

OFFERING MEMORANDUM

\$300,000,000

CoreStates Capital III

Floating Rate Capital Trust

Pass-through SecuritiesSM (TRUPSSM)*



Liquidation Amount \$1,000 per Capital Security)

Fully and Unconditionally Guaranteed, as described herein, by

CoreStates Bank, N.A.

The Floating Rate Capital Trust Pass-through SecuritiesSM (the "Capital Securities") offered hereby represent undivided beneficial ownership interests in the assets of CoreStates Capital III, a Delaware statutory business trust (the "Trust"). CoreStates Bank, N.A., a national banking association (the "Company"), will be the owner of all of the beneficial ownership interests represented by common securities of the Trust (the "Common Securities"); together with the Capital Securities, the "Trust Securities"). The Trust exists for the sole purpose of issuing the Capital Securities and the Common Securities and investing the proceeds thereof in Floating Rate Junior Subordinated Debentures (the "Junior Subordinated Debentures") to be issued by the Company. The Junior Subordinated Debentures will mature on February 15, 2027 (the "Stated Maturity"). Each holder of a Capital Security will have the right to receive \$1,000 per Capital Security in the event of liquidation (the "liquidation amount") and at maturity. The Capital Securities will have a preference under certain circumstances with respect to cash distributions and amounts payable on liquidation, redemption or otherwise over the Common Securities. See "Description of Capital Securities—Subordination of Common Securities."

Capital Securities issued in registered, global form will be deposited with a custodian for and registered in the name a nominee of The Depository Trust Company ("DTC") and beneficial interests in such Capital Securities will be shown on and transfers thereof will be effected through records maintained by DTC and its participants. Capital Securities sold in reliance on Rule 144A under the Securities Act of 1933, as amended (the "Securities Act") will be evidenced by global Capital Securities in fully registered form and beneficial interests in such Capital Securities will trade in DTC's Same-Day Funds Settlement System and secondary market trading activity in such interests will therefore settle in immediately available funds. Capital Securities sold in reliance on Regulation S ("Regulation S") under the Securities Act, will be evidenced by a separate temporary global Capital Security which will be exchangeable for a permanent global Capital Security not earlier than 40 days after the closing date upon certification of non-U.S. beneficial ownership, and any Capital Securities sold other than in reliance on Rule 144A or Regulation S will be issued in certificated form.

Application has been made to list the Capital Securities on the Luxembourg Stock Exchange.

See "Risk Factors" beginning on page 12 hereof for certain information relevant to an investment in the Capital Securities.

THE SECURITIES OFFERED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT, ANY STATE SECURITIES LAWS, OR PART 16 OF THE REGULATIONS OF THE OFFICE OF THE COMPTROLLER OF THE CURRENCY (THE "OCC") AND MAY NOT BE OFFERED OR SOLD EXCEPT PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. ACCORDINGLY, THE SECURITIES ARE BEING OFFERED HEREBY OUTSIDE THE UNITED STATES IN COMPLIANCE WITH REGULATION S UNDER THE SECURITIES ACT. IN ADDITION, RESPECTIVE AFFILIATES OF THE INITIAL PURCHASERS AND THE COMPANY, MAY OFFER AND SELL THE SECURITIES OFFERED HEREBY IN THE UNITED STATES ONLY (i) TO QUALIFIED INSTITUTIONAL BUYERS (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) IN RELIANCE ON AN EXEMPTION FROM SUCH REGISTRATION REQUIREMENTS PROVIDED BY RULE 144A OR (ii) TO A LIMITED NUMBER OF OTHER INSTITUTIONAL ACCREDITED INVESTORS (AS DEFINED IN RULE 501(a)(1), (2), (3) OR (7) UNDER THE SECURITIES ACT) THAT EXECUTE AND DELIVER A LETTER CONTAINING CERTAIN REPRESENTATIONS AND AGREEMENTS. PROSPECTIVE PURCHASERS ARE HEREBY NOTIFIED THAT SELLERS OF THE SECURITIES MAY BE RELYING UPON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT AND FROM PART 16 OF THE OCC'S REGULATIONS PROVIDED BY RULE 144A, REGULATION S OR OTHER EXEMPTIONS. FOR CERTAIN RESTRICTIONS ON REALES, SEE "NOTICE TO INVESTORS".

THE SECURITIES OFFERED HEREBY ARE DIRECT AND UNSECURED OBLIGATIONS OF THE COMPANY, DO NOT EVIDENCE DEPOSITS AND ARE NOT INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION (THE "FDIC") OR ANY OTHER INSURER OR GOVERNMENT AGENCY. THE SECURITIES OFFERED HEREBY WILL BE SUBORDINATE TO THE CLAIMS OF DEPOSITORS AND CERTAIN OTHER CREDITORS OF THE COMPANY AND WILL BE INELIGIBLE AS COLLATERAL TO SECURE A LOAN FROM THE COMPANY.

The Initial Purchasers have agreed to purchase the Capital Securities from the Trust at \$990.345 per Capital Security. The Capital Securities offered hereby are being offered by the Initial Purchasers, subject to prior sale, when, as and if delivered to and accepted by the Initial Purchasers and subject to various prior conditions, including their right to reject orders in whole or in part. It is expected that delivery of the Capital Securities will be made in book-entry form through the facilities of The Depository Trust Company and in certain circumstances in certificated form on or about January 31, 1997 at the offices of Salomon Brothers Inc, New York, New York against payment therefor in immediately available funds.

* Salomon Brothers Inc has filed applications with the United State Patent and Trademark Office for the registration of the "Capital Trust Pass-through Securities" and "TRUPS" service marks.

Salomon Brothers Inc

Lehman Brothers

Bear, Stearns & Co. Inc.

The date of this Offering Memorandum is January 27, 1997.

IN CONNECTION WITH THIS OFFERING, SALOMON BROTHERS INC MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE CAPITAL SECURITIES AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH TRANSACTIONS MAY BE EFFECTED IN THE OVER-THE-COUNTER MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

Holders of the Capital Securities will be entitled to receive cumulative cash distributions accruing from the date of original issuance and payable quarterly in arrears on the 15th day of February, May, August and November of each year, commencing May 15, 1997, at a variable annual rate equal to LIBOR (as defined herein) plus .57% on the liquidation amount of \$1,000 per Capital Security ("Distributions"). *The distribution rate and the distribution payment dates and other payment dates for the Capital Securities will correspond to the interest rate and interest payment dates and other payment dates on the Junior Subordinated Debentures, which will be the sole assets of the Trust. The Company will guarantee the payment of Distributions and payments on liquidation of the Trust or redemption of the Capital Securities, but only in each case to the extent of funds held by the Trust, as described herein (the "Guarantee"). See "Description of Guarantee."* If the Company does not make interest payments on the Junior Subordinated Debentures held by the Trust, the Trust will have insufficient funds to pay Distributions on the Capital Securities. The Company's obligations under the Guarantee, taken together with its obligations under the Junior Subordinated Debentures and the Indenture (as defined herein), including its obligation to pay all costs, expenses and liabilities of the Trust (other than with respect to the Capital Securities), constitute a full and unconditional guarantee of all of the Trust's obligations under the Capital Securities. The obligations of the Company under the Guarantee and the Junior Subordinated Debentures are subordinate and junior in right of payment to all Indebtedness (as defined in "Description of Junior Subordinated Debentures—Subordination") of the Company and will be structurally subordinated to all liabilities and obligations of the Company's subsidiaries. As of September 30, 1996, approximately \$33 billion (which includes approximately \$32 billion of bank deposits) aggregate principal amount of Indebtedness (restated to include the accounts of New Jersey National Bank ("New Jersey National"), which was merged into the Company on December 6, 1996) was outstanding. The terms of the Junior Subordinated Debentures place no limitation on the amount of Indebtedness that may be incurred by the Company or on the amount of liabilities and obligations of the Company's subsidiaries. See "Description of Junior Subordinated Debentures—Subordination."

The Company has the right to defer payment of interest on the Junior Subordinated Debentures at any time or from time to time for a period not exceeding 20 consecutive quarters with respect to each deferral period (each, an "Extension Period"), provided that no Extension Period may extend beyond the Stated Maturity of the Junior Subordinated Debentures. Upon the termination of any such Extension Period and the payment of all amounts then due on any Interest Payment Date (as defined herein), the Company may elect to begin a new Extension Period subject to the requirements set forth herein. *Accordingly, there could be multiple Extension Periods of varying lengths throughout the term of the Junior Subordinated Debentures.* If interest payments on the Junior Subordinated Debentures are so deferred, distributions on the Capital Securities will also be deferred and the Company may not, and may not permit any subsidiary of the Company to, (i) declare or pay any dividends or distributions on, or redeem, purchase, acquire, or make a liquidation payment with respect to, the Company's capital stock or (ii) make any payment of principal, interest or premium, if any, on or repay, repurchase or redeem any debt securities that rank pari passu with or junior to the Junior Subordinated Debentures or make any guarantee payments with respect to any guarantee by the Company of the debt securities of any subsidiary of the Company if such guarantee ranks pari passu with or junior to the Junior Subordinated Debentures (other than (a) repurchases, redemptions or other acquisitions of shares of capital stock of the Company in connection with any employment contract, benefit plan or other similar arrangement with or for the benefit of any one or more employees, officers, directors or consultants, or in connection with a dividend reinvestment or stockholder stock purchase plan, (b) as a result of an exchange or conversion of any class or series of the Company's capital stock (or any capital stock of a subsidiary of the Company) for any class or series of the Company's capital stock or

of any class or series of the Company's indebtedness for any class or series of the Company's capital stock, (c) the purchase of fractional interests in shares of the Company's capital stock pursuant to the conversion or exchange provisions of such capital stock or the security being converted or exchanged, (d) any declaration of a dividend in connection with any stockholder's rights plan, or the issuance of rights, stock or other property under any stockholder's rights plan, or the redemption or repurchase of rights pursuant thereto, or (e) any dividend in the form of stock, warrants, options or other rights where the dividend stock or the stock issuable upon exercise of such warrants, options or other rights is the same stock as that on which the dividend is being paid (or ranks pari passu with or junior to such stock)). During an Extension Period, interest on the Junior Subordinated Debentures will continue to accrue (and the amount of Distributions to which holders of the Capital Securities are entitled will accumulate) at a variable rate equal to LIBOR plus .57%, compounded quarterly, and holders of the Capital Securities will be required to accrue interest income for United States federal income tax purposes prior to receipt of the cash related to such interest income. See "Description of Junior Subordinated Debentures—Option to Extend Interest Payment Period" and "Certain United States Federal Income Tax Consequences—Interest Income and Original Issue Discount."

The Junior Subordinated Debentures are not redeemable prior to February 15, 2007 unless a Special Event (as defined herein) has occurred. The Junior Subordinated Debentures are redeemable prior to maturity at the option of the Company, subject to the receipt of any necessary prior approval from the OCC (i) on or after February 15, 2007, in whole or in part, at a redemption price equal to the principal amount of the Junior Subordinated Debentures so redeemed plus the accrued and unpaid interest thereon to the redemption date, or (ii) at any time, in whole (but not in part), upon the occurrence and continuation of a Special Event, at such redemption price. The Capital Securities are subject to mandatory redemption, in whole or in part, upon repayment of the Junior Subordinated Debentures at Stated Maturity or their earlier redemption, in an amount equal to the amount of related Junior Subordinated Debentures maturing or being redeemed and at a redemption price equal to the redemption price of such Junior Subordinated Debentures, in each case plus accumulated and unpaid Distributions thereon to the date of redemption.

Upon the occurrence and continuation of a Special Event, the Company will have the right, subject to the receipt of any necessary prior approval from the OCC, to dissolve the Trust and cause the Junior Subordinated Debentures to be distributed to the holders of the Capital Securities and the Common Securities in liquidation of the Trust. See "Description of Capital Securities—Redemption—Special Event Redemption or Distribution of Junior Subordinated Debentures."

In the event of the liquidation of the Trust, after satisfaction of the claims of creditors of the Trust, if any, as provided by applicable law, the holders of the Capital Securities will be entitled to receive a liquidation amount of \$1,000 per Capital Security plus accumulated and unpaid Distributions thereon to the date of payment, which may be in the form of a distribution of such amount in Junior Subordinated Debentures as described above. If such liquidation amount can be paid only in part because the Trust has insufficient assets available to pay in full the aggregate liquidation amount, then the amounts payable directly by the Trust on the Capital Securities shall be paid on a pro rata basis. The holder(s) 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 (as defined herein) has occurred and is continuing, the Capital Securities will have a priority over the Common Securities. See "Description of Capital Securities—Liquidation Distribution Upon Dissolution."

Each person receiving this Offering Memorandum acknowledges that (i) such person has been afforded an opportunity to request and to review, and has received, all additional information considered by it to be necessary to verify the accuracy of or to supplement the information herein and (ii) such person has not relied on the Initial Purchasers or any person affiliated with the Initial Purchasers in connection with its investigation of the accuracy of such information or its investment decision.

The distribution of this Offering Memorandum and the offering of the Capital Securities in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Memorandum

comes are required by the Initial Purchasers, the Trust and the Company to inform themselves about and to observe any such restrictions. This Offering Memorandum does not constitute, and may not be used for or in connection with, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorized or to any person to whom it is unlawful to make such offer or solicitation. For a further description of restrictions on offers and sales, see "Plan of Distribution" and "Notice to Investors."

No action has been taken by the Company, the Trust or the Initial Purchasers that would permit an offering of the Capital Securities or the circulation or distribution of this Offering Memorandum or any offering material in relation to the Company, the Trust or the Capital Securities in any country or jurisdiction where action for that purpose is required.

THE CONTENTS OF THIS OFFERING MEMORANDUM ARE NOT TO BE CONSTRUED AS LEGAL, BUSINESS OR TAX ADVICE. EACH PROSPECTIVE INVESTOR SHOULD CONSULT ITS OWN ATTORNEY, BUSINESS ADVISOR OR TAX ADVISOR AS TO LEGAL, BUSINESS AND TAX ADVICE.

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE COMPANY, THE TRUST AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THE CAPITAL SECURITIES HAVE NOT BEEN RECOMMENDED BY THE OCC OR ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THE CAPITAL SECURITIES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE SECURITIES ACT, PART 16 OF THE REGULATIONS OF THE OCC AND APPLICABLE STATE SECURITIES LAWS, PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. INVESTORS SHOULD BE AWARE THAT THEY MAY BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, IS MADE BY THE INITIAL PURCHASERS AS TO THE ACCURACY OR COMPLETENESS OF THE INFORMATION SET FORTH HEREIN, AND NOTHING CONTAINED IN THIS OFFERING MEMORANDUM IS, OR SHALL BE RELIED UPON AS, A PROMISE OR REPRESENTATION WHETHER AS TO THE PAST OR THE FUTURE. THE INITIAL PURCHASERS HAVE NOT INDEPENDENTLY VERIFIED ANY OF SUCH INFORMATION AND ASSUME NO RESPONSIBILITY FOR ITS ACCURACY OR COMPLETENESS.

NO EMPLOYEE BENEFIT OR OTHER PLAN OR INDIVIDUAL RETIREMENT ACCOUNT SUBJECT TO TITLE I OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED, OR SECTION 4975 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (EACH, A "PLAN"), NO ENTITY WHOSE UNDERLYING ASSETS INCLUDE "PLAN ASSETS" BY REASON OF ANY PLAN'S INVESTMENT IN THE ENTITY (A "PLAN ASSET ENTITY"), AND NO PERSON INVESTING "PLAN ASSETS" OF ANY PLAN MAY ACQUIRE OR HOLD THE CAPITAL SECURITIES OR ANY INTEREST THEREIN, UNLESS SUCH PURCHASE OR HOLDING IS COVERED BY THE EXEMPTIVE RELIEF PROVIDED BY U.S. DEPARTMENT OF LABOR PROHIBITED TRANSACTION CLASS EXEMPTION ("PTCE") 96-23, 95-60, 91-38, 90-1 OR 84-14 OR ANOTHER APPLICABLE EXEMPTION WITH RESPECT TO SUCH PURCHASE OR HOLDING. ANY PURCHASER OR HOLDER OF THE CAPITAL SECURITIES OR ANY INTEREST THEREIN WILL BE DEEMED TO HAVE REPRESENTED BY ITS PURCHASE AND HOLDING THEREOF THAT EITHER (A) THE PURCHASER AND HOLDER IS NOT A PLAN OR A PLAN ASSET ENTITY AND IS NOT PURCHASING SUCH SECURITIES ON BEHALF OF OR WITH "PLAN ASSETS" OF ANY PLAN OR (B) THE PURCHASE AND HOLDING OF THE CAPITAL STOCKS IS COVERED BY THE EXEMPTIVE RELIEF PROVIDED BY PTCE 96-23, 95-60, 91-38, 90-1, OR 84-14 OR ANOTHER APPLICABLE EXEMPTION WITH RESPECT TO SUCH PURCHASE OR HOLDING.

NOTICE TO NEW HAMPSHIRE INVESTORS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY, OR TRANSACTION. IT IS UNLAWFUL TO MAKE OR CAUSE TO BE MADE TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

AVAILABLE INFORMATION

The Company submits quarterly to the OCC certain reports called "Consolidated Reports of Condition and Income" ("Call Reports"). The Call Reports are publicly available at the OCC, 250 E Street, S.W., Washington, D.C. 20219. Each Call Report consists of a Balance Sheet, Income Statement, Changes in Equity Capital and other supporting schedules as of and for the period to which the report relates. The Call Reports are prepared in accordance with regulatory instructions issued by the Federal Financial Institutions Examination Council. Because of the special supervisory, regulatory and economic policy needs served by these Call Reports, those regulatory instructions do not in all cases follow generally accepted accounting principles. While the Call Reports are supervisory and regulatory documents, not primarily accounting documents, and do not provide a complete range of financial disclosure about the Company, the reports nevertheless provide important information concerning the Company.

The Company is a wholly-owned subsidiary of CoreStates Financial Corp (the "Holding Corporation" and together with its subsidiaries, "Holdings"), a bank holding company organized under the laws of the Commonwealth of Pennsylvania. The Holding Corporation is subject to the reporting requirements of Sections 13 and 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Any reports and other information filed by the Holding Corporation with the Securities and Exchange Commission (the "Commission") may be inspected and copied at the public reference facilities maintained by the Commission at Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549, and at the Commission's regional offices in Chicago, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661, and in New York, Seven World Trade Center, 13th Floor, New York, New York 10048. Copies of such material may also be obtained by mail from the Public Reference Section of the Commission at Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates. The Commission maintains a Web site (<http://www.sec.gov>) that contains reports, proxy and information statements and other information regarding registrants, such as the Holding Corporation, that file electronically with the Commission.

No separate financial statements of the Trust have been included herein and no separate financial statements will be prepared in the future. The Company and the Trust do not consider that such financial statements would be material to holders of the securities offered hereby because (i) all of the voting securities of the Trust will be owned, directly or indirectly, by the Company, (ii) the Trust has no independent operations and exists for the sole purpose of issuing securities representing undivided beneficial interests in the assets of the Trust and investing the proceeds thereof in the representative series of Junior Subordinated Debentures issued by the Company, and (iii) the obligations of the Trust under its Capital Securities are fully and unconditionally guaranteed by the Company to the extent the Trust has funds available to meet such obligations.

The Company has agreed that it will furnish to holders and beneficial owners of the Capital Securities and the prospective purchasers designated by such holders the information required to be delivered pursuant to Rule 144(d)(4) under the Securities Act (or any successor regulation or a statute) to permit compliance with Rule 144A in connection with the resales of the Capital Securities.

INCORPORATION OF CERTAIN INFORMATION BY REFERENCE

The Call Reports filed with the OCC by the Company and by New Jersey National, (a wholly-owned subsidiary of the Holding Corporation that was merged into the Company on December 6, 1996) for the quarter ended September 30, 1996 are incorporated herein by reference.

In addition to the Call Reports referred to above, the following documents, which have been filed by the Holding Corporation with the Commission, are incorporated by reference in this Offering Memorandum:

- (i) the Holding Corporation's Annual Report on Form 10-K for the year ended December 31, 1995;
- (ii) the Holding Corporation's Quarterly Reports on Form 10-Q for the quarters ended March 31, 1996, June 30, 1996 and September 30, 1996; and
- (iii) the Holding Corporation's Current Reports on Form 8-K dated January 8, 1996, January 17, 1996, April 3, 1996, April 9, 1996, April 17, 1996, June 13, 1996, June 28, 1996, July 17, 1996, October 16, 1996, January 22, 1997 and on Form 8-K/A on July 17, 1996.

All documents filed by the Holding Corporation pursuant to Sections 13(a), 14 or 15(d) of the Exchange Act, and the non-confidential portions of all Call Reports filed by the Company with the OCC, after the date of this Offering Memorandum and prior to the termination of the offering hereunder shall be deemed to be incorporated by reference in this Offering Memorandum and to be a part hereof from the date of filing of such documents. Any statement contained in a document incorporated by reference or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for all purposes of this Offering Memorandum to the extent that a statement contained herein or in any subsequently filed document that is also incorporated or deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Offering Memorandum.

All information relating to the Holding Corporation is included or incorporated by reference herein for informational purposes only and the Offered Securities are neither obligations of nor guaranteed by the Holding Corporation or any of its affiliates other than the Company and the Trust.

The Company will provide without charge to each person to whom a copy of this Offering Memorandum has been delivered, on the written or oral request of such person, a copy of any or all of the documents referred to above that have been or may be incorporated in this Offering Memorandum by reference, other than exhibits to such documents, unless such exhibits are specifically incorporated by reference therein. Requests for such copies should be directed to: CoreStates Financial Corp, Centre Square, West Tower, 1500 Market Street, Philadelphia, PA 19101, Attention: Investor Relations. In addition, such documents are available, free of charge, from Chase Manhattan Bank Luxembourg, S.A., 5 Rue Plaetia, L-2338, Luxembourg.

OFFERING MEMORANDUM SUMMARY

This summary is qualified by the more detailed information and financial statements appearing elsewhere, or incorporated by reference, in this Offering Memorandum. Prospective investors are urged to read this Offering Memorandum in its entirety.

The Company

The Company is a national banking association with its principal office in Philadelphia, Pennsylvania. The Company offers a wide range of domestic and international commercial banking, retail banking and trust and asset management services to its customers. At September 30, 1996, the Company had total assets of \$34.2 billion, total loans (net of unearned income) of \$24.3 billion, total deposits of \$25.9 billion and total equity capital of \$2.6 billion. On December 6, 1996, New Jersey National merged with and into the Company. At September 30, 1996, New Jersey National had total assets of \$8.0 billion, total loans (net of unearned income) of \$5.1 billion, total deposits of \$7.0 billion and total equity capital of \$0.5 billion. The Company was created, pursuant to a merger of two banks, on October 1, 1990.

The Company's business is subject to examination and regulation by federal banking authorities. Its primary federal bank regulatory authority is the OCC. The Company is a wholly-owned subsidiary of the Holding Corporation, a bank holding company organized under the laws of the Commonwealth of Pennsylvania. The Holding Corporation, through its subsidiaries, provides a broad range of financial services.

The Company's principal address is Centre Square, West Tower, 1500 Market St., Philadelphia, PA 19101.

The Offering

The Trust.....	CoreStates Capital III, a Delaware statutory business trust. The sole assets of the Trust will be the Junior Subordinated Debentures.
Securities Offered	Capital Securities evidencing undivided beneficial ownership interests in the assets of the Trust. The holders thereof will be entitled to a preference in certain circumstances with respect to Distributions and amounts payable on redemption, liquidation or otherwise over the Common Securities. See "Description of Capital Securities—Subordination of Common Securities."
Distributions	Holders of the Capital Securities will be entitled to receive cumulative cash distributions at a variable annual rate equal to LIBOR plus .57% on the liquidation amount of \$1,000 per Capital Security, accruing from the date of original issuance and payable quarterly in arrears on the 15th day of February, May, August and November of each year commencing on May 15, 1997. The distribution rate and the distribution and other payment dates for the Capital Securities will correspond to the interest rate and interest and other payment dates on the Junior Subordinated Debentures. See "Description of Capital Securities."
Junior Subordinated Debentures	The Trust will invest the proceeds from the issuance of the Capital Securities and Common Securities in an equivalent principal amount of Junior Subordinated Debentures of the Company. The Junior Subordinated Debentures will mature on February 15, 2027. The Junior Subordinated Debentures will rank subordinate and ju-

nior in right of payment to all Indebtedness of the Company to the extent described herein. In addition, the Company's obligations under the Junior Subordinated Debentures will be effectively subordinated to all existing and future liabilities and obligations of its subsidiaries. See "Risk Factors—Ranking of Subordinated Obligations Under the Guarantee and the Junior Subordinated Debentures" and "Description of Junior Subordinated Debentures—Subordination."

Guarantee

Payment of distributions out of moneys held by the Trust, and payments on liquidation of the Trust or the redemption of Capital Securities, are guaranteed by the Company to the extent the Trust has funds available therefor. If the Company does not make principal or interest payments on the Junior Subordinated Debentures, the Trust will not have sufficient funds to make Distributions on the Capital Securities, in which event the Guarantee shall not apply to such Distributions until the Trust has sufficient funds available therefor. The Company's obligations under the Guarantee, taken together with its obligations under the Junior Subordinated Debentures and the Indenture, including its obligation to pay all costs, expenses and liabilities of the Trust (other than with respect to the Capital Securities), constitute a full and unconditional guarantee of all of the Trust's obligations under the Capital Securities. See "Description of Guarantee" and "Relationship Among the Capital Securities, the Junior Subordinated Debentures and the Guarantee." The obligations of the Company under the Guarantee are subordinate and junior in right of payment to all Indebtedness of the Company to the extent described herein. See "Risk Factors—Ranking of Subordinated Obligations Under the Guarantee and the Junior Subordinated Debentures" and "Description of Guarantee."

Right to Defer Interest

The Company has the right to defer payment of interest on the Junior Subordinated Debentures by extending the interest payment period on the Junior Subordinated Debentures, from time to time, for up to 20 consecutive quarters. There could be multiple Extension Periods of varying lengths throughout the term of the Junior Subordinated Debentures. If interest payments on the Junior Subordinated Debentures are so deferred, distributions on the Capital Securities will also be deferred for an equivalent period and the Company may not, and may not permit any subsidiary of the Company to, (i) declare or pay any dividends or distributions on, or redeem, purchase, acquire, or make a liquidation payment with respect to, the Company's capital stock or (ii) make any payment of principal, interest or premium, if any, on or repay, repurchase or redeem any debt securities that rank pari passu with or junior to the Junior Subordinated Debentures or make any guarantee payments with respect to any guarantee by the Company of the debt securities of any subsidiary of the Company if such guarantee ranks pari passu with or junior to the Junior Subordinated Debentures (other than (a) repurchases, redemptions or other acquisitions of shares of capital stock of the Company in connection with any employment contract, benefit plan or other similar arrangement with or for the benefit of

any one or more employees, officers, directors or consultants, or in connection with a dividend reinvestment or stockholder stock purchase plan, (b) as a result of an exchange or conversion of any class or series of the Company's capital stock (or any capital stock of a subsidiary of the Company) for any class or series of the Company's capital stock or of any class or series of the Company's indebtedness for any class or series of the Company's capital stock, (c) the purchase of fractional interests in shares of the Company's capital stock pursuant to the conversion or exchange provisions of such capital stock or the security being converted or exchanged, (d) any declaration of a dividend in connection with any stockholder's rights plan, or the issuance of rights, stock or other property under any stockholder's rights plan, or the redemption or repurchase of rights pursuant thereto, or (e) any dividend in the form of stock, warrants, options or other rights where the dividend stock or the stock issuable upon exercise of such warrants, options or other rights is the same stock as that on which the dividend is being paid (or ranks *pari passu* with or junior to such stock)). During an Extension Period, interest on the Junior Subordinated Debentures will continue to accrue (and the amount of Distributions to which holders of the Capital Securities are entitled will accumulate) at a variable annual rate equal to LIBOR plus .57%, compounded quarterly. During an Extension Period, holders of Capital Securities will be required to include the interest (and the *de minimis* OID) accrued on their pro rata share of the Junior Subordinated Debentures in their gross income as original issue discount ("OID") even though the cash payments attributable thereto have not been made. See "Description of Junior Subordinated Debentures—Option to Extend Interest Payment Period" and "Certain United States Federal Income Tax Consequences—Interest Income and Original Issue Discount."

Redemption The Junior Subordinated Debentures are redeemable by the Company in whole or in part on or after February 15, 2007, or at any time, in whole but not in part, upon the occurrence of a Special Event, in either case subject to any necessary prior approval of the OCC. If the Junior Subordinated Debentures are redeemed, the Trust must redeem Trust Securities having an aggregate liquidation amount equal to the aggregate principal amount of the Junior Subordinated Debentures so redeemed. The Trust Securities will be redeemed upon maturity of the Junior Subordinated Debentures. See "Description of Capital Securities—Redemption—Mandatory Redemption" and "—Special Event Redemption or Distribution of Junior Subordinated Debentures."

Liquidation of the Trust Upon the occurrence and continuation of a Special Event, the Company will have the right, subject to any necessary prior approval of the OCC, to dissolve the Trust and cause the Junior Subordinated Debentures to be distributed to the holders of the Capital Securities and the Common Securities in liquidation of the Trust. See "Description of Capital Securities—Redemption—Special Event Redemption or Distribution of Junior Subordinated Debentures."

In the event of the liquidation of the Trust, after satisfaction of the claims of creditors of the Trust, if any, as provided by applicable law, the holders of the Capital Securities will be entitled to receive a liquidation amount of \$1,000 per Capital Security plus accumulated and unpaid Distributions thereon to the date of payment, which may be in the form of a distribution of such amount in Junior Subordinated Debentures as described above. If such Liquidation Distribution (as defined herein) 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 Capital Securities shall be paid on a pro rata basis. The holder(s) 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 priority over the Common Securities. See "Description of Capital Securities—Liquidation Distribution Upon Dissolution."

Use of Proceeds	The proceeds from the sale of the Capital Securities will be used to purchase the Junior Subordinated Debentures. The Company expects to use the proceeds from the sale of the Junior Subordinated Debentures for general corporate purposes, which may include the repayment of indebtedness, investments in and extensions of credit to its subsidiaries and the financing of possible acquisitions. Although the Company from time to time evaluates potential acquisitions, it currently has no understandings, commitments or agreements with respect to any acquisitions. See "Use of Proceeds."
Ratings.....	It is expected that the Capital Securities will be rated "a1" by Moody's Investors Service, Inc. and "A—" by Standard & Poor's Ratings Group. A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the assigning rating organization.
Form of Capital Securities	Capital Securities offered and sold to qualified institutional buyers in reliance on Rule 144A initially will be represented by one or more Capital Securities in registered, global form. Capital Securities offered and sold to institutional accredited investors in transactions exempt from registration under the Securities Act not made in reliance on Rule 144A or Regulation S will be issued only in registered, certificated form. Capital Securities offered and sold outside of the United States in reliance on Regulation S under the Securities Act will be issued in the form of a single temporary global Capital Security which will be exchanged for beneficial interests in a single permanent global Capital Security upon the later of (i) the Restricted Period (as defined herein) and (ii) the first date on which the requisite certifications are provided to the Property Trustee as described under "Book-Entry Issuance—Payments; Certifications by Holders of Regulation S Temporary Capital Securities."
Listing/Application.....	Application has been made to list the Capital Securities on the Luxembourg Stock Exchange.

RISK FACTORS

Prospective purchasers of the Capital Securities should carefully review the information contained elsewhere in this Offering Memorandum and should particularly consider the following matters. Certain statements in this Offering Memorandum and documents incorporated herein by reference are forward-looking and are identified by the use of forward-looking words or phrases such as "intended," "will be positioned," "expects," is or are "expected," "anticipates," and "anticipated." These forward-looking statements are based on the Company's current expectations. To the extent any of the information contained or incorporated by reference in this Offering Memorandum constitutes a "forward-looking statement" as defined in Section 21E(i)(1) of the Exchange Act, the risk factors set forth below are cautionary statements identifying important factors that could cause actual results to differ materially from those in the forward-looking statement.

Ranking of Subordinated Obligations under the Guarantee and the Junior Subordinated Debentures

The obligations of the Company under the Guarantee issued by the Company for the benefit of the holders of Capital Securities and under the Junior Subordinated Debentures are unsecured and rank subordinate and junior in right of payment to all Indebtedness of the Company to the extent described herein. At September 30, 1996, the Indebtedness of the Company (restated to include the accounts of New Jersey National which was merged into the Company in December 1996) aggregated approximately \$33 billion (which includes approximately \$32 billion in bank deposits). Neither the Indenture, the Guarantee nor the Declaration (as defined herein) places any limitation on the amount of secured or unsecured Indebtedness that may be incurred by the Company or on the amount of liabilities and obligations of the Company's subsidiaries. See "Description of Guarantee—Status of the Guarantee" and "Description of Junior Subordinated Debentures—Subordination."

Enforcement of Certain Rights by Holders of Capital Securities

If a Trust Enforcement Event (as defined herein) occurs and is continuing, then the holders of Capital Securities would rely on the enforcement by the Property Trustee (as defined herein) of its rights as a holder of the Junior Subordinated Debentures against the Company. 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 for any remedy available to the Property Trustee or to direct the exercise of any trust or power conferred upon the Property Trustee under the Declaration, including the right to direct the Property Trustee to exercise the remedies available to it as a holder of the Junior Subordinated Debentures. If the Property Trustee fails to enforce its rights with respect to the Junior Subordinated Debentures held by the Trust, any record holder of Capital Securities may, to the fullest extent permitted by law, institute legal proceedings directly against the Company to enforce the Property Trustee's rights under such Junior Subordinated Debentures without first instituting any legal proceedings against such Property Trustee or any other person or entity.

If the Company were to default on its obligation to pay amounts payable under the Junior Subordinated Debentures, the Trust would lack funds for the payment of Distributions or amounts payable on redemption of the Capital Securities or otherwise, and, in such event, holders of the Capital Securities would not be able to rely upon the Guarantee for payment of such amounts. However, in the event the Company failed to pay interest on or principal of the Junior Subordinated Debentures on the payment date on which such payment is due and payable, then a holder of Capital Securities may institute a proceeding directly against the Company under the Indenture for enforcement of payment to such holder of the interest on or principal of Junior Subordinated Debentures having a principal amount equal to the aggregate liquidation amount of the Capital Securities of such holder (a "Direct Action"). In connection with such Direct Action, the Company will be subrogated to the rights of such holder of Capital Securities under the Declaration to the extent of any payment made by the Company

to such holder of Capital Securities in such Direct Action. Except as set forth herein, holders of Capital Securities will not be able to exercise directly any other remedy available to the holders of Junior Subordinated Debentures or assert directly any other rights in respect of the Junior Subordinated Debentures. See “Description of Capital Securities—Trust Enforcement Events”, “Description of Guarantee” and “Description of Junior Subordinated Debentures—Indenture Events of Default.” The Declaration provides that each holder of Capital Securities by acceptance thereof agrees to the provisions of the Guarantee and the Indenture.

Option to Extend Interest Payment Period; Tax Consequences

The Company has the right under the Indenture to defer the payment of interest on the Junior Subordinated Debentures at any time or from time to time for a period not exceeding 20 consecutive quarters, provided that no Extension Period may extend beyond the Stated Maturity of the Junior Subordinated Debentures. As a consequence of any such deferral, quarterly Distributions on the Capital Securities by the Trust will be deferred during any such Extension Period but would continue to accumulate at a variable annual rate equal to LIBOR plus .57%, compounded quarterly during any such Extension Period. During any such Extension Period, the Company may not, and may not permit any subsidiary of the Company to, (i) declare or pay any dividends or distributions on, or redeem, purchase, acquire, or make a liquidation payment with respect to, any of the Company’s capital stock or (ii) make any payment of principal, interest or premium, if any, on or repay, repurchase or redeem any debt securities of the Company that rank *pari passu* with or junior to the Junior Subordinated Debentures or make any guarantee payments with respect to any guarantee by the Company of the debt securities of any subsidiary of the Company if such guarantee ranks *pari passu* with or junior to the Junior Subordinated Debentures (other than (a) repurchases, redemptions or other acquisitions of shares of capital stock of the Company in connection with any employment contract, benefit plan or other similar arrangement with or for the benefit of any one or more employees, officers, directors or consultants, or in connection with a dividend reinvestment or stockholder stock purchase plan, (b) as a result of an exchange or conversion of any class or series of the Company’s capital stock (or any capital stock of a subsidiary of the Company) for any class or series of the Company’s capital stock or of any class or series of the Company’s indebtedness for any class or series of the Company’s capital stock, (c) the purchase of fractional interests in shares of the Company’s capital stock pursuant to the conversion or exchange provisions of such capital stock or the security being converted or exchanged, (d) any declaration of a dividend in connection with any stockholder’s rights plan, or the issuance of rights, stock or other property under any stockholder’s rights plan, or the redemption or repurchase of rights pursuant thereto, or (e) any dividend in the form of stock, warrants, options or other rights where the dividend stock or the stock issuable upon exercise of such warrants, options or other rights is the same stock as that on which the dividend is being paid (or ranks *pari passu* with or junior to such stock)). Prior to the termination of any such Extension Period, the Company may further extend the Extension Period, provided that no Extension Period may exceed 20 consecutive quarters or extend beyond the Stated Maturity of the Junior Subordinated Debentures. Upon the termination of any Extension Period and the payment of all amounts then due on any Interest Payment Date, the Company may elect to begin a new Extension Period subject to the above requirements. See “Description of Capital Securities—Distributions” and “Description of Junior Subordinated Debentures—Option to Extend Interest Payment Period.”

Should the Company defer payment of interest on the Junior Subordinated Debentures, a holder of Capital Securities will be required to accrue income (in the form of OID) (which will include both stated interest and the de minimus OID on the Junior Subordinated Debentures) for United States federal income tax purposes in respect of its pro rata share of the Junior Subordinated Debentures held by the Trust. As a result, a holder of Capital Securities will be required to include such interest

income in gross income for United States federal income tax purposes in advance of the receipt of cash attributable to such interest income, and will not receive the cash related to such income from the Trust if the holder disposes of the Capital Securities prior to the record date for the payment of Distributions with respect to such Extension Period. See "Certain United States Federal Income Tax Consequences—Interest Income and Original Issue Discount" and "—Sales of Capital Securities."

The Company has no current intention of exercising its right to defer payments of interest by extending the interest payment period on the Junior Subordinated Debentures. However, should the Company elect to exercise such right in the future, the market price of the Capital Securities is likely to be adversely affected. A holder that disposes of its Capital Securities during an Extension Period, therefore, might not receive the same return on its investment as a holder that continues to hold its Capital Securities. In addition, as a result of the Company's right to defer interest payments, the market price of the Capital Securities (which represent undivided beneficial ownership interests in the Junior Subordinated Debentures) may be more volatile than the market prices of other similar securities where the issuer does not have such right to defer interest payments.

Special Event Redemption; Proposed Tax Law Changes

Upon the occurrence and continuation of a Special Event, the Company has the right, subject to any necessary prior approval of the OCC, to redeem the Junior Subordinated Debentures in whole (but not in part) within 90 days following the occurrence of such Special Event and thereby cause a mandatory redemption of the Capital Securities and Common Securities. A "Special Event" means a Tax Event, a Regulatory Capital Event or an Investment Company Event (each as defined herein).

On March 19, 1996, the Revenue Reconciliation Bill of 1996 (the "Bill") was introduced in the 104th Congress which would have, among other things, generally denied interest deductions for interest on an instrument, issued by a corporation, that has a maximum term of more than 20 years and that is not shown as indebtedness on the separate balance sheet of the issuer or, where the instrument is issued to a related party (other than a corporation), where the holder or some other related party issues a related instrument that is not shown as indebtedness on the issuer's consolidated balance sheet. This provision of the Bill was proposed to be effective generally for instruments issued on or after December 7, 1995. If this provision were to apply to the Junior Subordinated Debentures, the Company would not be able to deduct interest on the Junior Subordinated Debentures. However, on March 29, 1996, the Chairmen of the Senate Finance and House Ways and Means Committees issued a joint statement (the "Joint Statement") to the effect that it was their intention that the effective date of the Bill, if enacted, would be no earlier than the date of appropriate Congressional action. In addition, subsequent to the publication of the Joint Statement, Senator Daniel Patrick Moynihan and Representatives Sam M. Gibbons and Charles B. Rangel wrote letters to Treasury Department officials concurring with the view expressed in the Joint Statement (the "Democrat Letters"). The 104th Congress adjourned without enacting the Bill. Moreover, if the principles contained in the Joint Statement and the Democrat Letters were followed, any similar legislation that is subsequently enacted would not apply to the Junior Subordinated Debentures. It is possible that similar legislative proposals may be offered by the Administration and considered by Congress in 1997. There can be no assurance that future legislative or administrative proposals or final legislation will not adversely affect the ability of the Company to deduct interest on the Junior Subordinated Debentures or otherwise affect the tax treatment described herein. Such a change, therefore, could give rise to a Tax Event, which would permit the Company to cause a redemption of the Capital Securities or to dissolve the Trust and distribute the Junior Subordinated Debentures to the holders of Trust Securities in liquidation of the Trust as described more fully under "Description of Capital Securities—Redemption—Special Event Redemption or Distribution of Junior Subordinated Debentures."

Liquidation Distribution of Junior Subordinated Debentures

Upon the occurrence and continuation of a Special Event the Company will have the right, subject to any necessary prior approval of the OCC, to dissolve the Trust and, after satisfaction of the claims of creditors of the Trust, if any, as provided by applicable law, cause the Junior Subordinated Debentures to be distributed to the holders of the Capital Securities and the Common Securities in liquidation of the Trust. In addition, upon liquidation of the Trust and certain other events, after satisfaction of the claims of creditors of the Trust, if any, as provided by applicable law, the Junior Subordinated Debentures may be distributed to such holders. Under current United States federal income tax law and interpretations thereof and assuming, as expected, the Trust is treated as a grantor trust for United States federal income tax purposes, a distribution by the Trust of the Junior Subordinated Debentures pursuant to a liquidation of the Trust will not be a taxable event to the Trust or to holders of the Capital Securities, and will result in a holder of the Capital Securities receiving directly such holder's pro rata share of the Junior Subordinated Debentures (previously held indirectly through the Trust). If, however, the liquidation of the Trust were to occur because the Trust is subject to United States federal income tax with respect to income accrued or received on the Junior Subordinated Debentures as a result of the occurrence of a Tax Event or otherwise, the distribution of Junior Subordinated Debentures to holders of the Capital Securities by the Trust could be a taxable event to the Trust and each such holder, and holders of the Capital Securities may be required to recognize gain or loss as if they had exchanged their Capital Securities for the Junior Subordinated Debentures they receive upon the liquidation of the Trust. See "Certain United States Federal Income Tax Consequences—Distribution of Junior Subordinated Debentures or Cash Upon Liquidation of the Trust."

There can be no assurance as to the market prices for Capital Securities or Junior Subordinated Debentures that may be distributed in exchange for Capital Securities if a liquidation of the Trust occurs. Accordingly, the Capital Securities that an investor may purchase, whether pursuant to the offer made hereby or in the secondary market, or the Junior Subordinated Debentures that a holder of Capital Securities may receive on liquidation of the Trust, may trade at a discount to the price that the investor paid to purchase the Capital Securities offered hereby. Because holders of Capital Securities may receive Junior Subordinated Debentures on termination of the Trust, prospective purchasers of Capital Securities are also making an investment decision with regard to the Junior Subordinated Debentures and should carefully review all the information regarding the Junior Subordinated Debentures contained herein. See "Description of Capital Securities—Redemption—Special Event Redemption or Distribution of Junior Subordinated Debentures" and "Description of Junior Subordinated Debentures—General."

Limited Voting Rights

Holders of Capital Securities generally will have limited voting rights relating only to the modification of the Capital Securities and certain other matters described herein. Holders of Capital Securities will not be entitled to vote to appoint, remove or replace any of the Trustees (as defined below), which voting rights are vested exclusively in the holder of the Common Securities, unless a Declaration Event of Default shall have occurred and is continuing. The Trustees and the Company may amend the Declaration without the consent of holders of Capital Securities to ensure that the Trust will be classified as a grantor trust for United States federal income tax purposes even if such action adversely affects the interests of such holders. See "Description of Capital Securities—Voting Rights; Amendment of the Declaration."

Absence of Public Market; Restrictions on Transfer

Prior to this offering there has been no public market for the Capital Securities. The Initial Purchasers have advised the Company that they intend to make a market in the Capital Securities

after the consummation of this offering, as permitted by applicable laws and regulations; however, the Initial Purchasers are not obligated to do so, and may discontinue any such market making activities at any time without notice. Therefore, there can be no assurance that an active market for the Capital Securities will develop. If a trading market for the Capital Securities does develop, the Capital Securities may trade at a discount from their initial offering price depending upon prevailing interest rates, the market for similar securities, the performance of the Company and other factors. Application has been made to list the Securities on the Luxembourg Stock Exchange.

The Capital Securities have not been registered under the Securities Act or Part 16 of the regulations of the OCC. The Capital Securities may only be offered or sold pursuant to an exemption from the registration requirements of the Securities Act, Part 16 of the OCC's regulations and applicable state securities laws or pursuant to an effective registration statement under the Securities Act, Part 16 of the OCC's regulations and applicable state securities laws. See "Description of Capital Securities" and "Plan of Distribution."

Consequences of Highly Leveraged Transaction

The Indenture does not contain any provisions that afford holders of the Junior Subordinated Debentures protection in the event of a highly leveraged transaction, including a change of control, or other similar transactions involving the Company that may adversely affect such holders. See "Description of Junior Subordinated Debentures."

USE OF PROCEEDS

All of the net proceeds from the sale of Capital Securities which total approximately \$297,103,500 will be invested by the Trust in Junior Subordinated Debentures. The Company expects to use the proceeds from the sale of such Junior Subordinated Debentures for general corporate purposes, which may include the repayment of indebtedness, investments in or extensions of credit to its subsidiaries and the financing of possible acquisitions. Although the Company from time to time evaluates potential acquisitions, it currently has no understandings, commitments or agreements with respect to any acquisitions. Pending such use, the net proceeds may be temporarily invested in short-term obligations. The precise amounts and timing of the application of proceeds will depend upon the funding requirements of the Company and its subsidiaries and the availability of other funds. The Company may engage in other financings in the future.

RATIO OF EARNINGS TO FIXED CHARGES

The Company's consolidated ratios of earnings to fixed charges for each of the periods indicated are set forth below (unaudited):

	<u>Nine Months Ended September 30, 1996(a)</u>	<u>Year Ended December 31,</u>	
		<u>1995</u>	<u>1994</u>
Earnings to Fixed Charges:			
Excluding Interest on Deposits	7.61	5.48	3.94
Including Interest on Deposits	1.82	1.71	1.59

(a) Restated to include the accounts of affiliated banks (New Jersey National, Meridian Bank—Pennsylvania, Delaware Trust Company, Meridian Bank—New Jersey and United Counties) which were merged into the Company at various times since December 31, 1995.

For purposes of computing the ratios of earnings to fixed charges, earnings represent net income plus applicable income taxes and fixed charges. Fixed charges, excluding interest on deposits, represent interest expense (except interest on deposits), capitalized interest and the interest factor included in rents. Fixed charges, including interest on deposits, represent all interest expense, capitalized interest and the interest factor included in rents. There were no shares of preferred stock outstanding during any of the periods above indicated.

ACCOUNTING TREATMENT

For financial reporting purposes, the Trust will be treated as a subsidiary of the Company and, accordingly, the accounts of the Trust will be included in the consolidated financial statements of the Company. The Capital Securities will be presented in the consolidated balance sheet of the Company as a separate line item directly above stockholders' equity under the caption "Minority Interests—Preferred Stock Issued by Subsidiaries" or a similar caption. The Company will record Distributions payable on the Capital Securities as minority interest expense in its consolidated statement of income.

CAPITALIZATION

The following table sets forth the consolidated capitalization of the Company and its subsidiaries as of September 30, 1996, and as adjusted to give effect to the issuance of the guaranteed preferred beneficial interests in the Company's Junior Subordinated Debentures, issued December 19, 1996, and the consummation of the offering of the Capital Securities. Other than the adjustment described in the previous sentence, there has been no material change in the capitalization of the Company since September 30, 1996.

	September 30, 1996(a)	
	Actual	As Adjusted
	(Dollars in thousands)	
Long-term debt:		
Direct obligations of Company (b)	\$ 622,475	\$ 622,475
Obligations of Company subsidiaries	1,000	1,000
Total long-term debt	623,475	623,475
Minority Interests:		
Preferred Stock Issued by Subsidiaries—issued December 19, 1996 and issued January 23, 1997 (c)	—	450,000
Preferred Stock Issued by Subsidiaries—the Capital Securities (d)	—	300,000
	—	750,000
Shareholder's equity:		
Preferred stock	—	—
Common stock	37,308	37,308
Contributed capital	2,603,464	2,603,464
Net unrealized gain on investment securities available for sale	3,448	3,448
Retained earnings	527,374	527,374
Total shareholder's equity	3,171,594	3,171,594
Total capitalization	<u>\$3,795,069</u>	<u>\$4,545,069</u>
Capital ratios (e):		
Tier 1 capital to risk-based assets	8.04%	10.06%
Total capital to risk-based assets	10.60	12.61
Leverage	6.97	8.60

(a) Restated to include the accounts of New Jersey National which was merged into the Company on December 6, 1996.

(b) Includes \$355 million due CoreStates Capital Corporation, a subsidiary of the Holding Corporation.

(c) Reflects the issuance of capital securities by CoreStates Capital I and CoreStates Capital II.

(d) Reflects the Capital Securities. The Trust holds the Junior Subordinated Debentures as its sole asset. The Company owns all of the Common Securities of the Trust.

(e) "As Adjusted" capital ratios assume, for the purpose of calculating pro forma risk weighted assets, that the \$450 million proceeds from issuance of the previously issued capital securities and the Capital Securities offered hereby qualify as Tier 1 capital and are invested in time balances due from banks.

SELECTED UNAUDITED FINANCIAL DATA OF THE COMPANY

The selected unaudited financial data for the Company presented in the accompanying tables have been derived from the Call Reports for the nine months ended September 30, 1996 and 1995, and the years ended December 31, 1995 and 1994 as filed with the OCC and restated to include in all periods presented the accounts of affiliate banks including New Jersey National, Meridian Bank—Pennsylvania, Delaware Trust Company, Meridian Bank New Jersey and United Counties Bank, which were all merged into the Company at various times since December 31, 1995. The Call Reports are prepared in accordance with regulatory accounting principles, which differ, in certain cases, from generally accepted accounting principles used to prepare consolidated financial statements of the Holding Corporation. The financial data presented below is unaudited but, in the opinion of management, all material adjustments necessary for a fair presentation of the Company's results of operations for such periods have been made. All such adjustments were of a normal recurring nature. The results for the nine months ended September 30, 1996, are not necessarily indicative of the results for the full year or any other interim period.

Balance Sheet Data

	September 30,		December 31,	
	1996	1995	1995	1994
	<i>(in thousands)</i>			
Total assets	\$41,209,718	\$41,259,290	\$42,082,060	\$43,085,718
Investment securities	3,986,138	5,834,311	5,361,199	7,039,386
Loans	29,382,947	27,733,189	27,473,815	27,690,201
Allowance for loan losses	579,138	570,262	549,189	615,072
Deposits	32,759,016	33,556,306	34,734,766	35,339,797
Long-term debt	623,475	589,135	574,961	453,881
Common stock	\$ 37,308	\$ 37,308	\$ 37,308	\$ 37,308
Surplus	2,603,464	2,891,306	2,911,175	2,846,063
Undivided profits	530,822	653,471	646,635	627,868
Total shareholder's equity	<u>\$ 3,171,594</u>	<u>\$ 3,582,085</u>	<u>\$ 3,595,118</u>	<u>\$ 3,511,239</u>

Income Statement Data

	Nine Months Ended September 30,		Twelve Months Ended December 31,	
	1996	1995	1995	1994
	<i>(in thousands)</i>			
Interest income	\$2,054,829	\$2,232,075	\$2,956,664	\$2,603,370
Interest expense	732,963	863,259	1,134,271	845,311
Net interest income	1,321,866	1,368,816	1,822,393	1,758,059
Provision for loan losses	116,073	62,566	73,868	233,433
Non-interest income	593,597	577,092	780,832	714,482
Gains on investment securities	2,901	9,810	14,036	7,518
Non-financial expenses	1,187,197	1,334,482	1,721,937	1,733,618
Income before income taxes	615,094	558,670	821,456	513,008
Provision for income taxes	212,397	184,923	273,689	161,212
Net income	<u>\$ 402,697</u>	<u>\$ 373,747</u>	<u>\$ 547,767</u>	<u>\$ 351,796</u>

THE TRUST

The Trust is a statutory business trust created under the Delaware Business Trust Act, as amended (the "Trust Act"), pursuant to a declaration of trust, dated as of January 31, 1997 (as so amended and restated, the "Declaration"), among the Trustees (as defined below) and CoreStates Bank, N.A., as sponsor, and the filing of a certificate of trust with the Secretary of State of the State of Delaware. The Company will acquire Common Securities in an aggregate liquidation amount equal to at least 3% of the total capital of the Trust. The Trust will use all the proceeds derived from the issuance of the Capital Securities and the Common Securities to purchase the Junior Subordinated Debentures and, accordingly, the assets of the Trust will consist solely of the Junior Subordinated Debentures. The Trust exists for the exclusive purpose of (i) issuing the Trust Securities representing undivided beneficial ownership interests in the assets of the Trust, (ii) investing the gross proceeds of the Trust Securities in the Junior Subordinated Debentures, and (iii) engaging in only those other activities necessary or incidental thereto. The Declaration does not limit the aggregate liquidation amount of Trust Securities that may be issued thereunder, provided that prior to issuing any additional Trust Securities, the Trustees shall have received an opinion of counsel to the effect that the issuance of such Trust Securities will not affect the Trust status as a grantor trust for United States federal income tax purposes.

Pursuant to the Declaration, there will initially be five trustees (the "Trustees") for the Trust. Three of the Trustees (the "Regular Trustees") will be individuals who are employees or officers of or who are affiliated with the Company. The fourth trustee will be a financial institution that is unaffiliated with the Company (the "Property Trustee"). The fifth trustee will be an entity that maintains its principal place of business in the State of Delaware (the "Delaware Trustee"). Initially, The Chase Manhattan Bank will act as Property Trustee, and its affiliate, The Chase Manhattan Bank Delaware, will act as Delaware Trustee until, in each case, removed or replaced by the holder of the Common Securities. The Chase Manhattan Bank will also act as trustee under the Guarantee (the "Guarantee Trustee") and trustee under the Indenture (the "Indenture Trustee").

The Property Trustee will hold title to the Junior Subordinated Debentures for the benefit of the holders of the Trust Securities, and the Property Trustee will have the power to exercise all rights, powers and privileges with respect to the Junior Subordinated Debentures under the Indenture pursuant to which the Junior Subordinated Debentures are issued, as the holder of such Junior Subordinated Debentures. In addition, the Property Trustee will maintain exclusive control of a segregated non-interest bearing bank account (the "Property Account") to hold all payments made in respect of the Junior Subordinated Debentures for the benefit of the holders of the Trust Securities. The Guarantee Trustee will hold the Guarantee for the benefit of the holders of the Capital Securities. The Company, as the holder of all the Common Securities, will have the right to appoint, remove or replace any of the Trustees and to increase or decrease the number of Trustees, provided there shall always be a Delaware Trustee, a Property Trustee and a Regular Trustee.

Under the Indenture, the Company, or the borrower, has agreed to pay all fees and expenses related to the organization and operations of the Trust (including any taxes, duties, assessments or governmental charges of whatever nature (other than withholding taxes) imposed by the United States or any other domestic taxing authority upon the Trust) and the offering of the Capital Securities and be responsible for all debts and obligations of the Trust (other than with respect to the Capital Securities). See "Description of Capital Securities—Expenses and Taxes."

For so long as the Capital Securities remain outstanding, the Company 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 the 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 of 1940, as amended, and (iv) to take no action that 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.

The Declaration and the Guarantee incorporate by reference the terms of the Trust Indenture Act. The rights of the holders of the Capital Securities, including economic rights, rights to information and voting rights, are set forth in the Declaration and the Trust Indenture Act. See "Description of Capital Securities."

The location of the principal executive office of the Trust is Centre Square, West Tower, 1500 Market Street, Philadelphia, PA 19101.

DESCRIPTION OF CAPITAL SECURITIES

Pursuant to the terms of the Declaration, the Regular Trustees on behalf of the Trust will issue the Capital Securities and the Common Securities. The Capital Securities will represent undivided beneficial ownership interests in the assets of the Trust and the holders thereof will be entitled to a preference in certain circumstances with respect to Distributions and amounts payable on redemption or liquidation over the Common Securities, as well as other benefits as described in the Declaration. This summary of certain provisions of the Capital Securities and the Declaration does not purport to be complete and is subject to, and is qualified in its entirety by reference to, all the provisions of the Declaration, including the definitions therein of certain terms, and the Trust Indenture Act. Wherever particular defined terms of the Declaration (as supplemented or amended from time to time) are referred to herein, the definitions of such defined terms are incorporated herein by reference.

General

The Capital Securities will rank *pari passu*, and payments will be made thereon pro rata, with the Common Securities except as described under “—Subordination of Common Securities.” Legal title to the Junior Subordinated Debentures will be held by the Property Trustee in trust for the benefit of the holders of the Capital Securities and the Common Securities. The Guarantee executed by the Company for the benefit of the holders of the Capital Securities will be a guarantee on a subordinated basis with respect to the Capital Securities but will not guarantee payment of Distributions or amounts payable on redemption or liquidation of the Capital Securities when the Trust does not have sufficient funds available to make such payments. See “Description of Guarantee.” The Company’s obligations under the Guarantee, taken together with its obligations under the Junior Subordinated Debentures and the Indenture, including its obligation to pay all costs, expenses and liabilities of the Trust (other than with respect to the Capital Securities), constitute a full and unconditional guarantee of all of the Trust’s obligations under the Capital Securities. The Capital Securities are neither obligations of nor guaranteed by the Holding Corporation or any of its affiliates other than the Company and the Trust. The denomination of the Capital Securities is the liquidation amount. Any institutional “accredited investor” within the meaning of Rule 501(a)(1), (2), (3) or (7) under the Securities Act who is a purchaser must buy in minimum principal amounts of \$100,000.

Holders of the Capital Securities have no preemptive or similar rights.

Distributions

Distributions on each Capital Security will be payable in U.S. dollars at a variable annual rate equal to LIBOR plus .57% (which is the same rate payable on the Junior Subordinated Debentures) on the liquidation amount of \$1,000, payable quarterly in arrears on the 15th day of February, May, August and November of each year. See “Description of Junior Subordinated Debentures—Interest.” Distributions will accumulate from the date of original issuance and commence on May 15, 1997. The amount of Distributions payable for any period will be computed on the basis of the actual number of days elapsed in a year of twelve 30-day months.

Distributions on the Capital Securities must be paid on the dates payable to the extent that the Trust has funds available for the payment of such Distributions. The revenue of the Trust available for distribution to holders of its Capital Securities will be limited to payments under the Junior Subordinated Debentures in which the Trust will invest the proceeds from the issuance and sale of the Capital Securities and the Common Securities. See “Description of Junior Subordinated Debentures.” *If the Company does not make interest payments on the Junior Subordinated Debentures, the Property Trustee will not have funds available to pay Distributions on the Capital Securities.*

The Company will have the right under the Indenture to defer the payment of interest on the Junior Subordinated Debentures at any time or from time to time for a period not exceeding 20 consecutive

quarters (each, an “Extension Period”), provided that no Extension Period may extend beyond the Stated Maturity of the Junior Subordinated Debentures. Accordingly, there could be multiple Extension Periods of varying lengths throughout the term of the Junior Subordinated Debentures. As a consequence of any such extension, quarterly Distributions on the Capital Securities will be deferred by the Trust during any such Extension Period. Distributions to which holders of the Capital Securities are entitled will accumulate and compound quarterly at a variable annual rate equal to LIBOR plus .57% from the relevant payment date for such Distributions. The term “Distributions” as used herein shall include any such compounded amounts unless the context otherwise requires. During any such Extension Period, the Company may not, and may not permit any subsidiary of the Company to, (i) declare or pay any dividends or distributions on, or redeem, purchase, acquire, or make a liquidation payment with respect to, any of the Company’s capital stock or (ii) make any payment of principal, interest or premium, if any, on or repay, repurchase or redeem any debt securities of the Company that rank *pari passu* with or junior to the Junior Subordinated Debentures or make any guarantee payments with respect to any guarantee by the Company of the debt securities of any subsidiary of the Company if such guarantee ranks *pari passu* with or junior in interest to the Junior Subordinated Debentures (other than (a) repurchases, redemptions or other acquisitions of shares of capital stock of the Company in connection with any employment contract, benefit plan or other similar arrangement with or for the benefit of any one or more employees, officers, directors or consultants, or in connection with a dividend reinvestment or stockholder stock purchase plan, (b) as a result of an exchange or conversion of any class or series of the Company’s capital stock (or any capital stock of a subsidiary of the Company) for any class or series of the Company’s capital stock or of any class or series of the Company’s indebtedness for any class or series of the Company’s capital stock, (c) the purchase of fractional interests in shares of the Company’s capital stock pursuant to the conversion or exchange provisions of such capital stock or the security being converted or exchanged, (d) any declaration of a dividend in connection with any stockholder’s rights plan, or the issuance of rights, stock or other property under any stockholder’s rights plan, or the redemption or repurchase of rights pursuant thereto, or (e) any dividend in the form of stock, warrants, options or other rights where the dividend stock or the stock issuable upon exercise of such warrants, options or other rights is the same stock as that on which the dividend is being paid (or ranks *pari passu* with or junior to such stock)). Prior to the termination of any such Extension Period, the Company may further extend the Extension Period, provided that no Extension Period may exceed 20 consecutive quarters or extend beyond the Stated Maturity of the Junior Subordinated Debentures. Upon the termination of any such Extension Period and the payment of all amounts then due on any Interest Payment Date, the Company may elect to begin a new Extension Period subject to the foregoing requirements. See “Description of Junior Subordinated Debentures—Option to Extend Interest Payment Period.” The Company has no current intention of exercising its right to defer payments of interest by extending the interest payment period of the Junior Subordinated Debentures.

The Property Trustee will cause the rate of Distributions, amount of Distributions, the payment dates for each Distribution and the Extension Period, if any, to be provided to the Luxembourg Stock Exchange and published in a daily newspaper in Luxembourg (which is expected to be the *Luxemburger Wort*) as soon as possible after the determination thereof.

In the event that any date on which Distributions are payable on the Capital Securities is not a Business Day, then payment of the Distributions payable on such date will be made on the next succeeding day that is a Business Day (and without any additional Distributions or other payment in respect of any such delay), with the same force and effect as if made on the date such payment was originally payable (each date on which Distributions are payable in accordance with the foregoing, a “Distribution Date”). A “Business Day” shall mean any day other than a Saturday or a Sunday, or a day on which banking institutions in The City of New York or the City of Philadelphia 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 or the Indenture Trustee (as defined herein) is closed for business.

Distributions on the Capital Securities (other than distributions on a Redemption Date (as defined herein)) will be payable to the holders thereof as they appear on the register of the Trust on the relevant record dates, which shall be the first day of the month of the relevant Distribution Date. 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.

Holders of interests in the Regulation S Temporary Global Capital Security shall only receive any Distributions, Redemption Price or any other payment due on such Regulation S Temporary Global Capital Security upon certification of non-U.S. beneficial ownership to the Property Trustee. See “Book-Entry Issuance—Payments; Certification by Holders of the Regulation S Temporary Global Capital Security.”

Redemption

Mandatory Redemption. Unless a Special Event has occurred, the Capital Securities will not be redeemable prior to February 15, 2007. The Capital Securities will mature at their liquidation amount, unless redeemed prior thereto, on February 15, 2027. Upon the repayment or redemption, in whole or in part, of the Junior Subordinated Debentures, whether at Stated Maturity or upon earlier redemption as provided in the Indenture, the proceeds from such repayment or redemption shall be applied by the Property Trustee to redeem Capital Securities and Common Securities upon not less than 30 nor more than 60 days' notice prior to the date fixed for repayment or redemption. If less than all of the Junior Subordinated Debentures are to be repaid or redeemed on a Redemption Date, then the proceeds from such repayment or redemption shall be allocated to the redemption pro rata of the Capital Securities and the Common Securities.

Special Event Redemption or Distribution of Junior Subordinated Debentures. If a Special Event shall occur and be continuing, the Company will have the right, subject to the receipt of any necessary prior approval of the OCC, to either (i) redeem within 90 days following the occurrence of such Special Event the Junior Subordinated Debentures on the date of redemption (the “Redemption Date”) in whole (but not in part) and thereby cause a mandatory redemption of the Capital Securities in whole (but not in part) at a redemption price with respect to the Capital Securities equal to the redemption price in respect of the Junior Subordinated Debentures or (ii) to dissolve the Trust and, after satisfaction of the claims of creditors of the Trust as provided by applicable law, cause the Junior Subordinated Debentures to be distributed to the holders of the Capital Securities in liquidation of the Trust. Under current United States federal income tax law and interpretations thereof and assuming, as expected, the Trust is treated as a grantor trust, a distribution of the Junior Subordinated Debentures should not be a taxable event to holders of the Capital Securities. Should there be a change in law, a change in legal interpretation, certain Tax Events or other circumstances, however, the distribution could be a taxable event to holders of the Capital Securities. See “Certain United States Federal Income Tax Consequences—Distribution of Junior Subordinated Debentures or Cash upon Liquidation of the Trust.”

If the Company does not elect either option described above, the Capital Securities will remain outstanding until the repayment of the Junior Subordinated Debentures, whether at Stated Maturity or their earlier redemption, and in the event a Tax Event has occurred and is continuing, the Company will be obligated to pay any additional taxes, duties, assessments and other governmental charges (other than withholding taxes) to which the Trust has become subject as a result of a Tax Event.

A “Special Event” means a Tax Event, a Regulatory Capital Event or an Investment Company Event. A “Tax Event” means the receipt by the Company 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 or change (including any announced prospective change, which announced prospective change may have a retroactive effect) 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 prospective change, pronouncement or action or decision is announced or which action is taken on or after the date of original issuance of the Capital Securities, there is more than an insubstantial risk that (i) the Trust is, or will be within 90 days of the date of such opinion, subject to United States federal income tax with respect to income received or accrued on the Junior Subordinated Debentures, (ii) interest payable by the Company on such Junior Subordinated Debentures is not, or within 90 days of the date of such opinion, will not be, deductible by the Company, 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. A "Regulatory Capital Event" means that the Company shall have received an opinion of independent bank regulatory counsel experienced in such matters to the effect that, as a result of (a) any amendment to or change (including any announced prospective change) in the laws (or any regulations thereunder) of the United States or any rules, guidelines or policies of the OCC or the Board of Governors of the Federal Reserve System (the "Federal Reserve") 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, the Capital Securities do not constitute, or within 90 days of the date thereof, will not constitute (x) either Tier 1 capital (or its then equivalent) or Tier 2 capital (or its then equivalent), in the case of the Company, or (y) Tier 1 capital in the case of the Holding Corporation; provided, however, that the distribution of the Junior Subordinated Debentures in connection with the liquidation of the Trust by the Company 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. "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 or a change in interpretation or application of law or regulation by any legislative body, court, governmental agency or regulatory authority (a "Change in 1940 Act Law"), the Trust is or will be considered an "investment company" that is required to be registered under the Investment Company Act of 1940, as amended, which Change in 1940 Act Law becomes effective on or after the date of original issuance of the Capital Securities.

Redemption Procedures

Capital Securities redeemed on each Redemption Date shall be redeemed at the redemption price received by the Trust in respect of the Junior Subordinated Debentures (the "Redemption Price") with the applicable proceeds from the contemporaneous redemption or payment at Stated Maturity of the Junior Subordinated Debentures. Redemptions of the Capital Securities shall be made and the Redemption Price shall be payable on each Redemption Date only to the extent that the Trust has sufficient funds available for the payment of such Redemption Price. See also "—Subordination of Common Securities." Holders of interests in the Regulation S Temporary Global Capital Security shall only receive any Distributions, Redemption Price or any other payments due on such Regulation S Temporary Global Capital Security upon certification of non-U.S. beneficial ownership. See "Book-Entry Issuance—Payments; Certifications by Holders of the Regulation S Temporary Global Capital Security."

Notice of any redemption will be mailed at least 30 days but not more than 60 days before the Redemption Date to each holder of Capital Securities to be redeemed at its registered address. If the Trust gives a notice of redemption in respect of the Capital Securities, then, by 12:00 noon, New York City time, on the Redemption Date, to the extent funds are available, the Property Trustee will deposit irrevocably with DTC or its nominee funds sufficient to pay the applicable Redemption Price for all

securities held in DTC and will give DTC irrevocable instructions and authority to pay the Redemption Price to the holders of the Capital Securities held through DTC. See "Book-Entry Issuance." If any Capital Securities are held in certificated 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. Notwithstanding the foregoing, Distributions payable on or prior to the Redemption Date for any Capital Security called for redemption shall be payable to the holders of such Capital Security on the relevant record dates for the related Distribution Dates. If notice of redemption shall have been given and funds deposited as required, then upon the date of such deposit, all rights of the holders of such Capital Securities so called for redemption will cease, except the right of the holders of such Capital Securities to receive the Redemption Price, but without interest on such Redemption Price, and such Capital Securities will cease to be outstanding. In the event that any date fixed for redemption of Capital Securities is not a Business Day, then payment of the Redemption Price payable on such date will be made on the next succeeding day which is a Business Day (and without any interest or other payment in respect of any such delay), except that, if such Business Day 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 the date such payment was originally payable. In the event that payment of the Redemption Price in respect of Capital Securities called for redemption is improperly withheld or refused and not paid either by the Trust or by the Company pursuant to the Guarantee as described under "Description of Guarantee", Distributions on such Capital Securities will continue to accrue at the then applicable rate, from the Redemption Date originally established by the Trust for the Capital Securities to the date such Redemption Price is actually paid, in which case the actual payment date will be the date fixed for redemption for purposes of calculating the Redemption Price.

Subject to applicable law (including, without limitation, United States federal securities law) and to the provisions of the Declaration, the Company 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.

The Trust may not redeem fewer than all of the outstanding Capital Securities unless all accrued and unpaid Distributions have been paid on all Capital Securities for all quarterly distribution periods terminating on or prior to the date of redemption. If less than all of the Capital Securities and Common Securities issued by the Trust are to be redeemed on a Redemption Date, then the aggregate amount of such Capital Securities and Common Securities to be redeemed shall be allocated pro rata among the Capital Securities and the Common Securities. If the Capital Securities are in book-entry form, they will be redeemed as described below under "Book-Entry Issuance." If not, the particular Capital Securities to be redeemed shall be selected on a pro rata basis not more than 60 days prior to the Redemption Date by the Property Trustee from the outstanding Capital Securities not previously called for redemption, by such method as the Property Trustee shall deem fair and appropriate and which may provide for the selection for redemption of portions (equal to \$1,000 or an integral multiple of \$1,000 in excess thereof) of the liquidation amount of Capital Securities of a denomination larger than \$1,000. The Property Trustee shall promptly notify the Trust registrar in writing of the Capital Securities selected for redemption and, in the case of any Capital Security selected for partial redemption, the liquidation amount thereof to be redeemed. For all purposes of the 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.

Subordination of Common Securities

Payment of Distributions on, and the Redemption Price 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 Distribution Date or Redemption Date an Indenture Event of Default shall have occurred and be continuing, no payment of any Distribution on, or Redemption Price of, 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 payment of the Redemption Price, the full amount of such Redemption Price on 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 Redemption Price of, the Capital Securities then due and payable.

Liquidation Distribution Upon Dissolution

Pursuant to the Declaration, the Trust shall automatically dissolve upon expiration of its term and shall dissolve on the first to occur of: (i) any liquidation, insolvency or similar proceeding with respect to the Company or all or substantially all of its property, (ii) the distribution of the Junior Subordinated Debentures to the holders of the Capital Securities and Common Securities; (iii) the repayment of all of the Capital Securities in connection with the maturity or redemption of all of the Junior Subordinated Debentures; and (iv) the entry by a court of competent jurisdiction of an order for the dissolution of the Trust. Notice of such liquidation shall be given to the holders of the Common Securities and Capital Securities by the Trustees within 30 days of such event.

If an early dissolution occurs as described in clause (i), (ii) or (iv) above, the Trust shall be liquidated by the Trustees as expeditiously as the Trustees determine to be possible by distributing, after satisfaction of liabilities to creditors of the Trust as provided by applicable law, to the holders of the Capital Securities and Common Securities their *pro rata* interest in the Junior Subordinated Debentures, unless such distribution is determined by the Property Trustee not to be practicable, in which event such holders will be entitled to receive out of the assets of the Trust available for distribution to holders, after satisfaction of liabilities to creditors of the Trust as provided by applicable law, an amount equal to, in the case of holders of Capital Securities, the aggregate of the liquidation amount plus accrued and unpaid Distributions thereon to the date of payment (such amount being the "Liquidation Distribution"). If such 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 Capital Securities shall be paid on a *pro rata* basis. The holder(s) 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 priority over the Common Securities.

Upon any liquidation in which the Junior Subordinated Debentures are distributed, if at any time of such liquidation the Capital Securities are (i) rated by at least one nationally recognized statistical rating organization, (ii) listed on the Luxembourg Stock Exchange or (iii) eligible for quotation in PORTAL, the Company shall use its best efforts to (a) obtain from at least one nationally recognized statistical rating organization, a rating for the Junior Subordinated Debentures, (b) list the Junior Subordinated Debentures on the Luxembourg Stock Exchange or (c) qualify the Junior Subordinated Debentures for quotation in PORTAL, as the case may be.

The OCC's risk-based capital guidelines currently provide that a national bank's capital instruments may be redeemed prior to maturity only with the prior approval of the OCC, and that the OCC typically will consider requests for the redemption of capital instruments when the instruments are to be redeemed with the proceeds of, or are replaced by a like amount, of a similar or higher quality capital instrument. In the event the Company, as the holder of all of the Common Securities, terminates the Trust prior to the stated maturity of the Capital Securities and the termination of the Trust is deemed to constitute the redemption of capital instruments by the OCC under its risk-based capital

guidelines or policies, the termination of the Trust by the Company would be subject to the prior approval of the OCC under its capital guidelines and policies as currently in effect.

After the liquidation date is fixed for any distribution of Junior Subordinated Debentures to holders of the Capital Securities (i) the Capital Securities will no longer be deemed to be outstanding, (ii) DTC or its nominee, as a record holder of Capital Securities, will receive a registered global certificate or certificates representing the Junior Subordinated Debentures to be delivered to it upon such distribution and (iii) any certificates representing Capital Securities held in certificated form will be deemed to represent Junior Subordinated Debentures having a principal amount equal to the liquidation amount of such Capital Securities, and bearing accrued and unpaid interest in an amount equal to the accrued and unpaid Distributions on such Capital Securities until such certificates are presented for cancellation whereupon the Company will issue to such holder, and the Indenture Trustee will authenticate, a certificate representing such Junior Subordinated Debentures.

Trust Enforcement Events

An Indenture Event of Default constitutes a Trust Enforcement Event under the Declaration with respect to the Trust Securities, provided that pursuant to the Declaration, the holder of the Common Securities will be deemed to have waived any Trust Enforcement Event with respect to the Common Securities until all Trust Enforcement Events with respect to the Capital Securities have been cured, waived or otherwise eliminated. Until such Trust Enforcement Event with respect to the Capital Securities has 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 with respect to certain matters under the Declaration, and therefore the Indenture.

Upon the occurrence of a Trust Enforcement Event, the Indenture Trustee or the Property Trustee as the holder of the Junior Subordinated Debentures will have the right under the Indenture to declare the principal of and interest on the Junior Subordinated Debentures to be immediately due and payable. Each of the Company and the Trust is required to file annually with the Property Trustee an officer's certificate as to its compliance with all conditions and covenants under the Declaration.

If the Property Trustee fails to enforce its rights with respect to the Junior Subordinated Debentures held by the Trust, any record holder of Capital Securities may, to the fullest extent permitted by law, institute legal proceedings directly against the Company to enforce the Property Trustee's rights under such Junior Subordinated Debentures without first instituting any legal proceedings against such Property Trustee or any other person or entity. In addition, if a Trust Enforcement Event has occurred and is continuing and such event is attributable to the failure of the Company to pay interest, principal or other required payments on the Junior Subordinated Debentures issued to the Trust on the date such interest, principal or other payment is otherwise payable, then a record holder of Capital Securities may, on or after the respective due dates specified in the Junior Subordinated Debentures, institute a proceeding directly against the Company under the Indenture for enforcement of payment on Junior Subordinated Debentures having a principal amount equal to the aggregate liquidation amount of the Capital Securities held by such holder. In connection with such Direct Action, the Company will be subrogated to the rights of such record holder of Capital Securities to the extent of any payment made by the Company to such record holder of Capital Securities.

Voting Rights; Amendment of the Declaration

Except as provided below and under "Description of Guarantee—Amendments and Assignment" and as otherwise required by law and the Declaration, the holders of the Capital Securities will have no voting rights. The Regular Trustees are required to call a meeting of the holders of the Capital Securities if directed to do so by holders of at least 10% in aggregate liquidation amount thereof.

So long as any Junior Subordinated Debentures are held by the Property Trustee, the Trustees shall not (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 Junior Subordinated 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 Junior Subordinated Debentures shall be due and payable, or (iv) consent to any amendment, modification or termination of the Indenture or such Junior Subordinated Debentures, where such consent shall be required, without, in each case, obtaining the prior approval of the holders of a majority in aggregate liquidation amount of all outstanding Capital Securities; provided, however, that where a consent under the Indenture would require the consent of each holder of Junior Subordinated Debentures affected thereby, no such consent shall be given by the Property Trustee without the prior consent of each holder of Capital Securities. The 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. The Property Trustee shall notify each holder of record of the Capital Securities of any notice of default which it receives with respect to the Junior Subordinated Debentures. In addition to obtaining the foregoing approvals of the holders of the Capital Securities, prior to taking any of the foregoing actions, the Trustees shall receive an opinion of counsel experienced in such matters to the effect that the Trust will not be classified as other than a grantor trust for United States federal income tax purposes on account of such action.

The Declaration may be amended from time to time by the holders of a majority of the Common Securities and the Regular Trustee (and in certain circumstances the Property Trustee and the Delaware Trustee), without the consent of the holders of the Capital Securities, (i) to cure any ambiguity, correct or supplement any provisions in the Declaration that may be inconsistent with any other provision, or to make any other provisions with respect to matters or questions arising under the Declaration that shall not be inconsistent with the other provisions of the Declaration or (ii) to modify, eliminate or add to any provisions of the Declaration to such extent as shall be necessary to ensure that the Trust will be classified as a grantor trust for United States federal income tax purposes at all times that any Capital Securities and Common 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 the Declaration shall become effective when notice thereof is given to the holders of Capital Securities and Common Securities. The Declaration may also be amended by the holders of a majority in aggregate liquidation amount of the Common Securities and the Regular Trustee with (i) the consent of holders representing not less than a majority (based upon liquidation amounts) of the outstanding Capital Securities and (ii) receipt by the Regular Trustees of an opinion of counsel to the effect that such amendment or the exercise of any power granted to the Regular Trustees in accordance with such amendment will not affect the Trust's status as a grantor trust for United States federal income tax purposes or the Trust's exemption from status as an "investment company" under the Investment Company Act, provided, that without the consent of each holder of Capital Securities and Common Securities affected thereby, the Declaration may not be amended to (i) change the amount or timing of any Distribution on the Capital Securities and Common Securities or otherwise adversely affect the amount of any Distribution required to be made in respect of the Capital Securities and Common Securities as of a specified date or (ii) restrict the right of a holder of Capital Securities or Common Securities to institute suit for the enforcement of any such payment on or after such date.

Any required approval of holders of Capital Securities may be given at a meeting of holders of Capital Securities convened for such purpose or pursuant to written consent. The Regular Trustees 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 given to each holder of record of Capital Securities in the manner set forth in the Declaration.

No vote or consent of the holders of Capital Securities will be required for the Trust to redeem and cancel its Capital Securities in accordance with the Declaration.

Notwithstanding that holders of Capital Securities are entitled to vote or consent under any of the circumstances described above, any of the Capital Securities that are owned by the Company, the Trustees or any affiliate of the Company or any Trustees, shall, for purposes of such vote or consent, be treated as if they were not outstanding.

Expenses and Taxes

In the Indenture, the Company, as borrower, has agreed to pay all debts and other obligations (other than with respect to the Capital Securities) and all costs and expenses of the Trust (including costs and expenses relating to the organization of the Trust, the fees and expenses of the Trustees and the costs and expenses relating to the operation of the Trust) and to pay any and all taxes and all costs and expenses with respect thereto (other than United States withholding taxes) to which the Trust might become subject. The Company has also agreed in the Indenture to execute such additional agreements as may be necessary or desirable to give full effect to the foregoing.

Notices

All notices to holders of Capital Securities shall be validly given if in writing and mailed by first class mail to them at their respective addresses in the register of holders of Capital Securities maintained by the registrar of the Trust and so long as the Capital Securities are listed on the Luxembourg Stock Exchange and the Luxembourg Stock Exchange and the rules of such Exchange so require, by publication, in a leading newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*). Any such notice shall be deemed to have been given on the later of the date of such publication and the seventh day after being so mailed.

Registrar and Transfer Agent

The Chase Manhattan Bank will act as the initial registrar and The Chase Manhattan Bank and Chase Manhattan Bank Luxembourg S.A. will act as transfer agent for the Capital Securities. The Company and the Trust shall at all times maintain in the City of New York and, so long as the Capital Securities are listed on the Luxembourg Stock Exchange and the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, a transfer agent in Luxembourg. Definitive Capital Securities may be presented to the Luxembourg transfer agent for transfer.

Registration of transfers of Capital Securities will be effected without charge by or on behalf of the Trust, but the Trust may require payment of any tax or other governmental charges that may be imposed in connection with any transfer or exchange. The Trust will not be required (i) to register or cause to be registered the transfer or exchange of the Capital Securities during a period beginning at the opening of business 15 days before the day of the mailing of the relevant notice of redemption and ending at the close of business on the day of mailing of such notice of redemption or (ii) to register or cause to be registered the transfer or exchange of any Capital Securities so selected for redemption, except in the case of any Capital Securities being redeemed in part, any portion thereof not to be redeemed.

Information Concerning the Property Trustee

The Property Trustee, other than during the occurrence and continuance of a Trust Enforcement Event, undertakes to perform only such duties as are specifically set forth in the Declaration and, after

such Trust Enforcement Event, must exercise the same degree of care and skill as a prudent person would exercise or use in the conduct of his or her own affairs. Subject to this provision, the Property Trustee is under no obligation to exercise any of the powers vested in it by the Declaration at the request of any holder of Capital Securities unless it is offered reasonable indemnity against the costs, expenses and liabilities that might be incurred thereby. 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 the Declaration or is unsure of the application of any provision of the 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 Company and, if not so directed, shall take such action as it deems advisable and in the best interests of the holders of the Capital Securities and the Common Securities and will have no liability except for its own bad faith, negligence or willful misconduct.

The Company and certain of its affiliates conduct banking and other transactions with the Property Trustee and its affiliates in the ordinary course of their business.

Payment and Paying Agency

Payments in respect of the Global Capital Securities (as defined herein) shall be made to DTC, which shall credit the relevant accounts at DTC on the applicable Distribution Dates or, if the Capital Securities are held in certificated form, such payments shall be made by check mailed to the address of the holder entitled thereto as such address shall appear on the register maintained by the registrar. The paying agent (the "Paying Agent") shall initially be the Property Trustee and any co-paying agent chosen by the Property Trustee and acceptable to the Regular Trustees and the Company. Initially, Chase Manhattan Bank Luxembourg S.A. will act as co-paying agent. The Company and the Trust shall at all times and so long as the Capital Securities are listed on the Luxembourg Stock Exchange, and the Luxembourg Stock Exchange so requires, maintain a paying agent in Luxembourg. The Paying Agent shall be permitted to resign as Paying Agent upon 30 days' written notice to the Property Trustee and the Company. In the event that the Property Trustee shall no longer be the Paying Agent, the Regular Trustees shall appoint a successor (which shall be a bank or trust company acceptable to the Regular Trustees and the Company) to act as Paying Agent.

Mergers, Consolidations, Amalgamations or Replacements of the Trust

The Trust may not merge with or into, consolidate, amalgamate, or be replaced by, or convey, transfer or lease its properties and assets substantially as an entirety to any entity, except as described below or as otherwise described in the Declaration. The Trust may, at the request of the Company with the consent of the holders of at least a majority in aggregate liquidation amount of the Capital Securities, merge with or into, consolidate, amalgamate, be replaced by or convey, transfer or lease its properties and assets substantially as an entirety to a trust organized as such under the laws of any State; provided that (i) such successor entity (if not the Trust) either (a) expressly assumes all of the obligations of the Trust with respect to the Capital 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 in priority 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 possessing the same powers and duties as the Property Trustee as the holder of the Junior Subordinated Debentures, (iii) 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, (iv) 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, (v) such successor entity has a purpose substantially

identical to that of the Trust, (vi) prior to such merger, consolidation, amalgamation, replacement, conveyance, transfer, or lease, the Company has received an opinion from 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 and (b) following such merger, consolidation, amalgamation, replacement, conveyance, transfer or lease, (1) neither the Trust nor such successor entity will be required to register as an investment company under the Investment Company Act and (2) the Trust or the successor entity will continue to be classified as a grantor trust for United States federal income tax purposes, (vii) the Company or any permitted successor or assignee owns all of the Common Securities of such successor entity and guarantees the obligations of such successor entity under the Successor Securities at least to the extent provided by the Guarantee, and (viii) such successor entity (if not the Trust) expressly assumes all of the obligations of the Trust with respect to the Trustees. Notwithstanding the foregoing, the Trust shall not, except with the consent of holders of 100% in aggregate liquidation amount of the Capital Securities, consolidate, amalgamate, merge with or into, be replaced by or convey, transfer or lease its properties and assets substantially as an entirety to any other entity or permit any other entity to consolidate, amalgamate, merge with or into, or replace it if such consolidation, amalgamation, merger, replacement, conveyance, transfer or lease would cause the Trust or the successor entity to be classified as other than a grantor trust for United States federal income tax purposes.

Merger or Consolidation of Trustees

Any corporation into which the Property Trustee, the Delaware Trustee or any Regular 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 such Trustee shall be a party, or any corporation succeeding to all or substantially all the corporate trust business of such Trustee, shall be the successor of such Trustee under the Declaration, provided such corporation shall be otherwise qualified and eligible.

Governing Law

The Declaration and the Capital Securities will be governed by, and construed in accordance with, the laws of the State of Delaware, without regard to principles of conflict of laws.

Miscellaneous

1. The Capital Securities represented by a Regulation S temporary global or permanent global security have been accepted for clearance through the CEDEL and Euroclear systems with a Common Code of 007342691. The CUSIP Number for the Capital Securities represented by the Restricted Global Capital Securities is 21869MAA5, the CUSIP Number for the Regulation S Global Capital Securities is U20665AA0 and the CUSIP Number for the Other Capital Securities represented by registered, certificated securities is 21869MAB3. The International Securities Identification Number ("ISIN") for the Capital Securities represented by the Regulation S temporary global or permanent global security is USU 20665AA05.

2. Application has been made to list the Capital Securities on the Luxembourg Stock Exchange. The legal notice relating to the issue of the Capital Securities and the Articles of Incorporation of the Company will be registered prior to the listing with the Registrar of the District Court in Luxembourg (*Greffier en Chef du Tribunal d'Arrondissement de et à Luxembourg*), where such documents are available for inspection and where copies thereof can be obtained upon request. As long as the Capital Securities are listed on the Luxembourg Stock Exchange, the Company will maintain a paying agent and a transfer agent in Luxembourg.

3. Each of the Company and the Trust has obtained all necessary contents, approvals and authorizations in connection with the issue and performance of the Capital Securities, except as disclosed in this Offering Memorandum.

4. Except as disclosed in this Offering Memorandum, there has been no material adverse change in the financial position or prospects of the Company or any of its subsidiaries since September 30, 1996.

5. Other than as referred to elsewhere in this Offering Memorandum, neither the Company nor any of its subsidiaries is involved in any litigation or arbitration proceedings that may have, or have had during the 12 months preceding the date of this document, a significant effect on the financial position of the Company or any of its subsidiaries, nor is the Company or any of its subsidiaries aware that any such proceedings are pending or threatened.

6. A copy of the Articles of Association of the Company and copies of the Indenture, the Declaration, the Guarantee and the Purchase Agreement (or, pending execution thereof, drafts thereof subject to modification) will, for so long as the Capital Securities are listed on the Luxembourg Stock Exchange, be available for inspection during usual business hours on any weekday (except public holidays) at the offices of the transfer agent in Luxembourg. As long as any Capital Securities remain outstanding, copies of the latest Call Report of the Company, as at December 31 in each year and the quarterly Call Reports as at March 31, June 30 and September 30 in each year may be obtained (free of charge) at the offices of the Company specified above and at the specified offices of the paying agents. Other than Call Reports, the Company does not publish interim or other financial statements.

7. Approval for the issuance of the Capital Securities was granted by the Board of Directors of the Company on January 21, 1997.

8. The Capital Securities will initially be offered to investors at 99.0345% of the liquidation amount per Capital Security.

9. The Company has taken all reasonable care to insure that the information contained in this Offering Memorandum in relation to the Company and the Capital Securities is true and accurate in all material respects and that in relation to the Company and the Capital Securities, there are no material facts the omission of which would make misleading any statement herein, whether fact of opinion. The Company accepts responsibility for the information contained in this Offering Memorandum.

DESCRIPTION OF JUNIOR SUBORDINATED DEBENTURES

The Junior Subordinated Debentures are to be issued under an Indenture (the "Indenture") between the Company and The Chase Manhattan Bank, as trustee (the "Indenture Trustee"). This summary of certain terms and provisions of the Junior Subordinated Debentures and the Indenture does not purport to be complete and is subject to, and is qualified in its entirety by reference to, the Indenture.

General

Concurrently with the issuance of the Capital Securities, the Trust will invest the proceeds thereof and the consideration paid by the Company for the Common Securities in the Junior Subordinated Debentures issued by the Company. The Junior Subordinated Debentures will be issued in an aggregate principal amount equal to the aggregate liquidation amount of the Capital Securities and the Common Securities. It is anticipated that, until the liquidation, if any, of the Trust, each Junior Subordinated Debenture will be held in the name of the Property Trustee in trust for the benefit of the holders of the Capital Securities and the Common Securities. The Junior Subordinated Debentures will bear interest at a variable annual rate equal to LIBOR plus .57% on the principal amount thereof, payable quarterly in arrears on the 15th day of February, May, August and November of each year (each, an "Interest Payment Date"), commencing May 15, 1997, to the person in whose name each Junior Subordinated Debenture is registered, subject to certain exceptions, at the close of business on the first day of the month of the relevant Interest Payment Date. The amount of interest payable for any period will be computed on the basis of the actual number of days elapsed in a year of twelve 30-day months. In the event that any date on which interest is payable on the Junior Subordinated Debentures is not a Business Day, then payment of the interest 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), with the same force and effect as if made on the date such payment was originally payable. Accrued interest that is not paid on the applicable Interest Payment Date will bear additional interest on the amount thereof (to the extent permitted by law) at a variable annual rate equal to LIBOR plus .57%, compounded quarterly. The term "interest" as used herein shall include quarterly interest payments and interest on quarterly interest payments not paid on the applicable Interest Payment Date, as applicable. Interest on the Junior Subordinated Debentures shall accrue from January 31, 1997.

The Junior Subordinated Debentures will mature on February 15, 2027.

The Junior Subordinated Debentures will be unsecured and will rank junior and be subordinate in right of payment to all Indebtedness of the Company to the extent described herein. The Indenture does not limit the incurrence or issuance of other secured or unsecured debt of the Company, whether under the Indenture or any existing or other indenture that the Company may enter into in the future or otherwise. See "—Subordination."

The federal banking agencies possess broad powers to take corrective action as deemed appropriate for an insured depository institution, including without limitation, under certain circumstances, the ability to prohibit the payment of principal or interest on subordinated debt. See "Supervision, Regulation and Other Matters."

The Indenture does not limit the aggregate principal amount of Junior Subordinated Debentures that may be issued thereunder.

The general provisions of the Indenture do not afford holders of the Junior Subordinated Debentures protection in the event of a highly leveraged or other transaction involving the Company that may adversely affect holders of the Junior Subordinated Debentures.

Interest

The Chase Manhattan Bank, as Calculation Agent (the "Calculation Agent"), will calculate the interest rate for each quarterly interest period based on LIBOR determined as of two London Business Days (defined as any day, other than a Saturday or Sunday, on which banks are open for business in London) prior to the first day of such interest period (each, a "Determination Date"). "LIBOR" means, with respect to a quarterly interest period relating to an Interest Payment Date (in the following order of priority):

(i) the rate (expressed as a percentage per annum) for Eurodollar deposits having a three-month maturity that appears on Telerate Page 3750 as of 11:00 a.m. (London time) on the related Determination Date;

(ii) if such rate does not appear on Telerate Page 3750 as of 11:00 a.m. (London time) on the related Determination Date, LIBOR will be the arithmetic mean (if necessary rounded upwards to the nearest whole multiple of .00001%) of the rates (expressed as percentages per annum) for Eurodollar deposits having a three-month maturity that appear on Reuters Monitor Money Rates Page LIBO ("Reuters Page LIBO") as of 11:00 a.m. (London time) on such Determination Date;

(iii) if such rate does not appear on Reuters Page LIBO as of 11:00 a.m. (London time) on the related Determination Date, the Calculation Agent will request the principal London offices of four leading banks in the London interbank market to provide such banks' offered quotations (expressed as percentages per annum) to prime banks in the London interbank market for Eurodollar deposits having a three-month maturity as of 11:00 a.m. (London time) on such Determination Date. If at least two quotations are provided, LIBOR will be the arithmetic mean (if necessary rounded upwards to the nearest whole multiple of .00001%) of such quotations;

(iv) if fewer than two such quotations are provided as requested in clause (iii) above, the Calculation Agent will request four major New York City banks to provide such banks' offered quotations (expressed as percentages per annum) to leading European banks for loans in Eurodollars as of 11:00 a.m. (London time) on such Determination Date. If at least two such quotations are provided, LIBOR will be the arithmetic mean (if necessary rounded upwards to the nearest whole multiple of .00001%) of such quotations; and

(v) if fewer than two such quotations are provided as requested in clause (iv) above, LIBOR will be LIBOR determined with respect to the interest period immediately preceding such current interest period.

If the rate for Eurodollar deposits having a three-month maturity that initially appears on Telerate Page 3750 or Reuters Page LIBO, as the case may be, as of 11:00 a.m. (London time) on the related Determination Date is superseded on Telerate Page 3750 or Reuters Page LIBO, as the case may be, by a corrected rate before 12:00 noon (London time) on such Determination Date, the corrected rate as so substituted on the applicable page will be the applicable LIBOR for such Determination Date.

Absent manifest error, the Calculation Agent's determination of LIBOR and its calculation of the applicable interest rate for each interest period will be final and binding. Investors may obtain the interest rates for the current and preceding interest period by writing or calling Corporate Trust Administration at the Calculation Agent at The Chase Manhattan Bank, 450 West 33rd Street, New York, New York 10001.

Option to Extend Interest Payment Period

So long as no Indenture Event of Default has occurred and is continuing, the Company has the right under the Indenture to defer the payment of interest at any time or from time to time for a period not exceeding 20 consecutive quarters with respect to each Extension Period, provided that no Extension Period may extend beyond the Stated Maturity of the Junior Subordinated Debentures. At the end of such Extension Period, the Company must pay all interest then accrued and unpaid (together with interest thereon at a variable annual rate equal to LIBOR plus .57%, compounded

quarterly, to the extent permitted by applicable law). During an Extension Period, interest will continue to accrue and holders of Junior Subordinated Debentures (or holders of Capital Securities while the Capital Securities are outstanding) will be required to accrue interest income (as OID) for United States federal income tax purposes. See "Certain United States Federal Income Tax Consequences—Interest Income and Original Issue Discount."

During any such Extension Period, the Company may not, and may not permit any subsidiary of the Company to, (i) declare or pay any dividends or distributions on, or redeem, purchase, acquire, or make a liquidation payment with respect to, any of the Company's capital stock or (ii) make any payment of principal, interest or premium, if any, on or repay, repurchase or redeem any debt securities of the Company that rank pari passu with or junior in interest to the Junior Subordinated Debentures or make any guarantee payments with respect to any guarantee by the Company of the debt securities of any subsidiary of the Company if such guarantee ranks pari passu with or junior in interest to the Junior Subordinated Debentures (other than (a) repurchases, redemptions or other acquisitions of shares of capital stock of the Company in connection with any employment contract, benefit plan or other similar arrangement with or for the benefit of any one or more employees, officers, directors or consultants, or in connection with a dividend reinvestment or stockholder stock purchase plan, (b) as a result of an exchange or conversion of any class or series of the Company's capital stock (or any capital stock of a subsidiary of the Company) for any other class or series of the Company's capital stock or of any class or series of the Company's indebtedness for any class or series of the Company's capital stock, (c) the purchase of fractional interests in shares of the Company's capital stock pursuant to the conversion or exchange provisions of such capital stock or the security being converted or exchanged, (d) any declaration of a dividend in connection with any stockholder's rights plan, or the issuance of rights, stock or other property under any stockholder's rights plan, or the redemption or repurchase of rights pursuant thereto, or (e) any dividend in the form of stock, warrants, options or other rights where the dividend stock or the stock issuable upon exercise of such warrants, options or other rights is the same stock as that on which the dividend is being paid (or ranks pari passu with or junior to such stock)). Prior to the termination of any such Extension Period, the Company may further extend the Extension Period, provided that no Extension Period may exceed 20 consecutive quarters or extend beyond the Stated Maturity of the Junior Subordinated Debentures. Upon the termination of any such Extension Period and the payment of all amounts then due on any Interest Payment Date, the Company may elect to begin a new Extension Period subject to the above requirements. No interest shall be due and payable during an Extension Period, except at the end thereof. The Company must give the Property Trustee, the Regular Trustees and the Indenture Trustee notice of its election of such Extension Period not less than one Business Day prior to such record date. The Property Trustee shall give notice of the Company's election to begin a new Extension Period to the holders of the Capital Securities.

Redemption

The Junior Subordinated Debentures are not redeemable prior to February 15, 2007 unless a Special Event has occurred. The Junior Subordinated Debentures are redeemable prior to maturity at the option of the Company, subject to the receipt of any necessary prior approval of the OCC, (i) on or after February 15, 2007, in whole or in part at any time, at a redemption price equal to the principal amount of the Junior Subordinated Debentures so redeemed plus accrued and unpaid interest, if any, to the date of redemption, or (ii) at any time in whole (but not in part), within 90 days of the occurrence of a Special Event, at such redemption price.

If the Junior Subordinated Debentures are redeemed, the Trust must redeem Trust Securities having an aggregate liquidation amount equal to the aggregate principal amount of Junior Subordinated Debentures so redeemed. See "Description of Capital Securities—Redemption—Mandatory Redemption."

Notice of any redemption will be mailed at least 30 days but not more than 60 days before the redemption date to each holder of Junior Subordinated Debentures to be redeemed at its registered address. Unless the Company defaults in payment of the redemption price, on and after the redemption date interest will cease to accrue on such Junior Subordinated Debentures or portions thereof called for redemption.

The OCC's risk-based capital guidelines currently provide that a national bank's capital instruments may be redeemed prior to maturity only with the prior approval of the OCC, and that the OCC typically will consider requests for the redemption of capital instruments when the instruments are to be redeemed with the proceeds of, or are replaced by, a like amount of a similar or higher quality capital instrument.

The redemption of the Junior Subordinated Debentures by the Company prior to their Stated Maturity would constitute the redemption of capital instruments under the OCC's current risk-based capital guidelines and would be subject to the prior approval of the OCC.

Certain Covenants of the Company

The Company will covenant in the Indenture that if and so long as the Trust is the holder of all Junior Subordinated Debentures, the Company, as borrower, will pay to the Trust all fees and expenses related to the Trust and the offering of the Capital Securities and will pay, directly or indirectly, all ongoing costs, expenses and liabilities of the Trust (including any taxes, duties, assessments or governmental charges of whatever nature (other than withholding taxes) imposed by the United States or any domestic taxing authority upon the Trust but excluding obligations under the Capital Securities).

The Company will also covenant that it will not, and will not permit any subsidiary of the Company to, (i) declare or pay any dividends or distributions on, or redeem, purchase, acquire, or make a liquidation payment with respect to, any of the Company's capital stock or (ii) make any payment of principal, interest or premium, if any, on or repay or repurchase or redeem any debt securities of the Company that rank *pari passu* with or junior in interest to the Junior Subordinated Debentures or make any guarantee payments with respect to any guarantee by the Company of the debt securities of any subsidiary of the Company if such guarantee ranks *pari passu* with or junior in interest to the Junior Subordinated Debentures (other than (a) repurchases, redemptions or other acquisitions of shares of capital stock of the Company in connection with any employment contract, benefit plan or other similar arrangement with or for the benefit of any one or more employees, officers, directors or consultants, or in connection with a dividend reinvestment or stockholder stock purchase plan, (b) as a result of an exchange or conversion of any class or series of the Company's capital stock (or any capital stock of a subsidiary of the Company) for any other class or series of the Company's capital stock or of any class or series of the Company's indebtedness for any class or series of the Company's capital stock, (c) the purchase of fractional interests in shares of the Company's capital stock pursuant to the conversion or exchange provisions of such capital stock or the security being converted or exchanged, (d) any declaration of a dividend in connection with any stockholder's rights plan, or the issuance of rights, stock or other property under any stockholder's rights plan, or the redemption or repurchase of rights pursuant thereto, or (e) any dividend in the form of stock, warrants, options or other rights where the dividend stock or the stock issuable upon exercise of such warrants, options or other rights is the same stock as that on which the dividend is being paid (or ranks *pari passu* with or junior to such stock)) if at such time (x) there shall have occurred any event of which the Company has actual knowledge that (i) with the giving of notice or the lapse of time, or both, would constitute an Indenture Event of Default with respect to Junior Subordinated Debentures and (ii) in respect of which the Company shall not have taken reasonable steps to cure, (y) the Company shall be in default with respect to its payment of any obligations under the Guarantee or (z) the Company shall have given notice of its election of an Extension Period as provided in the Indenture and shall not have rescinded such notice, or such Extension Period, or any extension thereof, shall be continuing.

Subordination

In the Indenture, the Company has covenanted and agreed that any Junior Subordinated Debentures issued thereunder will be subordinated and junior in right of payment to all Indebtedness to the extent provided in the Indenture. Upon any payment or distribution of assets of the Company upon any liquidation, dissolution, winding-up, reorganization, assignment for the benefit of creditors, marshaling of assets or any bankruptcy, insolvency, debt restructuring or similar proceedings in connection with any insolvency or bankruptcy proceeding of the Company, the holders of Indebtedness will first be entitled to receive payment in full of the principal of and premium, if any, and interest, if any, on such Indebtedness before the holders of Junior Subordinated Debentures or the Property Trustee on behalf of the holders of Capital Securities will be entitled to receive or retain any payment in respect of the principal of and premium, if any, or interest, if any, on the Junior Subordinated Debentures; *provided, however, that holders of Indebtedness shall not be entitled to receive payment of any such amounts to the extent that such holders would be required by the subordination provisions of such Indebtedness to pay such amounts over to the obligees on trade accounts payable or other liabilities arising in the ordinary course of the Company's business.*

In the event of the acceleration of the maturity of any Junior Subordinated Debentures, the holders of all Indebtedness outstanding at the time of such acceleration will first be entitled to receive payment in full of all amounts then due thereon (including any amounts due upon acceleration thereof) before the holders of Junior Subordinated Debentures will be entitled to receive or retain any payment in respect of the principal of and premium, if any, or interest, if any, on the Junior Subordinated Debentures; *provided, however, that holders of Indebtedness shall not be entitled to receive payment of any such amounts to the extent that such holders would be required by the subordination provisions of such Indebtedness to pay such amounts over to the obligees on trade accounts payable or other liabilities arising in the ordinary course of the Company's business.*

No payments on account of principal (or premium, if any) or interest, if any, in respect of the Junior Subordinated Debentures may be made if there shall have occurred and be continuing a default in any payment with respect to Indebtedness, or an event of default with respect to any Indebtedness resulting in the acceleration of the maturity thereof, or if any judicial proceeding shall be pending with respect to any such default.

"Indebtedness" means, whether recourse is to all or a portion of the assets of the Company and whether or not contingent, (i) every obligation of the Company for money borrowed; (ii) every obligation of the Company evidenced by bonds, debentures, notes or other similar instruments, including obligations incurred in connection with the acquisition of property, assets or businesses; (iii) every reimbursement obligation of the Company with respect to letters of credit, bankers' acceptances or similar facilities issued for the account of the Company; (iv) every obligation of the Company issued or assumed as the deferred purchase price of property or services (but excluding trade accounts payable or accrued liabilities arising in the ordinary course of business); (v) every capital lease obligation of the Company; (vi) every obligation of the Company for claims (as defined in Section 101(4) of the United States Bankruptcy Code of 1978, as amended) in respect of derivative products such as interest and foreign exchange rate contracts, commodity contracts and similar arrangements; and (vii) every obligation of the type referred to in clauses (i) through (vi) of another person and all dividends of another person the payment of which, in either case, the Company has guaranteed or is responsible or liable for, directly or indirectly, as obligor or otherwise; provided that "Indebtedness" shall not include (i) any obligations which, by their terms, are expressly stated to rank *pari passu* in right of payment with, or to not be superior in right of payment to, the Junior Subordinated Debentures, (ii) any Indebtedness of the Company which when incurred was without recourse to the Company, (iii) any Indebtedness of the Company to any of its subsidiaries, (iv) Indebtedness to any employee of the Company, or (v) any indebtedness in respect of debt securities issued to any trust, or a trustee of such trust, partnership or other entity affiliated with the Company that is a financing entity of the Company

in connection with the issuance by such financing entity of securities that are similar to the Capital Securities.

The Indenture places no limitation on the amount of additional Indebtedness that may be incurred by the Company or any indebtedness or other liabilities that may be incurred by the Company's subsidiaries. As of September 30, 1996, Indebtedness of the Company (restated to include the accounts of New Jersey National, which was merged into the Company on December 6, 1996) aggregated approximately \$33 billion (which includes approximately \$32 billion of bank deposits) to which the Junior Subordinated Debentures would be effectively subordinated.

Indenture Events of Default

The Indenture provides that any one or more of the following described events with respect to the Junior Subordinated Debentures that has occurred and is continuing constitutes an "Indenture Event of Default" with respect to the Junior Subordinated Debentures:

- (i) failure for 30 days to pay any interest on the Junior Subordinated Debentures when due (subject to the deferral of any due date in the case of an Extension Period); or
- (ii) failure to pay any principal on the Junior Subordinated Debentures when due whether at maturity, upon redemption by declaration or otherwise; or
- (iii) failure to observe or perform in any material respect any other covenant contained in the Indenture for 90 days after written notice to the Company from the Indenture Trustee or the holders of at least 25% in aggregate outstanding principal amount of outstanding Junior Subordinated Debentures; or
- (iv) the liquidation, insolvency or similar proceeding with respect to the Company or all or substantially all its property.

The holders of a majority in aggregate outstanding principal amount of Junior Subordinated Debentures have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Indenture Trustee. The Indenture Trustee or the holders of not less than 25% in aggregate outstanding principal amount of Junior Subordinated Debentures may declare the principal due and payable immediately upon an Indenture Event of Default, and, should the Indenture Trustee or such holders of such Junior Subordinated Debentures fail to make such declaration, the holders of at least 25% in aggregate liquidation amount of the Capital Securities shall have such right. The holders of a majority in aggregate outstanding principal amount of Junior Subordinated Debentures may annul such declaration and waive the default if the default (other than the non-payment of the principal of Junior Subordinated Debentures which has become due solely by such acceleration) has been cured and a sum sufficient to pay all matured installments of interest and principal due otherwise than by acceleration has been deposited with the Indenture Trustee, and should the holders of such Junior Subordinated Debentures fail to annul such declaration and waive such default, the holders of a majority in aggregate liquidation amount of the Capital Securities shall have such right.

The holders of a majority in aggregate outstanding principal amount of the Junior Subordinated Debentures affected thereby may, on behalf of the holders of all the Junior Subordinated Debentures, waive any past default, except a default in the payment of principal or interest (unless such default has been cured and a sum sufficient to pay all matured installments of interest and principal due otherwise than by acceleration has been deposited with the Indenture Trustee) or a default in respect of a covenant or provision which under the Indenture cannot be modified or amended without the consent of the holder of each outstanding Junior Subordinated Debenture, and should the holders of such Junior Subordinated Debentures fail to waive such default, the holders of a majority in aggregate liquidation amount of the Capital Securities shall have such right. The Company is required to file

annually with the Indenture Trustee a certificate as to whether or not the Company is in compliance with all the conditions and covenants applicable to it under the Indenture.

In case an Indenture Event of Default shall occur and be continuing, the Property Trustee will have the right to declare the principal of and the interest on such Junior Subordinated Debentures and any other amounts payable under the Indenture to be forthwith due and payable and to enforce its other rights as a creditor with respect to such Junior Subordinated Debentures.

Enforcement of Certain Rights by Holders of Capital Securities

If an Indenture Event of Default has occurred and is continuing and such event is attributable to the failure of the Company to pay interest or principal on the Junior Subordinated Debentures on the date such interest or principal is otherwise payable, a holder of Capital Securities may institute a Direct Action for payment. The Company may not amend the Indenture to remove the foregoing right to bring a Direct Action without the prior written consent of the holders of all of the Capital Securities. Notwithstanding any payment made to such holder of Capital Securities by the Company in connection with a Direct Action, the Company shall remain obligated to pay such principal of or interest on the Junior Subordinated Debentures held by the Trust or the Property Trustee and the Company shall be subrogated to the rights of the holder of such Capital Securities with respect to payments on the Capital Securities to the extent of any payments made by the Company to such holder in any Direct Action. Except as otherwise described herein, the holders of Capital Securities will not be able to exercise directly any other remedy available to the holders of the Junior Subordinated Debentures.

Consolidation, Merger, Sale of Assets and Other Transactions

The Indenture provides that the Company shall not consolidate with or merge into any other Person or convey, transfer or lease its properties and assets substantially as an entirety to any Person, unless (i) in case the Company consolidates with or merges into another Person or conveys, transfers or leases its properties and assets substantially as an entirety to any Person, the successor Person is organized under the laws of the United States or any state or the District of Columbia, and such successor Person expressly assumes the Company's obligations on the Junior Subordinated Debentures issued under the Indenture; (ii) immediately after giving effect thereto, no Indenture Event of Default, and no event which, after notice or lapse of time or both, would become an Indenture Event of Default, shall have happened and be continuing; (iii) if at the time any Capital Securities are outstanding, such transaction is permitted under the Declaration and Guarantee and does not give rise to any breach or violation of the Declaration or Guarantee; (iv) any such lease shall provide that it will remain in effect so long as any Junior Subordinated Debentures are outstanding; and (v) certain other conditions prescribed in the Indenture are met.

Modification of Indenture

From time to time the Company and the Indenture Trustee may, without the consent of the holders of the Junior Subordinated Debentures, amend, waive or supplement the Indenture for specified purposes, including, among other things, curing ambiguities, defects or inconsistencies (provided that any such action does not materially adversely affect the interest of the holders of Junior Subordinated Debentures), qualifying, or maintaining the qualification of, the Indenture under the Trust Indenture Act and to add to, delete from or revise the terms of the Junior Subordinated Debentures to provide for transfer procedures and restrictions substantially similar to those applicable to the Capital Securities (for purposes of assuring that no registration of Junior Subordinated Debentures is required under the Securities Act or Part 16 of the regulations of the OCC). The Indenture contains provisions permitting the Company and the Indenture Trustee, with the consent of the holders of not less than a majority in principal amount of outstanding Junior Subordinated Debentures affected, to modify the Indenture in a manner affecting the rights of the holders of such Junior Subordinated Debentures; provided that no such modification may, without the consent of the holder of each outstanding Junior Subordinated

Debtors so affected, (i) change the stated maturity of Junior Subordinated Debentures, or reduce the principal amount thereof, or reduce the rate or extend the time of payment of interest thereon (except such extension as is contemplated hereby) or (ii) reduce the percentage of principal amount of Junior Subordinated Debentures the holders of which are required to consent to any such modification of the Indenture, provided that, so long as any Capital Securities remain outstanding, no such modification may be made that adversely affects the holders of such Capital Securities in any material respect, and no termination of the Indenture may occur, and no waiver of any Indenture Event of Default or compliance with any covenant under the Indenture may be effective, without the prior consent of the holders of at least a majority of the aggregate liquidation amount of the outstanding Capital Securities unless and until the principal of the Junior Subordinated Debentures and all accrued and unpaid interest thereon have been paid in full and certain other conditions are satisfied.

Defeasance and Discharge

The Indenture provides that the Company, at the Company's option: (a) will be discharged from any and all obligations in respect of the Junior Subordinated Debentures (except for certain obligations to register the transfer or exchange of Junior Subordinated Debentures, replace stolen, lost or mutilated Junior Subordinated Debentures, maintain paying agencies and hold moneys for payment in trust) or (b) need not comply with certain restrictive covenants of the Indenture (including that described in the second paragraph under "Certain Covenants of the Company"), in each case if the Company deposits, in trust with the Indenture Trustee, money or U.S. Government Obligations which through the payment of interest thereon and principal thereof in accordance with their terms will provide money, in an amount sufficient to pay all the principal of, and interest and premium, if any, on the Junior Subordinated Debentures on the dates such payments are due in accordance with the terms of such Junior Subordinated Debentures. To exercise any such option, the Company is required to deliver to the Indenture Trustee an opinion of counsel to the effect that the deposit and related defeasance would not cause the holders of the Junior Subordinated Debentures to recognize income, gain or loss for United States federal income tax purposes and, in the case of a discharge pursuant to clause (a), such opinion shall be accompanied by a private letter ruling to the effect received by the Company from the United States Internal Revenue Service or revenue ruling pertaining to a comparable form of transaction to such effect published by the United States Internal Revenue Service.

Distributions of Junior Subordinated Debentures; Book-Entry Issuance

Under certain circumstances involving the termination of the Trust, Junior Subordinated Debentures may be distributed to the holders of the Capital Securities in liquidation of the Trust after satisfaction of liabilities to creditors of the Trust as provided by applicable law. If distributed to holders of Capital Securities in liquidation, the Junior Subordinated Debentures will initially be issued in the form of global securities and certificated securities. DTC, or any successor depository, will act as depository for such global securities. It is anticipated that the depository arrangements for and certain restrictions with respect to such global securities would be substantially identical to those in effect for the Capital Securities. For a description of global securities and certificated securities, see "Book-Entry Issuance."

There can be no assurance as to the market price of any Junior Subordinated Debentures that may be distributed to the holders of Capital Securities.

Payment and Paying Agents

The Company initially will act as Paying Agent with respect to the Junior Subordinated Debentures except that, if the Junior Subordinated Debentures are distributed to the holders of the Capital Securities in liquidation of such holders' interests in the Trust, the Indenture Trustee will act as the

Paying Agent. The Company at any time may designate additional Paying Agents or rescind the designation of any Paying Agent or approve a change in the office through which any Paying Agent acts, except that the Company will be required to maintain a Paying Agent at the place of payment.

Any moneys deposited with the Indenture Trustee or any Paying Agent, or then held by the Company in trust, for the payment of the principal of and premium, if any, or interest on any Junior Subordinated Debentures and remaining unclaimed for two years after such principal and premium, if any, or interest has become due and payable shall, at the request of the Company, be repaid to the Company and the holder of such Junior Subordinated Debentures shall thereafter look, as a general unsecured creditor, only to the Company for payment thereof.

Governing Law

The Indenture and the Junior Subordinated Debentures will be governed by and construed in accordance with the laws of the State of New York.

Information Concerning the Indenture Trustee

The Indenture Trustee shall have and be subject to all the duties and responsibilities specified with respect to an indenture trustee under the Trust Indenture Act. Subject to such provisions, the Indenture Trustee is under no obligation to exercise any of the powers vested in it by the Indenture at the request of any holder of Junior Subordinated Debentures, unless offered reasonable indemnity by such holder against the costs, expenses and liabilities which might be incurred thereby. The Indenture Trustee is not required to expend or risk its own funds or otherwise incur personal financial liability in the performance of its duties if the Indenture Trustee reasonably believes that repayment or adequate indemnity is not reasonably assured to it.

The Company and certain of its affiliates conduct banking and other transactions with the Indenture Trustee and its affiliates in the ordinary course of their business.

DESCRIPTION OF GUARANTEE

The Guarantee will be executed and delivered by the Company concurrently with the issuance by the Trust of the Capital Securities for the benefit of the holders from time to time of such Capital Securities. The Chase Manhattan Bank will act as trustee ("Guarantee Trustee") under the Guarantee. This summary of certain provisions of the Guarantee does not purport to be complete and is subject to, and qualified in its entirety by reference to, all of the provisions of the Guarantee, including the definitions therein of certain terms. The Guarantee Trustee will hold the Guarantee for the benefit of the holders of the Capital Securities.

General

The Company will irrevocably and unconditionally agree to pay in full on a subordinated basis, to the extent set forth in the Guarantee and described herein, the Guarantee Payments (as defined below) to the holders of the Capital Securities, as and when due, regardless of any defense, right of set-off or counterclaim that the Trust may have or assert other than the defense of payment. The following payments with respect to the Capital Securities, to the extent not paid by or on behalf of the Trust (the "Guarantee Payments"), will be subject to the Guarantee: (i) any accumulated and unpaid Distributions required to be paid on the Capital Securities, to the extent that the Trust has sufficient funds available therefor at the time, (ii) the redemption price with respect to any Capital Securities called for redemption, to the extent that the Trust has sufficient funds available therefor at such time, or (iii) upon a voluntary or involuntary dissolution, winding up or liquidation of the Trust (unless the Junior Subordinated Debentures are distributed to holders of the Capital Securities), the lesser of (a) the aggregate liquidation amount of the Capital Securities and all accrued and unpaid Distributions thereon to the date of payment and (b) the amount of assets of the Trust remaining available for distribution to holders of Capital Securities. The Company's obligation to make a Guarantee Payment may be satisfied by direct payment of the required amounts by the Company to the holders of the applicable Capital Securities or by causing the Trust to pay such amounts to such holders.

The Guarantee will be an irrevocable guarantee on a subordinated basis of the Trust's obligations under the Capital Securities, but will apply only to the extent that the Trust has sufficient funds available to make such payments.

If the Company does not make interest payments on the Junior Subordinated Debentures held by the Trust, the Trust will not be able to pay Distributions on the Capital Securities and will not have funds legally available therefor. The Guarantee will rank subordinate and junior in right of payment to all Indebtedness of the Company to the same extent as the Junior Subordinated Debenture. See "— Status of the Guarantee." The Guarantee does not limit the incurrence or issuance of other secured or unsecured debt of the Company, whether under the Indenture or any existing or other indenture that the Company may enter into in the future or otherwise.

The Company has, through the Guarantee, the Junior Subordinated Debentures and the Indenture, taken together, fully and unconditionally guaranteed all of the Trust's obligations under the Capital Securities. No single document standing alone or operating in conjunction with fewer than all of the other documents constitutes such guarantee. It is only the combined operation of these documents that has the effect of providing a full and unconditional guarantee of the Trust's obligations under the Capital Securities. See "Relationship Among the Capital Securities, the Junior Subordinated Debentures and the Guarantee."

Status of the Guarantee

The Guarantee will constitute an unsecured obligation of the Company and will rank subordinate and junior in right of payment to all Indebtedness of the Company to the same extent as the Junior Subordinated Debenture. The Guarantee does not place a limitation on the amount of additional Indebtedness that may be incurred by the Company.

The Guarantee will constitute a guarantee of payment and not of collection (i.e., the guaranteed party may institute a legal proceeding directly against the Guarantor to enforce its rights under the Guarantee without first instituting a legal proceeding against any other person or entity). The Guarantee will be held by the Guarantee Trustee for the benefit of the holders of the Capital Securities. The Guarantee will not be discharged except by payment of the Guarantee Payments in full to the extent not paid by the Trust or upon distribution of the Junior Subordinated Debentures to the holders of the Capital Securities in exchange for all of the Capital Securities.

Amendments and Assignment

Except with respect to any changes that do not materially adversely affect the rights of holders of the Capital Securities (in which case no vote will be required), the Guarantee may not be amended without the prior approval of the holders of not less than a majority of the aggregate liquidation amount of the outstanding Capital Securities. The manner of obtaining any such approval will be as set forth under "Description of Capital Securities—Voting Rights; Amendment of the Declaration." All guarantees and agreements contained in the Guarantee shall bind the successors, assigns, receivers, trustees and representatives of the Company and shall inure to the benefit of the registered holders of the Capital Securities then outstanding.

Events of Default

An event of default under the Guarantee will occur upon the failure of the Company to perform any of its payment or other obligations thereunder. The holders of a majority in aggregate liquidation amount of the Capital Securities have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Guarantee Trustee in respect of the Guarantee or to direct the exercise of any trust or power conferred upon the Guarantee Trustee under the Guarantee.

Any holder of the Capital Securities may institute a legal proceeding directly against the Company to enforce its rights under the Guarantee without first instituting a legal proceeding against the Trust, the Guarantee Trustee or any other person or entity.

The Company, as guarantor, is required to file annually with the Guarantee Trustee a certificate as to whether or not the Company is in compliance with all the conditions and covenants applicable to it under the Guarantee.

Information Concerning the Guarantee Trustee

The Guarantee Trustee, other than during the occurrence and continuance of a default by the Company in performance of the Guarantee, undertakes to perform only such duties as are specifically set forth in the Guarantee and, after default with respect to the Guarantee, must exercise the same degree of care and skill as a prudent person would exercise or use in the conduct of his or her own affairs. Subject to this provision, the Guarantee Trustee is under no obligation to exercise any of the powers vested in it by the Guarantee at the request of any holder of any Capital Security unless it is offered reasonable indemnity against the costs, expenses and liabilities that might be incurred thereby.

The Company and certain of its affiliates conduct banking and other transactions with the Guarantee Trustee and its affiliates in the ordinary course of their business.

Termination of the Guarantee

The Guarantee will terminate and be of no further force and effect upon full payment of the Redemption Price of all of the Capital Securities, upon full payment of the amounts payable upon liquidation of the Trust or upon distribution of Junior Subordinated Debentures to the holders of the Capital Securities in exchange for all of the Capital Securities. The Guarantee will continue to be effective or will be reinstated, as the case may be, if at any time any holder of the Capital Securities must restore payment of any sums paid under the Capital Securities or the Guarantee.

Governing Law

The Guarantee will be governed by and construed in accordance with the laws of the State of New York.

RELATIONSHIP AMONG THE CAPITAL SECURITIES, THE JUNIOR SUBORDINATED DEBENTURES AND THE GUARANTEE

Payments of Distributions and other amounts due on the Capital Securities (to the extent the Trust has funds available for the payment of such Distributions) are irrevocably guaranteed by the Company as and to the extent set forth under "Description of Guarantee." If and to the extent that the Company does not make payments under the Junior Subordinated Debentures, the Trust will not pay Distributions or other amounts due on the Capital Securities. The Guarantee does not cover payment of Distributions when the Trust does not have sufficient funds to pay such Distributions. In such event, a holder of Capital Securities may institute a legal proceeding directly against the Company under the Indenture to enforce payment of such Distributions to such holder after the respective due dates. Taken together, the Company's obligations under the Junior Subordinated Debentures, the Indenture and the Guarantee provide, in the aggregate, a full and unconditional guarantee of payments of distributions and other amounts due on the Capital Securities. No single document standing alone or operating in conjunction with fewer than all of the other documents constitutes such guarantee. It is only the combined operation of these documents that has the effect of providing a full and unconditional guarantee of the Trust's obligations under the Capital Securities. The obligations of the Company under the Guarantee and the Junior Subordinated Debentures are subordinate and junior in right of payment to all Indebtedness of the Company to the extent described herein.

Sufficiency of Payments

As long as payments of interest and other payments are made when due on the Junior Subordinated Debentures, such payments will be sufficient to cover Distributions and other payments due on the Capital Securities, primarily because (i) the aggregate principal amount of the Junior Subordinated Debentures will be equal to the sum of the aggregate stated liquidation amount of the Capital Securities and the Common Securities; (ii) the interest rate and interest and other payment dates on the Junior Subordinated Debentures will match the Distribution rate and Distribution and other payment dates for the related Capital Securities; (iii) the Company will pay for all and any costs, expenses and liabilities of the Trust except the Trust's obligations under the Capital Securities; and (iv) the Declaration further provides that the Trust will not engage in any activity that is not consistent with the limited purposes of the Trust.

Notwithstanding anything to the contrary in the Indenture, the Company has the right to set-off any payment it is otherwise required to make thereunder with and to the extent the Company has theretofore made, or is concurrently on the date of such payment making, a related payment under the Guarantee.

Enforcement Rights of Holders of Capital Securities

A holder of Capital Securities may institute a legal proceeding directly against the Company to enforce its rights under the Guarantee without first instituting a legal proceeding against the Guarantee Trustee, the Trust or any other person or entity.

A default or event of default under any Indebtedness of the Company will not constitute a default or Indenture Event of Default. In addition, in the event of payment defaults under, or acceleration of, Indebtedness of the Company, the subordination provisions of the Indenture provide that, except as otherwise specified therein, no payments may be made in respect of the Junior Subordinated Debentures until such Indebtedness has been paid in full or any payment default thereunder has been cured or waived. Failure to make required payments on the Junior Subordinated Debentures would constitute an Indenture Event of Default under the Indenture.

Limited Purpose of Trust

The Capital Securities evidence a beneficial ownership interest in the assets of the Trust, and the Trust exists for the sole purpose of issuing the Capital Securities and the Common Securities and *investing the proceeds thereof in Junior Subordinated Debentures*. A principal difference between the rights of a holder of Capital Securities and a holder of Junior Subordinated Debentures is that a holder of Junior Subordinated Debentures is entitled to receive from the Company the principal amount of and interest accrued on Junior Subordinated Debentures held, while a holder of Capital Securities is entitled to receive Distributions from the Trust (or from the Company under the Guarantee) if and to the extent the Trust has funds available for the payment of such Distributions.

Rights Upon Termination

Upon any voluntary or involuntary termination, winding-up or liquidation of the Trust involving the liquidation of the Junior Subordinated Debentures, the holders of the Capital Securities will be entitled to receive, out of assets held by the Trust, the liquidation distribution in cash. See "Description of Capital Securities—Liquidation Distribution Upon Dissolution." Upon any voluntary or involuntary liquidation or bankruptcy of the Company, the Property Trustee, as holder of the Junior Subordinated Debentures, would be a subordinated creditor of the Company, subordinated in right of payment to all Indebtedness to the extent described herein, but entitled to receive payment in full of principal and interest before any stockholders of the Company receive payments or distributions. Since the Company is the guarantor under the Guarantee and has agreed to pay for all costs, expenses and liabilities of the Trust (other than the Trust's obligations to the holders of the Capital Securities), the positions of a holder of Capital Securities and a holder of the Junior Subordinated Debentures relative to other creditors and to stockholders of the Company in the event of liquidation or bankruptcy of the Company would be substantially the same.

CERTAIN UNITED STATES FEDERAL INCOME TAX CONSEQUENCES

In the opinion of Simpson Thacher & Bartlett, in its capacity as special tax counsel to the Company and the Trust ("Tax Counsel"), the following summary accurately describes the material United States federal income tax consequences that may be relevant to the purchase, ownership and disposition of the Capital Securities. Unless otherwise stated, this summary deals only with Capital Securities held as capital assets by United States Persons (defined below) who purchase the Capital Securities upon original issuance at their original offering price. As used herein, a "United States Person" means (i) a person that is a citizen or resident of the United States, (ii) a corporation, partnership or other entity created or organized in or under the laws of the United States or any political subdivision thereof, (iii) an estate the income of which is subject to United States federal income taxation regardless of its source, or (iv) any trust, if a court within the United States is able to exercise primary supervision over the administration of such trust and one or more United States fiduciaries have the authority to control all the substantial decisions of such trust. The tax treatment of a holder may vary depending on its particular situation. This summary does not address all the tax consequences that may be relevant to a particular holder or to holders that may be subject to special tax treatment, such as banks, real estate investment trusts, regulated investment companies, insurance companies, dealers in securities or currencies, or tax-exempt investors. In addition, this summary does not include any description of any alternative minimum tax consequences or the tax laws of any state, local or foreign government that may be applicable to a holder of Capital Securities. This summary is based on the Internal Revenue Code of 1986, as amended (the "Code"), the Treasury regulations promulgated thereunder and administrative and judicial interpretations thereof, as of the date hereof, all of which are subject to change, possibly on a retroactive basis. The authorities on which this summary is based are subject to various interpretations, and the opinions of Tax Counsel are not binding on the Internal Revenue Service ("IRS") or the courts, either of which could take a contrary position. Moreover, no rulings have been or will be sought from the IRS with respect to the transactions described herein. Accordingly, there can be no assurance that the IRS will not challenge the opinions expressed herein, or that a court would not sustain such a challenge. Nevertheless, Tax Counsel has advised that it is of the view that, if challenged, the opinions expressed herein would be sustained by a court with jurisdiction in a properly presented case.

HOLDERS SHOULD CONSULT THEIR OWN TAX ADVISORS WITH RESPECT TO THE TAX CONSEQUENCES TO THEM OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE CAPITAL SECURITIES, INCLUDING THE TAX CONSEQUENCES UNDER STATE, LOCAL, FOREIGN, AND OTHER TAX LAWS AND THE POSSIBLE EFFECTS OF CHANGES IN UNITED STATES FEDERAL OR OTHER TAX LAWS. FOR A DISCUSSION OF THE POSSIBLE REDEMPTION OF THE CAPITAL SECURITIES UPON THE OCCURRENCE OF CERTAIN TAX EVENTS SEE "DESCRIPTION OF CAPITAL SECURITIES—REDEMPTION—SPECIAL EVENT REDEMPTION OR DISTRIBUTION OF JUNIOR SUBORDINATED DEBENTURES."

Classification of the Trust

In connection with the issuance of the Capital Securities, Tax Counsel will deliver an opinion that under current law and assuming full compliance with the terms of the Declaration and other documents, the Trust will be classified as a grantor trust and will not be taxable as a corporation for United States federal income tax purposes. Accordingly, for United States federal income tax purposes, each holder of Capital Securities will be treated as owning an undivided beneficial interest in the Junior Subordinated Debentures and, thus, will be required to include in its gross income its pro rata share of interest income or original issue discount that is paid or accrued on the Junior Subordinated Debentures.

Classification of the Junior Subordinated Debentures

The Company, the Trust and the holders of the Capital Securities (by the acceptance of a beneficial interest in a Capital Security) will agree to treat the Junior Subordinated Debentures as indebtedness for all United States federal income tax purposes. In connection with the issuance of the Junior Subordinated Debentures, Tax Counsel will deliver an opinion that, under current law, and based on the representations, facts and assumptions set forth herein, the Junior Subordinated Debentures will be classified as indebtedness for United States federal income tax purposes.

Interest Income and Original Issue Discount

Under the applicable Treasury regulations, the Junior Subordinated Debentures will not be treated as issued with "original issue discount" ("OID") within the meaning of section 1273(a) of the Code. Accordingly, except as set forth below, stated interest on the Junior Subordinated Debentures generally will be taxable to a holder as ordinary income at the time it is paid or accrued in accordance with such holder's regular method of tax accounting.

If, however, the Company exercises its right to defer payments of interest on the Junior Subordinated Debentures, the Junior Subordinated Debentures will become OID instruments at such time and all holders of the Junior Subordinated Debentures and, consequently, holders of the Capital Securities will be required to accrue their pro rata share of OID (which will include both the stated interest and the de minimis OID on the Junior Subordinated Debentures) on a daily economic accrual basis during the Extension Period even though the Company will not pay such interest until the end of the Extension Period, and even though some holders may use the cash method of tax accounting. Moreover, thereafter the Junior Subordinated Debentures will be taxed as OID instruments for as long as they remain outstanding. Thus, even after the end of an Extension Period, all holders would be required to continue to include the stated interest (and the de minimis OID) on the Junior Subordinated Debentures in income on a daily basis, regardless of their method of tax accounting and in advance of receipt of the cash attributable to such interest income. Under the OID economic accrual rules, a holder would accrue an amount of interest income each year that approximates the stated interest payments called for under the terms of the Junior Subordinated Debentures, and actual cash payments of interest on the Junior Subordinated Debentures would not be reported separately as taxable income. Any amount of OID included in a holder's gross income (whether or not during an Extension Period) with respect to a Capital Security will increase such holder's tax basis in such Capital Security, and the amount of Distributions received by a holder in respect of such accrued OID will reduce the tax basis of such Capital Security.

The Treasury regulations described above have not yet been addressed in any rulings or other interpretations by the IRS, and it is possible that the IRS could take a contrary position. If the IRS were to assert successfully that the stated interest on the Junior Subordinated Debentures was OID regardless of whether the Company exercises its option to defer payments of interest on such debentures, all holders of Capital Securities would be required to include such stated interest in income on a daily economic accrual basis as described above.

Corporate holders of Capital Securities will not be entitled to a dividends-received deduction with respect to any income recognized by such holders with respect to the Capital Securities.

Distribution of Junior Subordinated Debentures or Cash upon Liquidation of the Trust

As described under the caption "Description of Junior Subordinated Debentures—Distribution of Junior Subordinated Debentures; Book-Entry Issuance," Junior Subordinated Debentures may be distributed to holders in exchange for the Capital Securities and in liquidation of the Trust. Under current law, such a distribution would be non-taxable, and will result in the holder receiving directly its pro rata share of the Junior Subordinated Debentures previously held indirectly through the Trust, with a holding period and aggregate tax basis equal to the holding period and aggregate tax basis such holder had in its Capital Securities before such distribution. If, however, the liquidation of the Trust were to occur because the Trust is subject to United States federal income tax with respect to income accrued or received on the Junior Subordinated Debentures, the distribution of the Junior Subordinated Debentures to holders would be a taxable event to the Trust and to each holder and a holder would recognize gain or loss as if the holder had exchanged its Capital Securities for the Junior Subordinated Debentures it received upon liquidation of the Trust. A holder would accrue interest in respect of the Junior Subordinated Debentures received from the Trust in the manner described above under "Interest Income and Original Issue Discount."

Under certain circumstances described herein (see "Description of Capital Securities—Redemption—Special Event Redemption or Distribution of Junior Subordinated Debentures"), the

Junior Subordinated Debentures may be redeemed for cash, with the proceeds of such redemption distributed to holders in redemption of their Capital Securities. Under current law, such a redemption would constitute a taxable disposition of the redeemed Capital Securities for United States federal income tax purposes, and a holder would recognize gain or loss as if it sold such redeemed Capital Securities for cash. See “—Sales of Capital Securities.”

Sales of Capital Securities

A holder that sells Capital Securities will recognize gain or loss equal to the difference between the amount realized by such holder on the sale of the Capital Securities (except to the extent that such amount realized is characterized as a payment in respect of accrued but unpaid interest on such holder's allocable share of the Junior Subordinated Debentures that the holder had not included in gross income previously) and the holder's adjusted tax basis in the Capital Securities sold. Such gain or loss generally will be a capital gain or loss and generally will be taxable as a long-term capital gain or loss if the Capital Securities have been held for more than one year. Subject to certain limited exceptions, capital losses cannot be applied to offset ordinary income for United States federal income tax purposes.

Proposed Tax Law Changes

On March 19, 1996, the Revenue Reconciliation Bill of 1996 (the “Bill”) was introduced in the 104th Congress which would have, among other things, generally denied interest deductions for interest on an instrument, issued by a corporation that has a maximum term of more than 20 years and that is not shown as indebtedness on the separate balance sheet of the issuer or, where the instrument is issued to a related party (other than a corporation) where the holder or some other related party issues a related instrument that is not shown as indebtedness on the issuer's consolidated balance sheet. This provision of the Bill was proposed to be effective generally for instruments issued on or after December 7, 1995. If this provision were to apply to the Junior Subordinated Debentures, the Company would not be able to deduct interest on the Junior Subordinated Debentures. However, on March 29, 1996, the Chairmen of the Senate Finance and House Ways and Means Committees issued the Joint Statement to the effect that it was their intention that the effective date of the Bill, if enacted, would be no earlier than the date of appropriate Congressional action. In addition, subsequent to the publication of the Joint Statement, Senator Daniel Patrick Moynihan and Representatives Sam M. Gibbons and Charles B. Rangel sent the Democrat Letters to Treasury Department officials concurring with the views expressed in the Joint Statement. The 104th Congress adjourned without enacting the Bill. Moreover, if the principles contained in the Joint Statement and Democrat Letters were followed, any similar legislation that is subsequently enacted would not apply to the Junior Subordinated Debentures. It is possible that similar legislative proposals may be offered by the Administration and considered by Congress in 1997. There can be no assurance that future legislative or administrative proposals or final legislation will not adversely affect the ability of the Company to deduct interest on the Junior Subordinated Debentures or otherwise affect the tax treatment described herein. Such a change, therefore, could give rise to a Tax Event, which would permit the Company to cause the redemption of the Capital Securities or to terminate the Trust and distribute the Junior Subordinated Debentures to the holders of Trust Securities in liquidation of the Trust as described more fully under “Description of Capital Securities—Redemption—Special Event Redemption or Distribution of Junior Subordinated Debentures.”

Non-United States Holders

As used herein, the term “Non-United States Holder” means any holder that is not a United States Person (as defined above). As discussed above, the Capital Securities will be treated as evidence of an indirect beneficial ownership interest in the Junior Subordinated Debentures. See “—Classification of the Trust.” Thus, under present United States federal income tax law, and subject to the discussion below concerning backup withholding:

- (a) no withholding of United States federal income tax will be required with respect to the payment by the Trust or the Company or any paying agent of principal or interest (which for

purposes of this discussion includes any OID) with respect to the Capital Securities (or on the Junior Subordinated Debentures) to a Non-United States Holder, provided (i) that the beneficial owner of the Capital Securities ("Beneficial Owner") does not actually or constructively own 10% or more of the total combined voting power of all classes of stock of the Company entitled to vote within the meaning of section 871(h)(3) of the Code and the regulations thereunder, (ii) the Beneficial Owner is not a controlled foreign corporation that is related to the Company through stock ownership, (iii) the Beneficial Owner is not a bank whose receipt of interest with respect to the Capital Securities (or on the Junior Subordinated Debentures) is described in section 881(c)(3)(A) of the Code and (iv) the Beneficial Owner satisfies the statement requirement (described generally below) set forth in section 871(h) and section 881(c) of the Code and the regulations thereunder; and

(b) no withholding of United States federal income tax will be required with respect to any gain realized by a Non-United States Holder upon the sale or other disposition of the Capital Securities (or Junior Subordinated Debentures).

To satisfy the requirement referred to in (a)(iv) above, the Beneficial Owner, or a financial institution holding the Capital Securities on behalf of such owner, must provide, in accordance with specified procedures, to the Trust or its paying agent, a statement to the effect that the Beneficial Owner is not a United States Person. Pursuant to current temporary Treasury regulations, these requirements will be met if (1) the Beneficial Owner provides his name and address, and certifies, under penalties of perjury, that it is not a United States Person (which certification may be made on an IRS Form W-8 (or successor form)) or (2) a financial institution holding the Capital Securities on behalf of the Beneficial Owner certifies, under penalties of perjury, that such statement has been received by it and furnishes a paying agent with a copy thereof.

If a Non-United States Holder cannot satisfy the requirements of the "portfolio interest" exception described in (a) above, payments of interest (including any OID) made to such Non-United States Holder will be subject to a 30% withholding tax unless the Beneficial Owner provides the Trust or the Company or any paying agent, as the case may be, with a properly executed (1) IRS Form 1001 (or successor form) claiming an exemption from, or a reduction of, such withholding tax under the benefit of a tax treaty or (2) IRS Form 4224 (or successor form) stating that interest paid with respect to the Capital Securities (or on the Junior Subordinated Debentures) is not subject to withholding tax because it is effectively connected with the Beneficial Owner's conduct of a trade or business in the United States.

If a Non-United States Holder is engaged in a trade or business in the United States and interest on the Junior Subordinated Debentures is effectively connected with the conduct of such trade or business, the Non-United States Holder, although exempt from the withholding tax discussed above, will be subject to United States federal income tax on such interest income on a net income basis in the same manner as if it were a United States Person. In addition, if such Non-United States Holder is a foreign corporation, it may be subject to a branch profits tax equal to 30% of its effectively connected earnings and profits for the taxable year, subject to adjustments. For this purpose, such interest income would be included in such foreign corporation's earnings and profits.

Any gain realized upon the sale or other disposition of the Capital Securities (or the Junior Subordinated Debentures) generally will not be subject to United States federal income tax unless (i) such gain is effectively connected with a trade or business in the United States of the Non-United States Holder, (ii) in the case of a Non-United States Holder who is an individual, such individual is present in the United States for 183 days or more in the taxable year of such sale, exchange or retirement, and certain other conditions are met, or (iii) in the case of any gain representing accrued interest on the Junior Subordinated Debentures, the requirements of the "portfolio interest" exception described in (a) above are not satisfied.

As discussed above, legislation was introduced in the 104th Congress that would have denied an interest deduction to the Company for the interest payable on the Junior Subordinated Debentures.

Such legislation also may have caused the Junior Subordinated Debentures to have been classified as equity (rather than indebtedness) of the Company for United States federal income purposes and, thus, caused the income derived from the Junior Subordinated Debentures to be characterized as dividend, rather than interest, income for such purposes. Dividend income is not eligible for the "portfolio interest" exception described in (a) above. Therefore, if such legislation had been enacted, income derived by a Non-United States Holder on the Capital Securities may have been subject to the 30% United States federal withholding tax described above, unless a reduction or elimination of such tax was available under an applicable tax treaty or such dividend income was effectively connected with a trade or business carried on in the United States by such Non-United States Holder. The 104th Congress adjourned without enacting such legislation. However, it is possible that legislation could be enacted in the future that could affect the characterization of income paid on the Capital Securities (or the Junior Subordinated Debt Securities) or otherwise adversely affect a Non-United States Holder. See "—Proposed Tax Law Changes".

Information Reporting and Backup Withholding

The amount of interest (or OID, if any) accrued on the Capital Securities (or the Junior Subordinated Debentures) held of record by United States Persons (other than corporations and other exempt holders) will be reported annually to such holders and to the IRS. The Property Trustee currently intends to deliver such reports to holders of record prior to January 31 following each calendar year. It is anticipated that persons who hold Capital Securities as nominees for beneficial holders will report the required tax information to beneficial holders on Form 1099.

"Backup withholding" at a rate of 31% will apply to payments of interest (or OID, if any) to non-exempt United States Persons unless the holder furnishes its taxpayer identification number in the manner prescribed in applicable Treasury regulations, certifies that such number is correct, certifies as to no loss of exemption from backup withholding and meets certain other conditions.

No information reporting or backup withholding will be required with respect to payments made by the Trust or any paying agent to Non-United States Holders if a statement described in (a)(iv) under "Non-United States Holders" has been received and the payor does not have actual knowledge that the beneficial owner is a United States Person.

In addition, backup withholding and information reporting will not apply if payments of the principal, interest, OID or premium on the Junior Subordinated Debentures are paid or collected by a foreign office of a custodian, nominee or other foreign agent on behalf of the Beneficial Owner, or if a foreign office of a broker (as defined in applicable Treasury regulations) pays the proceeds of the sale of the Capital Securities (or the Junior Subordinated Debentures) to the owner thereof. If, however, such nominee, custodian, agent or broker is, for United States federal income tax purposes, a United States Person, a controlled foreign corporation or a foreign person that derives 50% or more of its gross income for certain periods from the conduct of a trade or business in the United States, such payments will not be subject to backup withholding but will be subject to information reporting, unless (1) such custodian, nominee, agent or broker has documentary evidence in its records that the Beneficial Owner is not a United States Person and certain other conditions are met or (2) the Beneficial Owner otherwise establishes an exemption.

Payment of the proceeds from disposition of Capital Securities (or the Junior Subordinated Debentures) to or through a United States office of a broker is subject to information reporting and backup withholding unless the holder or beneficial owner establishes an exemption from information reporting and backup withholding.

Any amounts withheld from a holder of the Capital Securities under the backup withholding rules will be allowed as a refund or a credit against such holder's United States federal income tax liability, provided the required information is furnished to the IRS.

BOOK-ENTRY ISSUANCE

Capital Securities offered and sold to qualified institutional buyers in reliance on Rule 144A (“Rule 144A Capital Securities”) initially will be represented by one or more Capital Securities in registered, global form (collectively, the “Restricted Global Capital Securities”). Capital Securities offered and sold to institutional accredited investors in transactions exempt from registration under the Securities Act not made in reliance on Rule 144A or Regulation S (“Other Capital Securities”) will be issued only in registered, certificated (i.e., non-global) form. Capital Securities offered and sold outside of the United States in reliance on Regulation S under the Securities Act will be issued in the form of a single temporary global note (the “Regulation S Temporary Global Capital Securities”). Beneficial interests in a Regulation S Temporary Global Capital Security will be exchanged for beneficial interests in a single permanent global note (the “Regulation S Permanent Capital Securities” and, together with the Regulation S Temporary Global Note, the “Regulation S Global Capital Securities”) upon the later of (i) the Restricted Period (as defined herein) and (ii) the first date on which the requisite certifications are provided to the Property Trustee as described under “—Payments; Certifications by Holders of Regulation S Temporary Capital Securities.” Regulation S Global Capital Securities together with Restricted Global Capital Securities are referred to herein as the “Global Capital Securities.”

The Global Capital Securities will be deposited upon issuance with the Property Trustee as custodian for The Depository Trust Company (“DTC”), in New York, New York, and registered in the name of DTC or its nominee, in each case for credit to an account of a direct or indirect participant in DTC as described below. Through and including the 40th day after the later of the commencement of the offering and the issue date (such period through and including such 40th day, the “Restricted Period”), beneficial interests in the Regulation S Global Capital Securities may be held only through the Euroclear System (“Euroclear”) and Cedel, S.A. (“CEDEL”) (as indirect participants in DTC), unless transferred to a person that takes delivery through the Restricted Global Capital Securities in accordance with the certification requirements described below. Beneficial interests in the Restricted Global Capital Securities may not be exchanged for beneficial interests in the Regulation S Global Capital Securities at any time except in the limited circumstances described below. See “—Exchanges between Regulation S Capital Securities and Rule 144A Capital Securities.”

Except as set forth below, the Global Capital Securities may be transferred, in whole and not in part, only to another nominee of DTC or to a successor of DTC or its nominee. Beneficial interests in the Global Capital Securities may not be exchanged for Capital Securities in certificated form except in the limited circumstances described below. See “Exchange of Book-Entry Capital Securities for Certificated Capital Securities.”

Other Capital Securities may not be exchanged for beneficial interests in any Global Capital Securities except in the limited circumstances described below. See “Exchange of Certificated Capital Securities for Book-Entry Capital Securities.”

Capital Securities (including beneficial interests in the Restricted Global Capital Securities) will be subject to certain restrictions on transfer and (other than Regulation S Global Capital Securities) will bear a restrictive legend as described under “Notice to Investors.” In addition, transfer of beneficial interests in the Global Capital Securities will be subject to the applicable rules and procedures of DTC and its direct or indirect participants (including, if applicable, those of Euroclear and CEDEL), which may change from time to time.

Depository Procedures

DTC has advised the Trust and the Company that DTC is a limited-purpose trust company created to hold securities for its participating organizations (collectively, the “Participants”) and to facilitate the clearance and settlement of transactions in those securities between Participants through electronic book-entry changes in accounts of its Participants. The Participants include securities brokers and

dealers (including the Initial Purchasers), banks, trust companies, clearing corporations and certain other organizations. Access to DTC's system is also available to other entities such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Participant, either directly or indirectly (collectively, the "Indirect Participants"). Persons who are not Participants may beneficially own securities held by or on behalf of DTC only through the Participants or the Indirect Participants. The ownership interest and transfer of ownership interest of each actual purchaser of each security held by or on behalf of DTC are recorded on the records of the Participants and Indirect Participants.

DTC has also advised the Trust and the Company that, pursuant to procedures established by it, (i) upon deposit of the Global Capital Securities, DTC will credit the accounts of Participants designated by the Initial Purchasers with portions of the principal amount of the Global Capital Securities and (ii) ownership of such interests in the Global Capital Securities will be shown on, and the transfer of ownership thereof will be effected only through, records maintained by DTC (with respect to the Participants) or by the Participants and the Indirect Participants (with respect to other owners of beneficial interests in the Global Capital Securities).

Investors in the Restricted Global Capital Securities may hold their interests therein directly through DTC if they are participants in such system, or indirectly through organizations (including Euroclear and CEDEL) which are participants in such system. Investors in the Regulation S Global Capital Securities must initially hold their interests therein through Euroclear or CEDEL, if they are participants in such systems, or indirectly through organizations which are participants in such systems. After the latter of the expiration of the Restricted Period and the first date on which the requisite certificates are provided to the Property Trustee as described under "—Payments; Certifications by Holders of the Regulation S Temporary Global Capital Security" (but not earlier), investors may also hold interests in the Regulation S Global Capital Securities through organizations other than Euroclear and CEDEL that are participants in the DTC system. Euroclear and CEDEL will hold interests in the Regulation S Global Capital Securities on behalf of their participants through customers' securities accounts in their respective names on the books of their respective depositories, which are Morgan Guaranty Trust Company of New York, Brussels office, as operator of Euroclear, and Citibank, N.A., as depository of CEDEL. The depositories, in turn, will hold such interests in the Regulation S Global Capital Securities in customers' securities accounts in the depositories' names on the books of DTC. All interest in a Global Capital Security, including those held through Euroclear or CEDEL, may be subject to the procedures and requirements of DTC. Those interests held through Euroclear or CEDEL may also be subject to the procedures and requirements of such system. The laws of some states require that certain persons take physical delivery in certificated form of securities that they own. Consequently, the ability to transfer beneficial interests in a Global Capital Security to such persons will be limited to that extent. Because DTC can act only on behalf of Participants, which in turn act on behalf of Indirect Participants and certain banks, the ability of a person having beneficial interests in a Global Capital Security to pledge such interests to persons or entities that do not participate in the DTC system, or otherwise take actions in respect of such interests, may be affected by the lack of a physical certificate evidencing such interests. For certain other restrictions on the transferability of the Capital Securities, see "—Exchange of Book-Entry Capital Securities for Certificated Capital Securities," "—Exchange of Certificated Capital Securities for Book-Entry Capital Securities" and "—Exchanges Between Regulation S Capital Securities and Rule 144A Capital Securities" below.

Except as described below, owners of interests in the Global Capital Securities will not have Capital Securities registered in their name, will not received physical delivery of Capital Securities in certificated form and will not be considered the registered owners or holders thereof for any purpose.

Payments in respect of the Global Capital Security registered in the name DTC or its nominee will be payable by the Property Trustee to DTC in its capacity as the registered holder. The Property

Trustee will treat the persons in whose names the Capital Securities, including the Global Capital Securities, are registered as the owners thereof for the purpose of receiving such payments and for any and all other purposes whatsoever. Consequently, neither the Property Trustee nor any agent thereof has or will have any responsibility or liability for (i) any aspect of DTC's records or any Participant's or Indirect Participant's records relating to or payments made on account of beneficial ownership interests in the Global Capital Securities, or for maintaining, supervising or reviewing any of DTC's records or any Participant's or Indirect Participant's records relating to the beneficial ownership interests in the Global Capital Securities or (ii) any other matter relating to the actions and practices of DTC or any of its Participants or Indirect Participants. DTC has advised the Trust and the Company that its current practice, upon receipt of any payment in respect of securities such as the Capital Securities, is to credit the accounts of the relevant Participants with the payment on the payment date unless DTC has reason to believe it will not receive payment on such payment date. Payments by the Participants and the Indirect Participants to the beneficial owners of Capital Securities will be governed by standing instructions and customary practices and will be the responsibility of the Participants or the Indirect Participants and will not be the responsibility of DTC, the Property Trustee or the Trust. Neither the Trust nor the Property Trustee will be liable for any delay by DTC or any of its Participants in identifying the beneficial owners of the Capital Securities, and the Trust and the Property Trustee may conclusively rely on and will be protected in relying on instructions from DTC or its nominee for all purposes.

Except for trades involving only Euroclear or CEDEL participants, interests in the Global Capital Securities will trade in DTC's Same-Day Funds Settlement System and secondary market trading activity in such interests will therefore settle in immediately available funds, subject in all cases to the rules and procedures of DTC and its participants.

Transfers between Participants in DTC will be effected in accordance with DTC's procedures, and will be settled in same-day funds. Transfers between participants in Euroclear or CEDEL will be effected in the ordinary way in accordance with their respective rules and operating procedures.

Subject to compliance with the transfer restrictions applicable to the Capital Securities described herein, cross-market transfers between the Participants in DTC, on the one hand, and Euroclear or CEDEL participants, on the other hand, will be effected through DTC in accordance with DTC's rules on behalf of Euroclear or CEDEL, as the case may be, by its respective depository; however, such cross-market transactions will require delivery of instructions to Euroclear or CEDEL, as the case may be, by the counterparty in such system in accordance with the rules and procedures and within the established deadlines (Brussels time) of such system. Euroclear or CEDEL, as the case may be, will, if the transaction meets its settlement requirements, deliver instructions to its respective depository to take action to effect final settlement on its behalf by delivering or receiving interests in the relevant Global Capital Securities in DTC, and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to DTC. Euroclear participants and CEDEL participants may not deliver instructions directly to the depositories for Euroclear or CEDEL.

Because of time zone differences, the securities account of a Euroclear or CEDEL participant purchasing an interest in a Global Capital Security from a Participant in DTC will be credited, and any such crediting will be reported to the relevant Euroclear or CEDEL participant, during the securities settlement processing day (which must be a business day for Euroclear and CEDEL) immediately following the settlement date of DTC. Cash received in Euroclear or CEDEL as a result of sales of interest in a Global Capital Security by or through a Euroclear or CEDEL participant to a Participant in DTC will be received with value on the settlement date of DTC but will be available in the relevant Euroclear or CEDEL cash account only as of the business day for Euroclear or CEDEL following DTC's settlement date.

DTC has advised the Trust and the Company that it will take any action permitted to be taken by a holder of Capital Securities only at the direction of one or more Participants to whose account with

DTC interests in the Global Capital Securities are credited. However, if there is an Event of Default, DTC reserves the right to exchange the Global Capital Securities for legended Capital Securities in certificated form and to distribute such Capital Securities to its Participants.

The information in this section concerning DTC, Euroclear and CEDEL and their book-entry systems has been obtained from sources that the Trust and the Company believe to be reliable, but neither the Trust nor the Company takes responsibility for the accuracy thereof.

Although DTC, Euroclear and CEDEL have agreed to the foregoing procedures to facilitate transfers of interest in the Regulation S Global Capital Securities and in the Restricted Global Capital Securities among participants in DTC, Euroclear and CEDEL, they are under no obligation to perform or to continue to perform such procedures, and such procedures may be discontinued at any time. Neither the Trust nor the Property Trustee will have any responsibility for the performance by DTC, Euroclear or CEDEL or their respective participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

Exchange of Book-Entry Capital Securities for Certificated Capital Securities

A Global Capital Security is exchangeable for Capital Securities in registered certificated form if (i) DTC (x) notifies the Trust that it is unwilling or unable to continue as Depository for the Global Capital Security and the Trust thereupon fails to appoint a successor Depository or (y) has ceased to be a clearing agency registered under the Exchange Act, (ii) the Company in its sole discretion elects to cause the issuance of the Capital Securities in certificated form or (iii) there shall have occurred and be continuing an Event of Default or any event which after notice or lapse of time or both would be an Event of Default under the Declaration. In addition, beneficial interests in a Global Capital Security may be exchanged for certificated Capital Securities upon request but only upon at least 20 days' prior written notice given to the Property Trustee by or on behalf of DTC in accordance with customary procedures. In all cases, certificated Capital Securities delivered in exchange for any Global Capital Security or beneficial interests therein will be registered in the names, and issued in any approved denominations, requested by or on behalf of the Depository (in accordance with its customary procedures) and will bear, in the case of the Restricted Global Capital Security, the restrictive legend referred to in "Notice to Investors."

Exchange of Certificated Capital Securities for Book-Entry Capital Securities

Other Capital Securities which will be issued in certificated form may not be exchanged for beneficial interests in any Global Capital Security unless such exchange occurs in connection with a transfer of such Other Capital Securities and the transferor first delivers to the Property Trustee a written certificate to the effect that such transfer will comply with the appropriate transfer restrictions applicable to such Capital Securities as set forth in Appendix A hereto. In the case of any such exchange for an interest in the Regulation S Global Capital Security, such transfer must occur pursuant to Regulation S or Rule 144 (if available).

Exchanges Between Regulation S Capital Securities and Rule 144A Capital Securities

Prior to the expiration of the Restricted Period, beneficial interests in the Regulation S Global Capital Security may be exchanged for beneficial interests in the Restricted Global Capital Security only if such exchange occurs in connection with a transfer of the Capital Securities pursuant to Rule 144A and the transferor first delivers to the Property Trustee a written certificate to the effect that the Capital Securities are being transferred to a person who the transferor reasonably believes is a qualified institutional buyer within the meaning of Rule 144A under the Securities Act, purchasing for its own account or the account of a qualified institutional buyer in a transaction meeting the requirements of Rule 144A and in accordance with all applicable securities laws of the states of the United States and other jurisdictions.

Beneficial interests in the Restricted Global Capital Securities may be transferred to a person who takes delivery in the form of an interest in the Regulation S Global Capital Securities, whether before or after the expiration of the Restricted Period, only if the transferor first delivers to the Property Trustee a written certificate to the effect that such transfer is being made in accordance with Rule 903 or 904 of Regulation S or Rule 144 (if available) and that, if such transfer occurs prior to the expiration of the Restricted Period, the interest transferred will be held immediately thereafter through Euroclear or CEDEL.

Transfers involving an exchange of a beneficial interest in the Regulation S Global Capital Securities for a beneficial interest in the Restricted Global Capital Securities or vice versa will be effected in DTC by means of an instruction originated by the Property Trustee through the DTC Deposit/Withdraw at Custodian ("DWAC") system.

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

Payments; Certifications by Holders of the Regulation S Temporary Global Capital Security

A holder of a beneficial interest in a Regulation S Temporary Global Capital Security must provide Euroclear or CEDEL as the case may be, with a certificate in the form required by the Declaration certifying that the beneficial owner of the interest in such Capital Security is not a U.S. Person, and Euroclear or CEDEL, as the case may be, must provide to the Property Trustee (or the paying agent if other than the Property Trustee) a certificate in the form required by the Declaration, prior to (i) the payment of Distributions, Redemption Price or any other payment with respect to such holder's beneficial interest in the Regulation S Temporary Global Capital Security and (ii) any exchange of such beneficial interest for a beneficial interest in a Regulation S Permanent Global Capital Security.

NOTICE TO INVESTORS

Purchasers are advised to consult legal counsel prior to selling the Capital Securities. Each purchaser of the Capital Securities, by its acceptance thereof, will be deemed to have acknowledged, represented and agreed with the Initial Purchasers, the Company and the Trust as follows:

(1) *It understands and acknowledges that the Capital Securities have not been registered under the Securities Act or any other applicable securities law or Part 16 of the regulations of the OCC and, unless so registered, may not be offered, sold or otherwise transferred except in compliance with the registration requirements of the Securities Act, Part 16 of the regulations of the OCC or any other applicable securities law, pursuant to an exemption therefrom or in a transaction not subject thereto, and in each case, in compliance with the conditions for transfer set forth in paragraph (4) below.*

(2) It is:

(a) a QIB within the meaning of Rule 144A under the Securities Act and is aware that any sale of the Capital Securities to it will be made in reliance on Rule 144A. Such acquisition will be for its own account or for the account of another QIB;

(b) an institutional "accredited investor" within the meaning of Rule 501(a)(1), (2), (3) or (7) under the Securities Act (an "institutional accredited investor") that is purchasing Capital

Securities with a principal amount of at least \$100,000, and if the Capital Securities are to be purchased for one or more accounts ("investor accounts") for which it is acting as fiduciary or agent, each such account is an institutional accredited investor that is purchasing Capital Securities with a principal amount of at least \$100,000. In the normal course of its business or its investing activities, it invests in or purchases securities similar to the Capital Securities and it has such knowledge and experience in financial business matters that it is capable of evaluating the merits and risks of purchasing the Capital Securities. It is aware that it (or any investor account) may be required to bear the economic risk of an investment in the Capital Securities for an indefinite period of time and it (or such account) is able to bear such risk for an indefinite period and that it will be required to sign an agreement in the form attached hereto as Appendix A; or

(c) a non-U.S. person and is acting in reliance upon Regulation S under the Securities Act. As used herein "U.S. Person" has the meaning given it under Regulation S.

(3) It acknowledges that none of the Company, the Trust or the Initial Purchasers, or any person representing such parties, has made any representation to it with respect to the Company, the Trust or the offering of the Capital Securities, other than in this Offering Memorandum, which has been delivered to it and upon which it is relying in making its investment decision with respect to the Capital Securities. Accordingly, it acknowledges that no representation or warranty is made by the Initial Purchasers as to the accuracy or completeness of such materials. It has had access to such financial and other information concerning the Company, the Trust and the Capital Securities as it deemed necessary in connection with its decision to purchase any of the Capital Securities, including an opportunity to ask questions and request information from the Company and the Initial Purchasers.

(4) It is purchasing the Capital Securities for its own account, or for one or more investor accounts, for which it is acting as a fiduciary or agent, in each case for investment, and not with a view to, or for offer or sale in connection with, any distribution thereof in violation of the Securities Act or Part 16 of the regulations of the OCC, subject to any requirement of law that the disposition of its property or the property of such investor account or accounts be at all times within its or their control and subject to its or their ability to resell such Capital Securities pursuant to Rule 144A, Regulation S or any exemption from registration available under the Securities Act and Part 16 of the regulations of the OCC. It agrees on its own behalf and on behalf of any investor account for which it is purchasing the Capital Securities, and each subsequent holder of the Capital Securities by its acceptance thereof will agree, to offer, sell or otherwise transfer such Capital Securities prior to the date which is three years after the later of the date of original issue and the last date on which the Company or any affiliate of the Company was the owner of such Capital Securities (or any predecessor thereto) (the "Resale Restriction Termination Date") only (a) to the Company, (b) pursuant to a registration statement which has been declared effective under the Securities Act and Part 16 of the regulations of the OCC, (c) for so long as the Capital Securities are eligible for resale pursuant to Rule 144A, to a person it reasonably believes is a QIB that purchases for its own account or for the account of a QIB to whom notice is given that the transfer is being made in reliance on 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 Capital 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 Part 16 of the regulations of the OCC or (f) pursuant to another available exemption from the registration requirements of the Securities Act and Part 16 of the regulations of the OCC and, in each case, in accordance with the applicable securities laws of any state of the United States or any other applicable jurisdiction and subject to any requirement of law that the disposition of its property or the property of such investor account or accounts be at all times within its or their control. The foregoing restrictions on resale will not apply subsequent to the Resale Restriction Termination Date. Each purchaser acknowledges that the

Company and the Property Trustee reserve the right prior to any offer, sale or other transfer prior to the Resale Restriction Termination Date of the Capital Securities pursuant to clauses (d), (e) or (f) above to require the delivery of an opinion of counsel, certifications or other information acceptable to the Company and the Property Trustee in form and substance. Each purchaser acknowledges that each Capital Security will contain a legend substantially to the following effect: "THIS SECURITY (OR ITS PREDECESSOR) HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), ANY STATE SECURITIES LAWS OR PART 16 OF THE REGULATIONS OF THE OFFICE OF THE CONTROLLER OF THE CURRENCY ("OCC") AND NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE OFFERED, SOLD OR OTHERWISE TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN APPLICABLE EXEMPTION THEREFROM. EACH PURCHASER OF THIS SECURITY IS HEREBY NOTIFIED THAT THE SELLER MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT AND PART 16 OF THE OCC'S REGULATIONS PROVIDED BY RULE 144A, REGULATION S OR ANOTHER EXEMPTION THEREUNDER. THE HOLDER OF THIS SECURITY, BY ITS ACCEPTANCE HEREOF, REPRESENTS, ACKNOWLEDGES AND AGREES FOR THE BENEFIT OF THE COMPANY THAT: (I) IT HAS ACQUIRED A "RESTRICTED" SECURITY WHICH HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OR PART 16 OF THE REGULATIONS OF THE OCC; (II) IT WILL NOT OFFER, SELL OR OTHERWISE TRANSFER THIS SECURITY PRIOR TO THE LATER OF THE DATE WHICH IS THREE YEARS AFTER THE DATE OF ORIGINAL ISSUANCE HEREOF AND THE LAST DATE ON WHICH THE COMPANY OR ANY AFFILIATE OF THE COMPANY WAS THE OWNER OF SUCH RESTRICTED SECURITIES (OR ANY PREDECESSOR) EXCEPT (A) TO THE COMPANY, (B) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT AND PART 16 OF THE REGULATIONS OF THE OCC, (C) FOR SO LONG AS THIS SECURITY IS ELIGIBLE FOR RESALE PURSUANT TO RULE 144A, TO A PERSON WHO THE SELLER REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (D) OUTSIDE THE UNITED STATES IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 904 UNDER THE SECURITIES ACT, (E) TO AN INSTITUTIONAL "ACCREDITED INVESTOR," WITHIN THE MEANING OF SUBPARAGRAPH (A)(1), (2), (3) OR (7) OF RULE 501 UNDER THE SECURITIES ACT THAT IS ACQUIRING THE SECURITIES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF SUCH AN INSTITUTIONAL "ACCREDITED INVESTOR," FOR INVESTMENT PURPOSES AND NOT WITH A VIEW TO, OR FOR OFFER OR SALE IN CONNECTION WITH, ANY DISTRIBUTION IN VIOLATION OF THE SECURITIES ACT OR PART 16 OF THE REGULATIONS OF THE OCC, OR (F) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT OR PART 16 OF THE REGULATIONS OF THE OCC, AND, IN EACH CASE, IN ACCORDANCE WITH THE APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY APPLICABLE JURISDICTION; AND (III) IT WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER FROM IT OF THIS SECURITY OF THE RESALE RESTRICTIONS SET FORTH IN (II) ABOVE. ANY OFFER, SALE OR OTHER DISPOSITION PURSUANT TO THE FOREGOING CLAUSES (II)(D) (E) AND (F) IS SUBJECT TO THE RIGHT OF THE ISSUER OF THIS SECURITY AND THE PROPERTY TRUSTEE FOR SUCH SECURITIES TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATIONS OR OTHER INFORMATION ACCEPTABLE TO THEM IN FORM AND SUBSTANCE."

(5) It understands and acknowledges that the purchase by it of any Capital Security constitutes a representation by it that it either (a) is not a Plan or a Plan Asset Entity and is not purchasing such Capital Securities on behalf of or with "plan assets" of any Plan or (b) is eligible for the exemptive relief available under PTCE 96-23, 95-60, 91-38, 90-1 or 84-14 with respect to such purchase. Capitalized terms used in this representation have the meanings therefor set out under "Benefit Plan Considerations."

(6) It acknowledges that the Company, the Initial Purchasers, the Trust and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements and agrees that, if any of the acknowledgments, representations and agreements deemed to have been made by purchase of the Capital Securities are no longer accurate, it shall promptly notify the Initial Purchasers. If it is acquiring any Capital Securities as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such account and it has full power to make the foregoing acknowledgments and agreements on behalf of each such account.

BENEFIT PLAN CONSIDERATIONS

Before authorizing an investment in the Capital Securities, fiduciaries of pension, profit sharing or other employee benefit plans subject to the Employee Retirement Income Security Act of 1974, as amended (“ERISA”), should consider, among other matters, (a) ERISA’s fiduciary standards (including its prudence and diversification requirements), (b) whether such fiduciaries have authority to make such investment in the Capital Securities under the applicable Plan investment policies and governing instruments, and (c) rules under ERISA and the Code that prohibit Plan fiduciaries from causing a Plan to engage in a “prohibited transaction.”

Section 406 of ERISA and Section 4975 of the Code prohibit Plans, as well as individual retirement accounts and Keogh plans subject to Section 4975 of the Code (also “Plans”), from, among other things, engaging in certain transactions involving “plan assets” with persons who are “parties in interest” under ERISA or “disqualified persons” under the Code with respect to such Plan. A violation of these “prohibited transaction” rules may result in an excise tax or other liabilities under ERISA and/or Section 4975 of the Code for such persons, unless exemptive relief is available under an applicable statutory or administrative exemption. Employee benefit plans that are governmental plans (as defined in Section 3(32) of ERISA), certain church plans (as defined in Section 3(33) of ERISA) and foreign plans (as described in Section 4(b)(5) of ERISA) are not subject to the requirements of ERISA or Section 4975 of the Code.

The Department of Labor (“DOL”) has issued a regulation (29 C.F.R. § 2510.3-101) (the “Plan Assets Regulation”) concerning the definition of what constitutes the assets of a Plan. The Plan Assets Regulation provides that as a general rule, the underlying assets and properties of corporations, partnerships, trusts and certain other entities in which a plan makes an “equity” investment will be deemed for purposes of ERISA to be assets of the investing plan unless certain exceptions apply.

Pursuant to an exception contained in the Plan Assets Regulation, the assets of the Trust would not be deemed to be “plan assets” of investing Plans if, immediately after the most recent acquisition of any equity interest in the Trust, less than 25% of the value of each class of equity interest in the Trust were held by Plans, other employee benefit plans not subject to ERISA or Section 4975 of the Code (such as governmental, church and foreign plans) and entities holding assets deemed to be “plan assets” of any Plan (collectively, “Benefit Plan Investors”). No assurance can be given that the value of the Capital Securities held by Benefit Plan Investors will be less than 25% of the total value of such Capital Securities at the completion of the initial offering or thereafter, and no monitoring or other measures will be taken with respect to the satisfaction of the conditions to this exception. All of the Common Securities will be purchased and held directly by the Company.

There can be no assurance that any of the exceptions set forth in the Plan Assets Regulation will apply to the purchase of Capital Securities offered hereby and, as a result, an investing Plan’s assets could be considered to include an undivided interest in the Junior Subordinated Debentures held by the Trust. In the event that assets of the Trust are considered assets of an investing Plan, the Trustees, the Company and other persons, in providing services with respect to the Junior

Subordinated Debentures, may be considered fiduciaries to such Plan and subject to the fiduciary responsibility provisions of Title I of ERISA. In addition, certain transactions involving the Trust and/or the Capital Securities could be deemed to constitute direct or indirect prohibited transactions under ERISA and Section 4975 of the Code with respect to a Plan. For example, if the Company is a Party in Interest with respect to an investing Plan (either directly or by reason of its ownership of the Banks or other subsidiaries), extensions of credit between the Company and the Trust (as represented by the Junior Subordinated Debentures and the Guarantee) would likely be prohibited by Section 406(a)(1)(B) of ERISA and Section 4975(c)(1)(B) of the Code.

The DOL has issued five prohibited transaction class exemptions ("PTCEs") that may provide *exemptive relief for direct or indirect prohibited transactions resulting from the purchase or holding of the Capital Securities*, assuming that assets of the Trust were deemed to be "plan assets" of Plans investing in the Trust (see above). Those class exemptions are PTCE 96-23 (for certain transactions determined by in-house asset managers), PTCE 91-38 (for certain transactions involving bank collective investment funds), PTCE 95-60 (for certain transactions involving PTCE 90-1 (for certain transactions involving insurance company pooled separate accounts) and PTCE 84-14 (for certain transactions determined by independent qualified professional asset managers).

Because of ERISA's prohibitions and those of Section 4975 of the Code, the Capital Securities may not be purchased or held by any Plan, any entity whose underlying assets include "plan assets" by reason of any Plan's investment in the entity (a "Plan Asset Entity") or any person having "plan assets" of any Plan, unless such purchase or holding is covered by the exemptive relief provided by PTCE 95-23, 95-60, 91-38, 90-1 or 84-14 or another applicable exemption. If a purchaser or holder of the Capital Securities that is a Plan or a Plan Asset Entity elects to rely on an exemption other than PTCE 96-23, 95-60, 91-38, 90-1 or 84-14, the Company and the Trust may require a satisfactory opinion of counsel or other evidence with respect to the availability of such exemption for such purchase and holding. Any purchaser or holder of the Capital Securities or any interest therein will be deemed to have represented by its purchase and holding thereof that either (a) the purchaser and holder is not a Plan or a Plan Asset Entity and is not purchasing such securities on behalf of or with "plan assets" of any Plan or (b) the purchase and holding of the Capital Securities is covered by the exemptive relief provided by PTCE 96-23, 95-60, 91-38, 90-1, or 84-14 or another applicable exemption. See "Notice to Investors" herein.

Any Plans or other entities whose assets include Plan assets subject to ERISA or Section 4975 of the Code proposing to acquire Capital Securities should consult with their own counsel.

Governmental Plans, as defined in Section 3(32) of ERISA, are not subject to ERISA, and are also not subject to the prohibited transaction provisions of Section 4975 of the Code. However, state laws or regulations governing the investment and management of the assets of such plans may contain *fiduciary and prohibited transaction provisions similar to those under ERISA and the Code discussed above*. Accordingly, fiduciaries of government plans, in consultation with their advisers, should consider the impact of their respective state laws on investments in the Capital Securities, and the considerations discussed above, to the extent applicable.

SUPERVISION, REGULATION AND OTHER MATTERS

The following information is not intended to be an exhaustive description of the statutes and regulations applicable to the Company or the Holding Corporation. The discussion is qualified in its entirety by reference to all particular statutory or regulatory provisions. Additional information regarding supervision and regulation is included in the documents incorporated herein by reference. See "Incorporation of Certain Information by Reference."

The business of the Company is influenced by prevailing economic conditions and governmental policies, both foreign and domestic. The actions and policy directives of the Federal Reserve determine to a significant degree the cost and the availability of funds obtained from money market sources for lending and investing. The Federal Reserve's policies and regulations also influence, directly and indirectly, the rates of interest paid by commercial banks on their time and savings deposits. The nature and impact on the Company of future changes in economic conditions and monetary and fiscal policies, both foreign and domestic, are not predictable.

The Company is subject to supervision and examination by federal bank regulatory authorities. The Company's primary bank regulatory authority is the OCC.

The federal banking regulatory authorities have each adopted risk-based capital guidelines to which the Company is subject. These guidelines are based on an international agreement developed by the Basle Committee on Banking Regulations and Supervisory Practices, which consists of representatives of central banks and supervisory authorities in 12 countries including the United States. The guidelines establish a systematic analytical framework that makes regulatory capital requirements more sensitive to differences in risk profiles among banking organizations, takes off-balance sheet exposures into explicit account in assessing capital adequacy and minimizes disincentives to holding liquid, low-risk assets. Risk-based assets are determined by allocating assets and specified off-balance sheet commitments and exposures into four weighing categories, with higher levels of capital being required for the categories perceived as representing greater risk.

All banks are required to maintain a minimum total risk-based ratio of 8%, of which half (4%) must be "Tier 1" capital. In addition, the federal bank regulators have established leverage ratio (Tier 1 capital to total adjusted average assets) guidelines providing for a minimum leverage ratio of 3% for banks meeting certain specified criteria, including excellent asset quality, high liquidity, low interest rate exposure and the highest regulatory rating or which are not experiencing or anticipating significant growth. Institutions not meeting these criteria are expected to maintain a ratio which exceeds the 3% minimum by at least 100 to 200 basis points. The federal bank regulatory authorities may, however, set higher capital requirements when a bank's particular circumstances warrant. As of September 30, 1996, the Company's total risk-based capital ratio was 10.6%, of which 8.04% constituted Tier 1 capital. The Company's leverage ratio at such date was 6.97%. These ratios have been restated to include New Jersey National which was merged into the Company on December 6, 1996.

Effective January 17, 1995, the federal bank regulatory agencies, including the FDIC, the Federal Reserve Board and the OCC, amended their respective agency risk-based capital standards to include concentration of credit risk and the risks of non-traditional activities. The Federal Reserve Board, the OCC and the FDIC also issued a joint policy statement, effective June 26, 1996, that provides guidance on sound practices for interest rate risk management. The policy describes critical factors affecting the agencies' evaluation of a bank's interest rate risk when making a determination of capital adequacy.

The federal banking agencies possess broad powers to take corrective action as deemed appropriate for an insured depository institution and its holding companies. The extent of these powers depends upon whether the institution in question is considered "well capitalized," "adequately

capitalized,” “undercapitalized,” “significantly undercapitalized” or “critically undercapitalized.” Generally, as an institution is deemed to be less well capitalized, the scope and severity of the agencies’ powers increase. The agencies’ corrective powers can include, among other things, requiring an insured financial institution to adopt a capital restoration plan which cannot be approved unless guaranteed by the institution’s parent holding company; placing limits on asset growth and restrictions on activities; placing restrictions on transactions with affiliates; restricting the interest rates the institution may pay on deposits; prohibiting the institution from accepting deposits from correspondent banks; prohibiting the payment of principal or interest on subordinated debt; prohibiting the holding company from making capital distributions without prior regulatory approval; and, ultimately, appointing a receiver for the institution. Business activities may also be influenced by an institution’s capital classification. For instance, only a “well capitalized” depository institution may accept brokered deposits without prior regulatory approval and only an “adequately capitalized” depository institution may accept brokered deposits with prior regulatory approval. At September 30, 1996, the Company exceeded the required minimum ratios for classification as “well capitalized.”

Powers of the FDIC in Connection with the Insolvency of an Insured Depository Institution

A depository institution insured by the FDIC can be held liable for any loss incurred by, or reasonably expected to be incurred by, the FDIC in connection with (i) the default of a commonly-controlled FDIC-insured depository institution or (ii) any assistance provided by the FDIC to a commonly-controlled FDIC-insured depository institution in danger of default. “Default” is generally defined as the appointment of a receiver or conservator and “in danger of default” is defined generally as the existence of certain conditions indicating that a “default” is likely to occur in the absence of regulatory assistance. Such liability by a depository institution to the FDIC would be subordinated in right of payment to deposit liabilities, secured obligations, any other general or senior liability and any obligation subordinated to obligations to depositors or other general creditors (such as the Junior Subordinated Debentures), other than obligations owed to any affiliate of the depository institution (with certain exceptions) and obligations to shareholders of such depository institution in their capacity as such.

If the FDIC is appointed conservator or receiver for an insured depository institution, the FDIC may disaffirm or repudiate any contract or lease to which such institution is a party, the performance of which is determined by the FDIC to be burdensome and the disaffirmance or repudiation of which is determined by the FDIC to promote the orderly administration of the institution’s affairs. If the FDIC were to repudiate the Junior Subordinated Debentures, the effect of such repudiation would be to accelerate the maturity of such securities. To the Company’s knowledge, the FDIC has not taken the position that such repudiation would impair the right of a holder of such securities to make a claim for principal and interest accrued through the date of the appointment of the conservator or receiver. The amount paid upon this claim would depend upon, among other factors, the amount of receivership assets available for the payment of unsecured claims and the priority of this claim relative to the priority of other unsecured creditors. If the maturity of the Junior Subordinated Debentures were so accelerated and a claim relating to the Junior Subordinated Debentures were paid by the conservatorship or receivership, depending upon economic conditions, the holders of such Junior Subordinated Debentures might not be able to reinvest any amounts paid on such securities at a comparable rate of interest. In addition, although the terms of the Junior Subordinated Debentures permit the holders to accelerate the maturity of such securities in the event of the appointment of a receiver or conservator for the Company, the FDIC as receiver or conservator may enforce most types of contracts, including the Junior Subordinated Debentures, pursuant to their terms, notwithstanding any such acceleration provision. The FDIC as conservator or receiver may also transfer to a new obligor any of the Company’s assets and liabilities, including the Junior Subordinated Debentures, without the approval or consent of the Company’s creditors, including holders of the Junior Subordinated Debentures.

Pursuant to federal law, the FDIC may not take any action that would have the effect of increasing the losses to a deposit insurance fund by protecting depositors for more than the insured portion of their deposits, or creditors other than depositors (such as holders of the Junior Subordinated Debentures). The FDIC is also authorized to settle all uninsured and unsecured claims in the insolvency of an insured depository institution by making a final settlement payment after the declaration of insolvency. The rate of such final settlement is to be a percentage rate determined by the FDIC reflecting an average of the FDIC's receivership recovery experience. Such a payment would constitute full payment and disposition of the FDIC's obligations to claimants, regardless of the assets of the insolvent institution actually available for distribution to creditors.

Federal law also provides that in the event of the liquidation or other resolution of an insured depository institution, administrative expenses of the receiver and the claims of depositors of such institution (including claims by the FDIC as subrogee of insured depositors) are entitled to priority in payment over the claims of other general creditors of the institution.

The Bank Holding Company Act of 1956, as amended, currently permits adequately capitalized and adequately managed bank holding companies from any state to acquire banks and bank holding companies located in any other state, subject to certain conditions. States may affirmatively opt-in earlier, which Delaware, New Jersey and Pennsylvania (among other states) have done. Competition

PLAN OF DISTRIBUTION

The Company and the Trust have entered into an agreement (the "Purchase Agreement") with the initial purchasers named below (the "Initial Purchasers") pursuant to which, on the terms and subject to the conditions thereof, the Trust and the Company have agreed that the Trust will sell to the Initial Purchasers, and the Initial Purchasers have agreed to purchase, \$300,000,000 liquidation amount of Capital Securities.

<u>Initial Purchasers</u>	<u>Liquidation Amount of Capital Securities</u>
Salomon Brothers Inc	\$210,000,000
Lehman Brothers Inc.	45,000,000
Bear, Stearns & Co. Inc.	45,000,000
Total	\$300,000,000

The Purchase Agreement provides that the obligations of the Initial Purchasers to pay for and accept delivery of the Capital Securities are subject to the approval of certain legal matters by their counsel and to certain other conditions. The Initial Purchasers are obligated to take and pay for \$300,000,000 aggregate liquidation amount of the Capital Securities offered hereby if any are taken.

In the Purchase Agreement, the Company and the Trust have agreed to indemnify the Initial Purchasers against certain liabilities, including liabilities under the Securities Act, or to contribute to payments that the Initial Purchasers may be required to make in respect thereof.

The Initial Purchasers have agreed that they will offer or sell the Capital Securities at 99.0345% of the liquidation amount, outside the United States only in offshore transactions complying with Rule 903 or Rule 904 of Regulation S under the Securities Act, and inside the United States, only (i) to persons whom they reasonably believe to be qualified institutional buyers in reliance on Rule 144A under the Securities Act and (ii) to a limited number of institutional accredited investors within the meaning of Rule 501(a)(1), (2), (3) or (7) of Regulation D under the Securities Act.

In view of the fact that the proceeds from the sale of the Capital Securities will be used to purchase the Junior Subordinated Debentures issued by the Company, the Purchase Agreement provides that the Company will pay as compensation for the Initial Purchasers' arranging the investment therein of such proceeds an amount of \$8.75 per Capital Security for the accounts of the Initial Purchasers.

The Initial Purchasers have acknowledged and agreed that, except as permitted by the Purchase Agreement, they will not offer, sell or deliver the Capital Securities within the United States or to, or for the account or benefit of, U.S. Persons (i) as part of the distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the Closing Date, that they will send to each dealer to which they sell Capital Securities in reliance on Regulation S during the restricted period a confirmation or other notice setting forth the restrictions on offers and sales of the Capital Securities within the U.S. or to, or for the account or benefit of, U.S. Persons. Terms used in this paragraph have the meaning given to them by Regulation S under the Securities Act.

The Offered Securities have not been registered under the Securities Act or Part 16 of the regulations of the OCC and may not be offered or sold within the United States except in certain transactions exempt from, or not subject to, the registration requirements of the Securities Act and Part 16 of the regulations of the OCC. See "Notice to Investors."

The Company and the Trust have been advised by the Initial Purchasers that they intend to make a market in the Capital Securities as permitted by applicable laws and regulations. The Initial Purchasers are not obligated, however, to make a market in the Capital Securities and any such market making may be discontinued at any time at the sole discretion of the Initial Purchasers. Accordingly, no assurance can be given as to the liquidity of, or trading markets for, the Capital Securities.

The Initial Purchasers and their affiliates from time to time perform investment banking and other financial advisory services for the Company and its affiliates for which they receive customary compensation.

LEGAL MATTERS

Certain matters of Delaware law relating to the validity of the Trust Securities and the formation of the Trust will be passed upon on behalf of the Trust by Richards, Layton & Finger P.A., special Delaware counsel to the Company and the Trust. The validity under New York law of the Junior Subordinated Debentures and the Guarantee will be passed upon for the Company and the Trust by Simpson Thacher & Bartlett, (a partnership which includes professional corporations), New York, New York. Certain United States federal income tax matters will be passed upon for the Company and the Trust by Simpson Thacher & Bartlett. Certain legal matters will be passed upon for the Initial Purchasers by Cleary, Gottlieb, Steen & Hamilton, New York, New York.

INDEPENDENT AUDITORS

The consolidated financial statements of the Holding Corporation and its affiliates incorporated by reference in this Offering Memorandum, have been audited by Ernst & Young LLP, independent auditors, as stated in their report. The Company's Call Reports incorporated by reference in this Offering Memorandum are unaudited.

FORM OF INSTITUTIONAL ACCREDITED INVESTOR LETTER

CoreStates Capital III
CoreStates Bank, N.A.

[Address]

Dear Sirs:

In connection with our proposed purchase from you of Floating Rate Subordinated Capital Income Securities (the "Restricted Securities") of CoreStates Capital III, a Delaware statutory business trust (the "Trust"), which Trust's common securities are owned by CoreStates Bank, N.A. (the "Company"), we represent, warrant and agree on our own behalf and on behalf of any investor account (as hereinafter defined) for which we are purchasing the Restricted Securities as follows:

1. We are an institutional "accredited investor" within the meaning of Rule 501(a)(1), (2), (3) or (7) under the Securities Act (an "Institutional Accredited Investor") that is purchasing Restricted Securities with a principal amount of at least \$100,000, and if the Restricted Securities are to be purchased for one or more accounts ("investor accounts") for which we are acting as fiduciary or agent, each such account is an Institutional Accredited Investor that is purchasing Restricted Securities with a principal amount of at least \$100,000. In the normal course of our business, we invest in or purchase securities similar to the Restricted Securities and we have such knowledge and experience in financial business matters as to be capable of evaluating the merits and risks of purchasing the Restricted Securities. We are aware that we (or any investor account) may be required to bear the economic risk of an investment in the Restricted Securities for an indefinite period of time and we are (or such account is) able to bear such risk for an indefinite period.

2. We acknowledge that none of the Company, the Trust or the Initial Purchasers (as defined in the Offering Memorandum), or any person representing the Company, the Trust or the Initial Purchasers, has made any representation to us with respect to the Company, the Trust or the offering of the Restricted Securities, other than the Offering Memorandum dated January 29, 1997 (the "Offering Memorandum"), a copy of which has been delivered to us and upon which we are relying in making our investment decision with respect to the Restricted Securities. Accordingly, we acknowledge that no representation or warranty is made by the Initial Purchasers as to the accuracy or completeness of such materials. We have had access to such financial and other information concerning the Company and the Restricted Securities as we deemed necessary in connection with our decision to purchase the Restricted Securities, including an opportunity to ask questions and request information from the Company and the Initial Purchasers. We acknowledge that we have read and agreed to the matters stated under the caption "Notice to Investors" in such Offering Memorandum and the restrictions on duplication and circulation of such Offering Memorandum.

3. We understand that any subsequent transfer of the Restricted Securities is subject to certain restrictions and conditions set forth in the Offering Memorandum under the caption "Notice to Investors" and we agree to be bound by, and not to resell, pledge or otherwise transfer the Restricted Securities except in compliance with such restrictions and conditions and the Securities Act of 1933, as amended (the "Securities Act") and Part 16 of the regulations of the Office of the Comptroller of the Currency (the "OCC").

4. We understand and hereby acknowledge that the Restricted Securities have not been registered under the Securities Act or Part 16 of the regulations of the OCC, and may not be sold except as permitted in the following sentence. We agree to offer, sell or otherwise transfer such Restricted Securities prior to the date which is three years after the later of the date of original

issue and the last date on which the Company or any affiliate of the Company was the owner of such Restricted Securities (or any predecessor thereto) (the "Resale Restriction Termination Date") only (a) to the Company, (b) pursuant to a registration statement which has been declared effective under the Securities Act and Part 16 of the regulations of the OCC, (c) for so long as the Restricted Securities are eligible for resale pursuant to Rule 144A under the Securities Act, to a person we reasonable believe is qualified institutional buyer under Rule 144A ("QIB") that purchases for its own account or for the account of a QIB to whom notice is given that the transfer is being made in reliance on Rule 144A, (d) outside the United States in a transaction meeting the requirements of Rule 904 of Regulation S under the Securities Act, (e) to an Institutional "accredited investor," with 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, and distribution in violation of the Securities Act or Part 16 of the regulations of the OCC or (f) pursuant to any other available exemption from the registration requirements of the Securities Act and Part 16 of the regulations of the OCC, and, in each case, in accordance with the applicable securities laws of any state of the United States or any other applicable jurisdiction and subject to any requirement of law that the disposition of our property or the property of such investor account or accounts be at all times within our or their control. The foregoing restriction on resale will not apply subsequent to the Resale Restriction Termination Date. We acknowledge that the Company and the Property Trustee reserve the right prior to any offer, sale or other transfer prior to the Resale Restriction Termination Date of the Restricted Securities pursuant to clause (d), (e) or (f) above to require the delivery of an opinion of counsel, certifications or other information acceptable to the Company and the Property Trustee in form and substance. We acknowledge that the Restricted Securities purchased by us will be in the form of definitive physical certificates and will bear a legend reflecting the substance of this paragraph 4.

5. Prior to any proposed transfer of the Restricted Securities (other than pursuant to an effective registration statement) occurring before the Resale Restriction Termination Date, we must check the appropriate box set forth on the reverse of the certificate(s) evidencing such Restricted Securities relating to the manner of such transfer and submit such certificate(s) to the Property Trustee. We understand that the Property Trustee will not be required to accept any Restricted Securities for registration of transfer, except upon presentation of evidence satisfactory to the Company and to the Property Trustee that the foregoing restrictions on transfer have been complied with.

6. We are acquiring the Restricted Securities for our own account or for one or more accounts (each of which is an "institutional accredited investor") as to each of which we exercise sole investment discretion.

7. We are not acquiring the Restricted Securities with a view to, or for offer or sale in connection with, any distribution in violation of the Securities Act or Part 16 of the regulations of the OCC.

8. We shall provide to any person purchasing any Restricted Securities from us a notice advising such purchaser that transfers of the Restricted Securities are restricted as set forth herein.

9. We understand and acknowledge that our purchase of any Capital Security constitutes a representation by us that we either (a) are not a Plan or a Plan Asset Entity and are not purchasing such Capital Securities on behalf of or with "plan assets" of any Plan or (b) are eligible for the exemptive relief available under PTCE 96-23, 95-60, 91-38, 90-1, or 84-14 with respect to such purchase. Capitalized terms used in this representation have the meanings therefor set out under the caption "Benefit Plan Considerations" in the Offering Memorandum.

We acknowledge that you and others will rely upon our confirmations, acknowledgments and agreements set forth herein, and we agree to notify you promptly in writing if any of our representations or warranties herein ceases to be accurate and complete. You are irrevocably authorized to produce this letter or a copy hereof to any interested party in any administrative or legal proceeding or official inquiry with respect to the matters covered hereby.

THIS LETTER SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK WITHOUT GIVING EFFECT TO APPLICABLE PRINCIPLES OF CONFLICTS OF LAW TO THE EXTENT THAT APPLICATION OF ANOTHER JURISDICTION WOULD BE REQUIRED THEREBY.

Very truly yours,

(Name of Purchaser)

By:

Name:

Title:

Address:

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PRINCIPAL EXECUTIVE OFFICE OF CORESTATES BANK, N.A.

CoreStates Bank, N.A.
Centre Square, West Tower
1500 Market Street
Philadelphia, PA 19101

PROPERTY TRUSTEE

The Chase Manhattan Bank
450 West 33rd Street
New York, New York 10001

PAYING AGENTS AND TRANSFER AGENTS

The Chase Manhattan Bank
450 West 33rd Street
New York, New York 10001

Chase Manhattan Bank Luxembourg, S.A.
5, Rue Plaetia
L-2338, Luxembourg

LEGAL ADVISORS

To the Company and the Trust as to U.S. law
Simpson Thacher & Bartlett
425 Lexington Avenue
New York, New York 10017

To the Initial Purchasers as to U.S. law
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One Liberty Plaza
New York, New York 10006

To the Company and the Trust as to Delaware law
Richards, Layton & Finger
One Rodney Square
P.O. Box 551
Wilmington, Delaware 19899

INDEPENDENT AUDITORS FOR CORESTATES FINANCIAL CORP

Ernst & Young LLP
2001 Market Street
Two Commerce Square
Philadelphia, Pennsylvania 19103

LISTING AGENT

Kredietbank S.A.
Luxembourgeoise 43
Boulevard Royal
L-2955 Luxembourg

No person has been authorized to give any information or to make any representations other than those contained in this Offering Memorandum, and, if given or made, such information or representation must not be relied upon as having been authorized. This Offering Memorandum does not constitute an offer to sell or the solicitation of an offer to buy any securities other than the securities described in this Offering Memorandum or an offer to sell or the solicitation of an offer to buy such securities in any circumstances in which such offer or solicitation is unlawful. Neither the delivery of this Offering Memorandum nor any sale made hereunder shall, under any circumstances, create any implication that the information contained herein is correct as of any time subsequent to the date of such information.

\$300,000,000

CoreStates Capital III

Flloating Rate Capital Trust Pass-through SecuritiesSM (TRUPSSM)

(Liquidation Amount \$1,000 per Capital Security)

Fully and Unconditionally Guaranteed, as described herein, by

CoreStates Bank, N.A.

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**Salomon Brothers
Lehman Brothers
Bear Stearns & Co. Inc.**

Offering Memorandum

Dated January 27, 1997