposes	To Be "Well Capitalized" Under Prompt Corrective Action Provisions
DECEMBER 31, 2002				
Capital One Bank				
Tier 1 Capital	15.56%	11.50%	4.00%	6.00%
Total Capital	17.78	13.39	8.00	10.00
Tier 1 Leverage	13.79	13.79	4.00	5.00
Capital One, F.S.B.				
Tier 1 Capital	15.10%	11.02%	4.00%	6.00%
Total Capital	16.80	12.59	8.00	10.00
Tier 1 Leverage	14.45	14.45	4.00	5.00
DECEMBER 31, 2001				
Capital One Bank				
Tier 1 Capital	12.95%		4.00%	6.00%
Total Capital	15.12		8.00	10.00
Tier 1 Leverage	12.09		4.00	5.00
Capital One, F.S.B.				
Tier 1 Capital	9.27%		4.00%	6.00%
Total Capital	11.21		8.00	10.00
Tier 1 Leverage	8.86		4.00	5.00

Since early 2001, the Bank and Savings Bank have treated a portion of their loans as "subprime" under the "Expanded Guidance for Subprime Lending Programs" (the "Subprime Guidelines") and have assessed their capital and allowance for loan losses accordingly. In the second quarter of 2002, the Company adopted a revised application of the Subprime Guidelines, the result of which is to require more capital and allowance for loan losses to be held against subprime loans. Under the revised application of the Subprime Guidelines, the Company has, for purposes of calculating capital ratios, risk weighted subprime loans in targeted programs at 200%, rather than the 100% risk weighting applied to loans not in targeted subprime programs. The Company has addressed the additional capital requirements with available resources. Under the revised application of the Subprime Guidelines, each of the Bank and the Savings Bank exceeds the requirements for a "well-capitalized" institution as of December 31, 2002.

For purposes of the Subprime Guidelines, the Company has treated as "subprime" all loans in the Bank's and the Savings Bank's targeted subprime programs to customers either with a Fair, Isaac and Company ("FICO") score of 660 or below or with no FICO score. The Bank and the Savings Bank hold on average 200% of the total risk-based capital charge that would otherwise apply to such assets. This results in higher levels of regulatory capital at the Bank and the Savings Bank. As of December 31, 2002, approximately \$5.3 billion or 28.0% of the Bank's, and \$3.8 billion or 32.4% of the Savings Bank's, on-balance sheet assets were treated as "subprime" for purposes of the Subprime Guidelines.

In November 2001, the regulators adopted an amendment to the regulatory capital standards regarding the treatment of certain recourse obligations, direct credit substitutes (i.e., guarantees on third-party assets), residual interests in asset securitizations, and certain other securitized transactions. Effective January 1, 2002, this rule amended the regulatory capital standards to create greater differentiation in the capital treatment of residual interests. On May 17, 2002, the regulators issued an advisory interpreting the application of this rule to a residual interest commonly referred to as an accrued interest receivable (the "AIR Advisory"). The effect of this AIR Advisory is to require all insured depository institutions, including the Bank and the Savings Bank, to hold significantly higher levels of regulatory capital against accrued interest receivables beginning December 31, 2002. The Bank and the Savings Bank have met this capital requirement and remain well capitalized after applying the provisions of the AIR Advisory at December 31, 2002.

In August 2000, the Bank received regulatory approval and established a subsidiary bank in the United Kingdom. In connection with the approval of its

former branch office in the United Kingdom, the Company committed to the Federal Reserve that, for so long as the Bank maintains a branch or subsidiary bank in the United Kingdom, the Company will maintain a minimum Tier 1 Leverage ratio of 3.0%. As of December 31, 2002 and 2001, the Company's Tier 1 Leverage ratio was 11.95% and 11.93%, respectively.

Additionally, certain regulatory restrictions exist that limit the ability of the Bank and the Savings Bank to transfer funds to the Corporation. As of December 31, 2002, retained earnings of the Bank and the Savings Bank of \$924.4 million and \$408.4 million, respectively, were available for payment of dividends to the Corporation without prior approval by the regulators. The Savings Bank, however, is required to give the OTS at least 30 days advance notice of any proposed dividend and the OTS, in its discretion, may object to such dividend.

LINE OF CREDIT COMMITMENTS

As of December 31, 2002 the Company had outstanding lines of credit of approximately \$165.5 billion committed to its customers. Of that total commitment, approximately \$105.8 billion was unused. While this amount represented the total available lines of credit to customers, the Company has not experienced, and does not anticipate, that all of its customers will exercise their entire available line at any given point in time. The Company generally has the right to increase, reduce, cancel, alter or amend the terms of these available lines of credit at any time.

LEASE COMMITMENTS

Certain premises and equipment have been leased under agreements that expire at various dates through 2012, without taking into consideration available renewal options. Many of these leases provide for payment by the lessee of property taxes, insurance premiums, cost of maintenance and other costs. In some cases, rentals are subject to increase in relation to a cost of living index. Total rent expenses amounted to approximately \$63.2 million, \$64.7 million and \$66.1 million for the years ended December 31, 2002, 2001 and 2000, respectively.

Future minimum rental commitments as of December 31, 2002, for all non-cancelable operating leases with initial or remaining terms of one year or more are as follows:

2003	\$ 62,676
2004	44,650
2005	40,223
2006	35,502
2007	34,918
Thereafter	84,469

Total	\$302,438

GUARANTEES

RESIDUAL VALUE GUARANTEES

The Company has entered into synthetic lease transactions to finance several facilities. A synthetic lease structure typically involves establishing a special purpose vehicle ("SPV") that owns the properties to be leased. The SPV is funded and its equity is held by outside investors, and as a result, neither the debt of nor the properties owned by the SPV have been included in the accompanying consolidated financial statements. These transactions, as described below, are accounted for as operating leases in accordance with SFAS No. 13, Accounting for Leases. The Company has entered into maximum residual value guarantee agreements with the lessors of the properties (the SPVs established in the lease structures), whereby the Company guarantees certain residual amounts to the lessors in the event of a sale of the property or expiration of the lease. The amount of the deficiency is recognized as rent expense on a straight-line basis over the remaining term of the lease. The accrual for a deficiency is required regardless of whether the Company expects to exercise a purchase option or renewal option at the end of the lease term.

In December 2000, the Company entered into a 10-year agreement for the lease of a headquarters building being constructed in McLean, Virginia. The agreement calls for monthly rent to commence upon completion, which is expected to occur in the first quarter of 2003, and is based on LIBOR rates applied to the cost of the buildings funded. If, at the end of the lease term, the Company does not purchase the property, the Company guarantees a maximum residual value of up to \$114.8 million representing approximately 72% of the estimated \$159.5 million cost of the buildings in the lease agreement. This agreement, made with a multi-purpose entity that is a wholly-owned subsidiary of one of the Company's lenders, provides that in the event of a sale of the property, the Company's obligation would be equal to the sum of all amounts owed by the Company under a note issuance made in connection with the lease inception. As of December 31, 2002, the estimated cost of the building provided a reasonable approximation of the fair value, and thus no deficiency existed and no liability related to the maximum residual value guarantee was recorded relative to this property.

In 1999, the Company entered into two three-year agreements for the construction and subsequent lease of four facilities located in Tampa, Florida and Federal Way, Washington. The construction of all four of these facilities was completed during 2001. The total cost of the buildings was approximately \$98.8 million. Monthly rent commenced upon completion of each of the buildings and is based on LIBOR rates applied to the cost of the facilities funded. The Company had one-year renewal options under the terms of each of the leases, which were exercised during 2002 to extend the life of the leases through September of 2003. If, at the end of the lease terms, the Company does not purchase all of the properties, the Company guarantees a maximum residual value to the lessor of up to \$84.0 million representing approximately 85% of the cost of the buildings in the lease agreement. During the fourth quarter, the estimated fair value of the facilities fell to a level below the maximum residual value guaranteed resulting in a deficiency of \$22.0 million. Correspondingly, the Company has recognized \$11.2 million as additional rent expense related to the deficiency as of December 31, 2002.

In 1998, the Company entered into a five-year lease of five facilities in Tampa, Florida and Richmond, Virginia. Monthly rent on the facilities is based on a

fixed interest rate of 6.87% per annum applied to the cost of the buildings included in the lease of \$86.8 million. The Company has two one-year renewal options under the terms of the lease, which have been exercised to extend the life of the lease through December of 2005. If, at the end of the lease term, the Company does not purchase all of the properties, the Company guarantees a maximum residual value to the lessor of up to \$72.9 million representing approximately 84% of the costs of the buildings in the lease agreement. As of December 31, 2002, the estimated fair value of the facilities fell to a level below the maximum residual value guaranteed resulting in a deficiency of \$13.0 million. Correspondingly, the Company recognized \$.4 million as additional rent expense related to the deficiency as of December 31, 2002.

OTHER GUARANTEES

In connection with an installment loan securitization transaction, the transferee (off-balance sheet special purpose entity receiving the installment loans) entered into an interest rate hedge agreement (the "swap") with a counterparty to reduce interest rate risk associated with the transaction. In connection with the swap, the Corporation entered into a letter agreement guaranteeing the performance of the transferee under the swap. If at anytime the Class A invested amount equals zero and the notional amount of the swap is greater than zero resulting in an "Early Termination Date" (as defined in the securitization transaction's Master Agreement), then (a) to the extent that, in connection with the occurrence of such Early Termination Date, the transferee is obligated to make any payments to the counterparty pursuant to the Master Agreement, the Corporation shall reimburse the transferee for the full amount of such payment and (b) to the extent that, in connection with the occurrence of an Early Termination Date, the transferee is entitled to receive any payment from the counterparty pursuant to the Master Agreement, the transferee will pay to the Corporation the amount of such payment. At December 31, 2002, the maximum exposure to the Corporation under the letter agreement was approximately \$26.7 million.

SECURITIES LITIGATION

Beginning in July 2002, the Corporation was named as a defendant in twelve putative class action securities cases. All twelve actions were filed in the United States District Court for the Eastern District of Virginia. Each complaint also named as "Individual Defendants" several of the Corporation's executive officers.

On October 1, 2002, the Court consolidated these twelve cases. Pursuant to the Court's order, Plaintiffs filed an amended complaint on October 17, 2002, which alleged that the Corporation and the Individual Defendants violated Section 10(b) of the Exchange Act, Rule 10b-5 promulgated thereunder, and Section 20(a) of the Exchange Act. The amended complaint asserted a class period of January 16, 2001, through July 16, 2002, inclusive. The amended complaint alleged generally that, during the asserted class period, the Corporation misrepresented the adequacy of its capital levels and loan loss allowance relating to higher risk assets. In addition, the amended complaint alleged generally that the Corporation failed to disclose that it was experiencing serious infrastructure deficiencies and systemic computer problems as a result of its growth.

On December 4, 2002, the Court granted defendants' motion to dismiss plaintiffs' amended complaint with leave to amend. Pursuant to that order, plaintiffs filed a second amended complaint on December 23, 2002, which asserted the same class period and alleged violations of the same statutes and rule. The second amended complaint also added a new Individual Defendant and asserted violations of Generally Accepted Accounting Principles.

The Corporation believes that it has meritorious defenses with respect to this case and intends to defend the case vigorously. The Corporation moved to dismiss plaintiffs' second amended complaint on January 8, 2003. At the present time, management is not in a position to determine whether the resolution of this case will have a material adverse effect on either the consolidated financial position of the Corporation or the Corporation's results of operations in any future reporting period.

OTHER PENDING AND THREATENED LITIGATION

In addition, the Company is also commonly subject to various pending and threatened legal actions relating to the conduct of its normal business activities. In the opinion of management, the ultimate aggregate liability, if any, arising out of any such pending or threatened legal actions will not be material to the consolidated financial position or results of operations of the Company.

NOTE Q RELATED PARTY TRANSACTIONS

In the ordinary course of business, executive officers and directors of the Company may have consumer loans issued by the Company. Pursuant to the Company's policy, such loans are issued on the same terms as those prevailing at the time for comparable loans to unrelated persons and do not involve more than the normal risk of collectibility.

NOTE R OFF-BALANCE SHEET SECURITIZATIONS

Off-balance sheet securitizations involve the transfer of pools of consumer loan receivables by the Company to one or more third-party trusts or qualified special purpose entities in transactions which are accounted for as sales in accordance with SFAS 140. Certain undivided interests in the pool of consumer loan receivables are sold to investors as asset-backed securities in public underwritten offerings or private placement transactions. The proceeds from off-balance sheet securitizations are distributed by the trusts to the Company as consideration for the consumer loan receivables transferred. Each new off-balance sheet securitization results in the removal of consumer loan principal receivables equal to the sold undivided interests in the pool from the Company's consolidated balance sheet ("off-balance sheet loans"), the recognition of certain retained residual interests and a gain on the sale. The remaining undivided interests in principal receivables of the pool, as well as all billed finance charge and fee receivables, are retained by the Company and recorded as consumer loans on the consolidated balance sheet. The amounts of the remaining undivided interests fluctuate as the accountholders make principal payments and incur new charges on the selected accounts. The amount of retained consumer loan receivables was \$6.6 billion and \$5.7 billion as of December 31,

2002 and 2001, respectively.

The following table presents the year-end and average balances, as well as the delinquent and net charge-off amounts of the reported, off-balance sheet and managed consumer loan portfolios.

SUPPLEMENTAL LOAN INFORMATION

Year Ended December 31	2002		2001	
	Loans Outstanding	Loans Delinquent	Loans Outstanding	Loans Delinquent
Managed loans	\$ 59,746,537	\$ 3,345,394	\$ 45,263,963	\$ 2,241,647
Off-balance sheet loans	(31,892,885)	(1,533,030)	(24,342,949)	(1,229,090)
Reported consumer loans	\$ 27,853,652	\$ 1,812,364	\$ 20,921,014	\$ 1,012,557
	Average Loans	Net Charge-Offs	Average Loans	Net Charge-Offs
Managed loans	\$ 52,799,566	\$ 2,769,249	\$ 35,612,317	\$ 1,655,947
Off-balance sheet loans	(27,259,570)	(1,509,565)	(18,328,011)	(833,690)
Reported consumer loans	\$ 25,539,996	\$ 1,259,684	\$ 17,284,306	\$ 822,257

The Company's retained residual interests in the off-balance sheet securitizations are recorded in accounts receivable from securitizations, and are comprised of interest-only strips, retained subordinated undivided interests in the transferred receivables, cash collateral accounts and accrued but unbilled interest on the transferred receivables. The interest-only strip is recorded at fair value, while the other residual interests are carried at cost, which approximates fair value. Retained residual interests totaled \$1.1 billion and \$934.3 million at December 31, 2002 and 2001, respectively. The Company's retained residual interests, as well as the billed finance charge and fee receivables, are generally restricted or subordinated to investors' interests and their value is subject to substantial credit, repayment and interest rate risks on the transferred financial assets. The investors and the trusts have no recourse to the Company's assets, other than the retained residual interests, if the off-balance sheet loans are not paid when due.

The gain on sale recorded from off-balance sheet securitizations is based on the estimated fair value of the assets sold and retained and liabilities incurred, and is recorded at the time of sale in servicing and securitizations on the consolidated statements of income. The related receivable is the interest-only strip, which is based on the present value of the estimated future cash flows from excess finance charges and past-due fees over the sum of the return paid to security holders, estimated contractual servicing fees and credit losses. The Company periodically reviews the key assumptions and estimates used in determining the value of the interest-only strip. Prior to December 31, 2002, decreases in fair value below the carrying amount as a result of changes in the key assumptions were recognized in servicing and securitizations income, while, increases in fair values as a result of changes in key assumptions were recorded as unrealized gains and included as a component of cumulative other comprehensive income, on a net-of-tax basis, in accordance with the provisions of SFAS No. 115, Accounting for Certain Investments in Debt and Equity Securities. Effective December 31, 2002 and for all subsequent periods, the Company recognizes all changes in the fair value of the interest-only strip immediately in servicing and securitizations on the consolidated statements of income. In accordance with EITF 99-20, Recognition of Interest Income and Impairment of Purchased and Retained Beneficial Interests in Securitized Financial Assets, the interest component of cash flows attributable to retained interests in securitizations is recorded in other interest income.

The key assumptions used in determining the fair value of the interest-only strips resulting from securitizations of consumer loan receivables completed during the period included the weighted average ranges for charge-off rates, principal repayment rates, lives of receivables and discount rates included in the following table.

SECURITIZATION KEY ASSUMPTIONS	2002	2001
Weighted average life for receivables (months)	8 to 10	6 to 9
Principal repayment rate (weighted average rate)	13% to 15%	13% to 15%
Charge-off rate (weighted average rate)	5% to 6%	4% to 6%
Discount rate (weighted average rate)	8% to 9%	9% to 11%

If these assumptions are not met, or if they change, the interest-only strip and related servicing and securitizations income would be affected. The following

adverse changes to the key assumptions and estimates, presented in accordance with SFAS 140, are hypothetical and should be used with caution. As the figures indicate, any change in fair value based on a 10% or 20% variation in assumptions cannot be extrapolated because the relationship of a change in assumption to the change in fair value may not be linear. Also, the effect of a variation in a particular assumption on the fair value of the interest-only strip is calculated independently from any change in another assumption. However, changes in one factor may result in changes in other factors, which might magnify or counteract the sensitivities.

SECURITIZATION KEY ASSUMPTIONS AND SENSITIVITIES

As of December 31	2002	2001
Interest-only strip	\$236,398	\$ 269,527
Weighted average life for receivables (months)	9	9
Principal repayment rate (weighted average rate)	14%	13%
Impact on fair value of 10% adverse change	\$(15,353)	\$ (12,496)
Impact on fair value of 20% adverse change	(27,252)	(23,652)
Charge-off rate (weighted average rate)	6%	6%
Impact on fair value of 10% adverse change	\$(46,083)	\$ (50,844)
Impact on fair value of 20% adverse change	(92,167)	(100,854)
Discount rate (weighted average rate)	8%	9%
Impact on fair value of 10% adverse change	\$ (1,387)	\$ (1,889)
Impact on fair value of 20% adverse change	(2,733)	(3,706)

Static pool credit losses are calculated by summing the actual and projected future credit losses and dividing them by the original balance of each pool of assets. Due to the short-term revolving nature of the consumer loan receivables, the weighted average percentage of static pool credit losses is not considered materially different from the assumed charge-off rates used to determine the fair value of the retained interests.

The Company acts as a servicing agent and receives contractual servicing fees of approximately 2% of the investor principal outstanding. The servicing revenues associated with transferred receivables adequately compensate the Company for servicing the accounts. Accordingly, no material servicing asset or liability has been recorded.

SECURITIZATION CASH FLOWS

Year Ended December 31	2002	2001
Proceeds from new securitizations	\$12,533,886	\$11,915,990
Collections reinvested in revolving-period securitizations	45,740,377	31,115,306
Repurchases of accounts from the trust	--	1,579,455
Servicing fees received	490,935	330,350
Cash flows received on retained interests(1)	3,033,951	2,498,970

(1) Includes all cash receipts of excess spread and other payments (excluding servicing fees) from the Trust to the Company.

For the years ended December 31, 2002 and 2001, the Company recognized \$30.1 million and \$68.1 million, respectively, in gains related to new securitization transactions accounted for as sales, net of transaction costs. These gains are included in servicing and securitizations income.

NOTE S DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

The Company maintains a risk management strategy that incorporates the use of derivative instruments to minimize significant unplanned fluctuations in earnings caused by interest rate and foreign exchange rate volatility. The Company's goal is to manage sensitivity to changes in rates by modifying the repricing or maturity characteristics of certain balance sheet assets and liabilities, thereby limiting the impact on earnings. By using derivative instruments, the Company is exposed to credit and market risk. If the counterparty fails to perform, credit risk is equal to the extent of the fair value gain in a derivative. When the fair value of a derivative contract is positive, this generally indicates that the counterparty owes the Company, and, therefore, creates a repayment risk for the Company. When the fair value of a derivative contract is negative, the Company owes the counterparty, and therefore, has no repayment risk. The Company minimizes the credit (or repayment) risk in derivative instruments by entering into transactions with high-quality counterparties that are reviewed periodically by the Company's credit committee. The Company also maintains a policy of requiring that all derivative contracts be governed by an International Swaps and Derivatives Association Master Agreement; depending on the nature of the derivative transaction, bilateral collateral agreements may be required as well.

Market risk is the adverse effect that a change in interest rates, currency, or implied volatility rates has on the value of a financial instrument. The Company manages the market risk associated with interest rate and foreign exchange contracts by establishing and monitoring limits as to the types and degree of risk that may be undertaken.

The Company periodically uses interest rate swaps as part of its interest rate risk management strategy. Interest rate swaps generally involve the exchange of fixed and variable rate interest payments between two parties, based on a common notional principal amount and maturity date. As a result of interest rate fluctuations, hedged assets and liabilities will appreciate or depreciate in market value. To the extent that there is a high degree of correlation between

the hedged asset or liability and the derivative instrument, the income or loss generated will generally offset the effect of this unrealized appreciation or depreciation.

The Company's foreign currency denominated assets and liabilities expose it to foreign currency exchange risk. The Company enters into various foreign exchange derivative contracts for managing foreign currency exchange risk. Changes in the fair value of the derivative instrument effectively offset the related foreign exchange gains or losses on the items to which they are designated.

The Company has non-trading derivatives that do not qualify as hedges. These derivatives are carried at fair value and changes in value are included in current earnings.

The asset/liability management committee, as part of that committee's oversight of the Company's asset/liability and treasury functions, monitors the Company's derivative activities. The Company's asset/liability management committee is responsible for approving hedging strategies. The resulting strategies are then incorporated into the Company's overall interest rate risk management strategies.

FAIR VALUE HEDGES

The Company has entered into forward exchange contracts to hedge foreign currency denominated investments against fluctuations in exchange rates. The purpose of the Company's foreign currency hedging activities is to protect the Company from the risk of adverse affects from movements in exchange rates.

During the year ended December 31, 2002 and 2001, the Company recognized substantially no net gains or losses related to the ineffective portions of its fair value hedging instruments.

CASH FLOW HEDGES

The Company has entered into interest rate swap agreements for the management of its interest rate risk exposure. The interest rate swap agreements utilized by the Company effectively modify the Company's exposure to interest rate risk by converting floating rate debt to a fixed rate over the next five years. The agreements involve the receipt of fixed rate amounts in exchange for floating rate interest payments over the life of the agreement without an exchange of underlying principal amounts. The Company had entered into interest rate swaps and amortizing notional interest rate swaps to effectively reduce the interest rate sensitivity of anticipated net cash flows of its interest-only strip from securitization transactions over the next four years. During the year ended December 31, 2002, the Company terminated the interest rate swaps and amortizing interest rate swaps that effectively reduced the interest rate sensitivity of anticipated net cash flows of its interest-only strip from securitization transactions. These derivative fair values, net of taxes, were included in cumulative other comprehensive income and will be amortized into interest or servicing and securitizations income over the previous lives of the terminated swaps.

The Company has also entered into currency swaps that effectively convert fixed rate foreign currency denominated interest receipts to fixed dollar interest receipts on foreign currency denominated assets. The purpose of these hedges is to protect against adverse movements in exchange rates over the next four years.

The Company has entered into forward exchange contracts to reduce the Company's sensitivity to foreign currency exchange rate changes on its foreign currency denominated loans. The forward rate agreements allow the Company to "lock-in" functional currency equivalent cash flows associated with the foreign currency denominated loans.

During the year ended December 31, 2002 and 2001, the Company recognized no net gains or losses related to the ineffective portions of its cash flow hedging instruments. The Company recognized net losses of \$1.7 million and \$5.1 million during the year ended December 31, 2002 and 2001, respectively, for cash flow hedges that have been discontinued because the forecasted transaction was no longer probable of occurring.

At December 31, 2002, the Company expects to reclassify \$55.2 million of net losses, after tax, on derivative instruments from cumulative other comprehensive income to earnings during the next 12 months as terminated swaps are amortized and as interest payments and receipts on derivative instruments occur.

HEDGE OF NET INVESTMENT IN FOREIGN OPERATIONS

The Company uses cross-currency swaps and forward exchange contracts to protect the value of its investment in its foreign subsidiaries. Realized and unrealized foreign currency gains and losses from these hedges are not included in the income statement, but are shown in the translation adjustments in other comprehensive income. The purpose of these hedges is to protect against adverse movements in exchange rates.

For the years ended December 31, 2002 and 2001, net losses of \$3.2 million and \$.6 million related to these derivatives were included in the cumulative translation adjustment.

NON-TRADING DERIVATIVES

The Company uses interest rate swaps to manage interest rate sensitivity related to loan securitizations. The Company enters into interest rate swaps with its securitization trust and essentially offsets the derivative with separate interest rate swaps with third parties.

The Company uses interest rate swaps in conjunction with its auto securitizations that are not designated hedges. These swaps have zero balance notional amounts unless the paydown of auto securitizations differs from its scheduled amortization.

These derivatives do not qualify as hedges and are recorded on the balance sheet at fair value with changes in value included in current earnings. During the year ended December 31, 2002, the Company had net losses of \$1.6 million. During 2001, the Company recognized substantially no net gains or losses related to these derivatives.

NOTE T

SIGNIFICANT CONCENTRATION
OF CREDIT RISK

The Company is active in originating consumer loans, primarily in the United States. The Company reviews each potential customer's credit application and evaluates the applicant's financial history and ability and willingness to repay. Loans are made primarily on an unsecured basis; however, certain loans require collateral in the form of cash deposits and automobiles serve as collateral for auto loans. International consumer loans are originated primarily in Canada and the United Kingdom. The geographic distribution of the Company's

consumer loans was as follows:

December 31	2002		2001	
Geographic Region:	Loans	Percentage of Total	Loans	Percentage of Total
South	\$ 20,394,077	34.13%	\$15,404,688	34.03%
West	12,507,242	20.93	9,354,934	20.67
Midwest	11,396,942	19.08	8,855,719	19.56
Northeast	10,117,735	16.94	7,678,378	16.97
International	5,330,541	8.92	3,970,244	8.77
	59,746,537	100.00%	45,263,963	100.00%
Less securitized balances	(31,892,885)		(24,342,949)	
Total	\$ 27,853,652		\$20,921,014	

NOTE U DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS

The following discloses the fair value of financial instruments whether or not recognized in the balance sheets as of December 31, 2002 and 2001. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. In that regard, the derived fair value estimates cannot be substantiated by comparison to independent markets and, in many cases, could not be realized in immediate settlement of the instrument. As required under GAAP, these disclosures exclude certain financial instruments and all non-financial instruments. Accordingly, the aggregate fair value amounts presented do not represent the underlying value of the Company.

The Company, in estimating the fair value of its financial instruments as of December 31, 2002 and 2001, used the following methods and assumptions:

FINANCIAL ASSETS

CASH AND CASH EQUIVALENTS

The carrying amounts of cash and due from banks, federal funds sold and resale agreements and interest-bearing deposits at other banks approximated fair value.

SECURITIES AVAILABLE FOR SALE

The fair value of securities available for sale was determined using current market prices. See Note C for fair values by type of security.

CONSUMER LOANS

The net carrying amount of consumer loans approximated fair value due to the relatively short average life and variable interest rates on a substantial number of these loans. This amount excluded any value related to account relationships.

INTEREST RECEIVABLE

The carrying amount approximated the fair value of this asset due to its relatively short-term nature.

ACCOUNTS RECEIVABLE FROM SECURITIZATIONS

The carrying amount approximated fair value.

DERIVATIVES

The carrying amount of derivatives approximated fair value and was represented by the estimated unrealized gains as determined by quoted market prices. This value generally reflects the estimated amounts that the Corporation would have received to terminate the interest rate swaps, currency swaps and forward foreign currency exchange ("f/x") contracts at the respective dates, taking into account the forward yield curve on the swaps and the forward rates on the currency swaps and f/x contracts. These derivatives are included in other assets on the balance sheet.

FINANCIAL LIABILITIES

INTEREST-BEARING DEPOSITS

The fair value of interest-bearing deposits was calculated by discounting the future cash flows using estimates of market rates for corresponding contractual terms.

OTHER BORROWINGS

The carrying amount of federal funds purchased and resale agreements and other short-term borrowings approximated fair value. The fair value of secured borrowings was calculated by discounting the future cash flows using estimates of market rates for corresponding contractual terms and assumed maturities when no stated final maturity was available. The fair value of the junior subordinated capital income securities was determined based on quoted market

prices.

SENIOR NOTES

The fair value of senior notes was determined based on quoted market prices.

INTEREST PAYABLE

The carrying amount approximated the fair value of this asset due to its relatively short-term nature.

DERIVATIVES

The carrying amount of derivatives approximated fair value and was represented by the estimated unrealized losses as determined by quoted market prices. This value generally reflects the estimated amounts that the Corporation would have paid to terminate the interest rate swaps, currency swaps and f/x contracts at the respective dates, taking into account the forward yield curve on the swaps and the forward rates on the currency swaps and f/x contracts. These derivatives are included in other liabilities on the balance sheet.

	2002		2001	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
FINANCIAL ASSETS				
Cash and cash equivalents	\$ 918,778	\$ 918,778	\$ 707,238	\$ 707,238
Securities available for sale	4,423,677	4,423,677	3,115,891	3,115,891
Net loans	26,133,652	26,133,652	20,081,014	20,081,014
Interest receivable	217,512	217,512	105,459	105,459
Accounts receivable from securitizations	3,096,827	3,096,827	2,452,548	2,452,548
Derivatives	435,383	435,383	91,474	91,474
FINANCIAL LIABILITIES				
Interest-bearing deposits	\$17,325,965	\$18,260,362	\$12,838,968	\$13,223,954
Senior notes	5,565,615	5,432,411	5,335,229	5,237,220
Other borrowings	6,365,075	6,446,669	3,995,528	4,047,865
Interest payable	236,081	236,081	188,160	188,160
Derivatives	500,471	500,471	199,976	199,976

NOTE V INTERNATIONAL ACTIVITIES

The Company's international activities are primarily performed through Capital One Bank (Europe) plc, a subsidiary bank of the Bank that provides consumer lending and other financial products in Europe and Capital One Bank -- Canada Branch, a foreign branch office of the Bank that provides consumer lending products in Canada. The total assets, revenue, income before income taxes and net income of the international operations are summarized below.

	2002	2001	2000
DOMESTIC			
Total assets	\$ 34,420,099	\$25,254,438	\$15,719,760
Revenue(1)	7,604,075	5,738,433	4,430,700
Income before income taxes	1,436,706	1,064,420	906,732
Net income	899,429	660,809	562,174
INTERNATIONAL			
Total assets	2,962,281	2,929,609	3,169,581
Revenue(1)	581,873	475,471	287,292
Income before income taxes	14,333	(29,000)	(149,258)
Net income (loss)	215	(18,844)	(92,540)
TOTAL COMPANY			
Total assets	\$ 37,382,380	\$28,184,047	\$18,889,341
Revenue(1)	8,185,948	6,213,904	4,717,992
Income before income taxes	1,451,039	1,035,420	757,474
Net income	899,644	641,965	469,634

(1) Revenue equals net interest income plus non-interest income.

The Company maintains its books and records on a legal entity basis for the preparation of financial statements in conformity with GAAP. Because certain international operations are integrated with many of the Company's domestic operations, estimates and assumptions have been made to assign certain expense items between domestic and foreign operations.

The information presented in Note B, Segments, is prepared from the Company's internal management information system used in performance evaluation and resource allocation by management, which is maintained on a line of business level through allocations from legal entities.

NOTE W CAPITAL ONE FINANCIAL CORPORATION (PARENT COMPANY ONLY)
CONDENSED FINANCIAL INFORMATION

BALANCE SHEETS	December 31	
	2002	2001
Assets:		
Cash and cash equivalents	\$ 6,385	\$ 9,847
Investment in subsidiaries	5,146,632	3,327,778
Loans to subsidiaries(1)	1,105,005	950,231
Other	157,648	164,923
Total assets	\$6,415,670	\$4,452,779
LIABILITIES:		
Senior notes	\$1,567,415	\$ 549,187
Borrowings from subsidiaries	192,878	569,476
Other	32,206	10,638
Total liabilities	1,792,499	1,129,301
Stockholders' equity	4,623,171	3,323,478
Total liabilities and stockholders' equity	\$6,415,670	\$4,452,779

(1) As of December 31, 2002 and 2001, includes \$293.9 million and \$122.1 million, respectively, of cash invested at the Bank instead of the open market.

STATEMENTS OF INCOME	Year Ended December 31		
	2002	2001	2000
DOMESTIC			
Interest from temporary investments	\$ 44,220	\$ 48,595	\$ 41,321
Interest expense	(124,097)	(53,536)	(46,486)
Dividends, principally from bank subsidiaries	880,069	125,000	250,000
Non-interest income	1,154	4,847	61
Non-interest expense	(1,852)	(45,223)	(8,184)
Income before income taxes and equity in undistributed earnings of subsidiaries	799,494	79,683	236,712
Income tax benefit	30,619	17,221	5,049
Equity in undistributed earnings of subsidiaries	69,531	545,061	227,873
Net income	\$ 899,644	\$ 641,965	\$ 469,634

STATEMENTS OF CASH FLOWS	Year Ended December 31		
	2002	2001	2000
OPERATING ACTIVITIES:			
Net income	\$ 899,644	\$ 641,965	\$ 469,634
Adjustments to reconcile net income to net cash provided by operating activities:			
Equity in undistributed earnings of subsidiaries	(69,531)	(545,061)	(227,873)
Decrease (increase) in other assets	78,537	(47,701)	9,625
(Increase) decrease in other liabilities	(33,328)	(22,118)	19,117
Net cash provided by operating activities	875,322	27,085	270,503
INVESTING ACTIVITIES:			
Proceeds from sales of securities available for sale	--	--	8,455
Proceeds from maturities of securities available for sale	--	--	6,832
Increase in investment in subsidiaries	(1,210,000)	(653,202)	(117,123)
Increase in loans to subsidiaries	(559,774)	(252,257)	(199,798)
Net cash used for investing activities	(1,769,774)	(905,459)	(301,634)
FINANCING ACTIVITIES:			
(Decrease) increase in borrowings from subsidiaries	(376,598)	365,109	157,711
Issuance of senior notes	300,000	--	--
Issuance of mandatory convertible securities	725,075	--	--
Dividends paid	(23,457)	(22,310)	(20,824)
Purchases of treasury stock	--	--	(134,619)
Net proceeds from issuances of common stock	232,321	473,334	21,076
Proceeds from exercise of stock options	33,649	62,804	11,225
Net cash provided by financing activities	890,990	878,937	34,569
(Decrease) increase in cash and cash equivalents	(3,462)	563	3,438
Cash and cash equivalents at beginning of year	9,847	9,284	5,846
Cash and cash equivalents at end of year	\$ 6,385	\$ 9,847	\$ 9,284

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DIRECTORS AND OFFICERS

CAPITAL ONE FINANCIAL CORPORATION BOARD OF DIRECTORS

RICHARD D. FAIRBANK
Chairman and Chief Executive Officer
Capital One Financial Corporation

NIGEL W. MORRIS
President and Chief Operating Officer
Capital One Financial Corporation

W. RONALD DIETZ(1)(2)
Managing Partner
Customer Contact Solutions, LLC

JAMES A. FLICK, JR.(1)(3)
President and CEO, Winnow, Inc.

PATRICK W. GROSS(1)(3)
Chairman, Lovell Group

JAMES V. KIMSEY(2)
Founding CEO and Chairman Emeritus
America Online, Inc.

STANLEY I. WESTREICH(2)
President and Owner
Westfield Realty, Inc.

- (1) Audit Committee
- (2) Compensation Committee
- (3) Nominating and Corporate Governance Committee

CAPITAL ONE FINANCIAL CORPORATION EXECUTIVE OFFICERS

RICHARD D. FAIRBANK
Chairman and Chief Executive Officer

NIGEL W. MORRIS
President and Chief Operating Officer

GREGOR BAILAR
Executive Vice President
and Chief Information Officer

MARJORIE M. CONNELLY
Executive Vice President,
Enterprise Services Group

JOHN G. FINNERAN, JR.
Executive Vice President, General Counsel
and Corporate Secretary

LARRY KLANE
Executive Vice President,
Corporate Development

DAVID R. LAWSON
Senior Vice President
and Chief Financial Officer

DENNIS H. LIBERSON
Executive Vice President,
Human Resources

WILLIAM J. MCDONALD
Executive Vice President,
Brand Management

PETER A. SCHNALL
Executive Vice President,
Chief Credit Officer

CATHERINE G. WEST
Executive Vice President,
U.S. Consumer Operations

CONSENT OF THE INDEPENDENT AUDITORS

We consent to the incorporation by reference in this Annual Report (Form 10-K) of Capital One Financial Corporation of our report dated January 16, 2003, included in the 2002 Annual Report to Shareholders of Capital One Financial Corporation.

We consent to the incorporation by reference in the Registration Statements of Capital One Financial Corporation, as listed below, of our report dated January 16, 2003, with respect to the consolidated financial statements of Capital One Financial Corporation incorporated by reference in the Annual Report (Form 10-K) for the year ended December 31, 2002.

Registration Statement Number	Form	Description
33-80263	Form S-8	Marketing and Management Services Agreement
33-86986	Form S-8	1994 Stock Incentive Plan
33-91790	Form S-8	1995 Non-Employee Directors Stock Incentive Plan
33-97032	Form S-8	Amendment to 1994 Stock Incentive Plan
33-99748	Form S-3	Dividend Reinvestment and Stock Purchase Plan
333-42853	Form S-8	1994 Stock Incentive Plan
333-51637	Form S-8	1994 Stock Incentive Plan
333-57317	Form S-8	1994 Stock Incentive Plan, 1998 Special Option Program
333-60831	Form S-3	Acquisition of Summit Acceptance Corporation
333-78067	Form S-8	1994 Stock Incentive Plan
333-78609	Form S-8	1999 Stock Incentive Plan
333-78635	Form S-8	1999 Non-Employee Directors Stock Incentive Plan
333-85227	Form S-3	Debt Securities, Preferred Stock and Common Stock in the amount of \$1 billion
333-91327	Form S-8	1994 Stock Incentive Plan
333-92345	Form S-8	1994 Stock Incentive Plan
333-43288	Form S-8	1994 Stock Incentive Plan
333-58628	Form S-8	1994 Stock Incentive Plan
333-61574	Form S-3	Registration of Securities for Resale
333-72832	Form S-8	1994 Stock Incentive Plan
333-72820	Form S-8	1999 Non-Employee Stock Incentive Plan
333-72832	Form S-3	Registration of Securities for Resale by Selling Stockholders in PeopleFirst Acquisition
333-76726	Form S-8	1994 Stock Incentive Plan
333-72820	Form S-8	1999 Non-Employee Directors Stock Incentive
333-82228	Form S-3	Common Stock, Debt Securities, Preferred Stock, Stock Purchase Contracts, and Equity Units in the amount of \$1,787,000,000
333-97127	Form S-8	2002 Associate Savings Plan
333-97125	Form S-3	2002 Dividend Reinvestment Stock Purchase Plan
333-97123	Form S-8	2002 Non-Executive Officer Stock Incentive Plan
333-97119	Form S-3	Common Stock, Debt Securities, Preferred Stock, Stock Purchase Contracts & Equity Units in the amount of \$2 Billion
333-100488	Form S-8	2002 Associate Stock Purchase Plan

/s/ ERNST & YOUNG LLP

McLean, Virginia
March 13, 2003