

OFFICE OF THRIFT SUPERVISION

Approval of Organization and Acquisition of a Federal
De Novo Stock Savings Bank

Order No.: 96-56

Date: June 15, 1996

Capital One Financial Corporation, Falls Church, Virginia (the "Holding Company"), has applied to the Office of Thrift Supervision ("OTS") to organize a Federal stock savings bank to be known as Capital One, Federal Savings Bank, Falls Church, Virginia ("Institution"), pursuant to 12 U.S.C. § 1464(e), and 12 C.F.R. § 552.2-1 thereunder.

In addition: (i) the Holding Company has applied to the OTS to acquire the Institution, pursuant to 12 U.S.C. § 1467a(e), and 12 C.F.R. § 574.3.; and (ii) the Institution has applied, pursuant to 12 U.S.C. §§ 1815(d) and 1828(c), and 12 C.F.R. § 563.22, to acquire certain assets from Capital One Bank, Richmond, Virginia ("Capital One Bank") and to assume certain liabilities from Signet Bank/Virginia, Richmond, Virginia ("Signet"). (The foregoing applications are referred to herein as the "Applications.")

The Institution has applied, pursuant to 12 U.S.C. § 1467a(m)(2)(A), and OTS regulations thereunder at 12 C.F.R. § 563.50(f)(1), for a two-year exception from the minimum actual thrift investment percentage ("ATIP") requirement contained at section 10(m)(1) of the HOLA, 12 U.S.C. § 1467a(m)(1), and 12 C.F.R. § 563.50 ("QTL Waiver Request").

The OTS has considered the Applications under the standards set forth at 12 U.S.C. §§ 1464(e), 1467a(e), 1815(d), and 1828(c), and at 12 C.F.R. §§ 552.2-1, 563.22, and 574.7, and under the Community Reinvestment Act, 12 U.S.C. §§ 2901 et seq., and the OTS Regulations thereunder at 12 C.F.R. Part 563e. In addition, the OTS has considered a digest from the Southeast Regional Office, an opinion from the Business Transactions Division and an analysis from Corporate Activities.

The OTS has determined that the Applications would be in compliance with all applicable statutes and regulations. Accordingly, the Applications are hereby approved provided that the following conditions are complied with in a manner

satisfactory to the Southeast Regional Director, or his designee:

1. The proposed transaction between the Institution and Signet must be completed no sooner than 15 days and no later than 120 days from the date of this Order;
2. The Holding Company and the Institution must receive all required regulatory approvals prior to establishment of the Institution with copies of all such approvals supplied to the Southeast Regional Office;
3. There have been no substantial changes with respect to the information currently before the OTS, including but not limited to directors, proposed shareholders, or the business plan; and provided further, that no additional information, having an adverse bearing on any feature of the application, exists;
4. Prior to opening for business, the officers, organizers and directors must: (1) meet with the Southeast Regional Director; and (2) file with the Southeast Regional Director a certification by legal counsel stating the effective date of the completion of the organization of the Institution, and that the completion of the organization of the Institution has been consummated in accordance with the provisions of all applicable laws and regulations (including state and federal securities law requirements), the Applications, and this Order;
5. For a period of three years following the date of organization and acquisition, the Institution shall operate within the parameters of the revised business plan submitted in connection with the subject applications, including the maintenance of a core capital ratio greater than or equal to 8.0 percent and a risk based capital ratio greater than or equal to 12.0 percent, or such amended plans as approved by the Regional Director. Any material change in, or deviation from, an approved plan must receive the prior written approval of the Regional Director. Such additional or modified plans shall be submitted for Regional Director approval no later than 30 days prior to the desired implementation. In addition, within 30 days of the close of each calendar quarter, the Institution shall submit to the Southeast Region a business plan variance report in

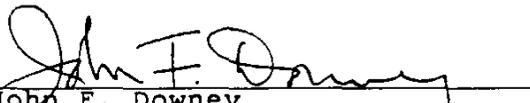
the format of the detailed pro forma financial statements provided in the revised business plan;

6. If the Holding Company and the Institution propose to enter into a tax sharing agreement which deviates materially from the one submitted with the applications, the agreement must receive the approval of the Regional Director prior to its implementation;
7. Within six months of opening, at least one third of the board of directors of the Institution must be independent, outside directors who are not officers of the institution or officers or directors of the Holding Company. These directors are subject to the notice requirements of 12 C.F.R. Section 574.9; and
8. The resulting thrift shall submit independent audit reports to the Southeast Regional Office for its first three fiscal years. These reports shall be in compliance with the audit rules set forth in 12 C.F.R. Section 562.4.

In addition, the based upon the materials mentioned above, the OTS has determined that extraordinary circumstances exist within the meaning of 12 U.S.C. § 1467a(m)(2)(A) of the HOLA and 12 C.F.R. § 563.50, and hereby grants the QTL Waiver Request.

Any time period specified herein, except the period relating to the QTL Waiver Request, may be extended by the Southeast Regional Director, for good cause, for up to 120 calendar days.

By order of the Acting Director of the Office of Thrift Supervision, or his designee, effective June 15, 1996 .


John F. Downey
Executive Director, Supervision